Missouri Gas Energy
Hypothetical Example of the Inadequacy of
A DCF Return Rate Related to Book Value
When Market Value is Greater / Less than Book Value

Line No.		1 Market Value	2 Book Value with Market to Book Ratio of 180%	3 Book Value with Market to Book Ratio of 80%
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 Gas Energy
Indicated Common Equity Cost Rate Through Use of the
Single Stage Discounted Cash Flow Model for the
Proxy Group of Nine Value Line Natural Gas Distribution Companies

Based upon Projected Growth in EPS

	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 Nine Value Line Natural Gas Distribution Companies					
AGL Resources Inc.	5.37 %	0.11 %	5.48 %	4.25 %	9.73 %
Atmos Energy Corp.	5.36	0.12	5.48	4.65	10.13
The Laclede Group, Inc.	3.35	0.08	3.43	4.50	7.93
New Jersey Resources Corp.	3.07	0.12	3.19	7.90	11.09
Northwest Natural Gas Co.	3.61	0.11	3.72	6.10	9.82
Piedmont Natural Gas Co., Inc.	3.82	0.15	3.97	7.65	11.62
South Jersey Industries, Inc.	3.05	0.11	3.16	7.25	10.41
Southwest Gas Corporation	3.62	0.10	3.72	5.75	9.47
WGL Holdings, Inc.	4.31	0.08	4.39	3.75	8.14
Average	3.95 %	0.11 %	4.06 %	5.76 %	9.82 %
Median	3.62 %	0.11 %	3.72 %	5.75 %	9.82 %
Southern Union Company	4.49 %	0.20 %	4.69 %	9.05 %	13.74 %

Notes:
(1) From Schedule FJH-12.
(2) This reflects a growth rate component equal to one-half the conclusion of growth rate (from page 1 of Schedule FJH-14) x Column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for AGL Resources Inc., 5.37% x (1/2 x 4.25%) = 0.11%.
(3) Column 1 + Column 2.
(4) From page 1 of Schedule FJH-14.
(5) Column 3 + Column 4.

Missouri Gas Energy
Derivation of Dividend Yield for Use in the
Discounted Cash Flow Model

	Dividend Yield		
	Spot (2/13/2009)(1)	Average of Last 2 Months (2)	Average Dividend Yield (3)
Proxy Group of Nine Value Line Natural Gas Distribution Companies			
AGL Resources Inc.	5.34 %	5.40 %	5.37 %
Atmos Energy Corp.	5.24	5.47	5.36
The Laclede Group, Inc.	3.40	3.30	3.35
New Jersey Resources Corp.	3.16	2.97	3.07
Northwest Natural Gas Co.	3.60	3.63	3.61
Piedmont Natural Gas Co., Inc.	4.00	3.65	3.82
South Jersey Industries, Inc.	3.15	2.95	3.05
Southwest Gas Corporation	3.72	3.53	3.62
WGL Holdings, Inc.	4.24	4.38	4.31
Average	3.98 %	3.92 %	3.95 %
Median	3.72 %	3.63 %	3.62 %
Southern Union Company	4.35 %	4.63 %	4.49 %

Notes:

(1) The spot dividend yield is the current annualized dividend per share divided by the spot market price on 2/13/2009.

(2) The average 2-month dividend yield was computed by relating the indicated annualized dividend rate and market price on the last trading day of each of the Two months ended 1/31/2009.

(3) Equal weight has been given to the 2-month average and spot dividend yield. This provides recognition of current conditions, but does not place undue emphasis thereon.

Source of Information: yahoo.finance.com

Missouri Gas Energy
Current Institutional Holdings and Individual Holdings for the Proxy Group of Nine Value Line Natural Gas Distribution Companies and Southern Union Company

	1	2
	February 13, 2009 Percentage of Institutional Holdings	February 13, 2009 Percentage of Individual Holdings (1)
Proxy Group of Nine Value Line Natural Gas Distribution Companies		
AGL Resources Inc.	66.10 %	33.90 %
Atmos Energy Corp.	58.49	41.51
The Laclede Group, Inc.	51.52	48.48
New Jersey Resources Corp.	58.61	41.39
Northwest Natural Gas Co.	57.72	42.28
Piedmont Natural Gas Co., Inc.	44.85	55.15
South Jersey Industries, Inc.	57.30	42.70
Southwest Gas Corporation	75.03	24.97
WGL Holdings, Inc.	0.00	100.00
Average	52.18 %	47.82 %
Median	57.72 %	42.28 %
Southern Union Company	75.09 %	24.91 %

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

Source of Information: today.reuters.com, updated February 13, 2009

Missouri Gas Energy
Historical and Projected Growth

	1	2		3
	Value Line Projected Growth 2011-2013 (1)	Reuters Mean Consensus Projected Five Year Growth Rate		Average Projected Five Year Growth Rate in EPS (2)
	EPS	EPS	No. of Est.	
Proxy Group of Nine Value Line Natural Gas Distribution Companies				
AGL Resources Inc.	3.00 %	5.50 %	[2]	4.25 %
Atmos Energy Corp.	4.50	4.80	[5]	4.65
The Laclede Group, Inc.	4.50	NA	NA	4.50
New Jersey Resources Corp.	9.50	6.30	[3]	7.90
Northwest Natural Gas Co.	7.00	5.20	[3]	6.10
Piedmont Natural Gas Co., Inc.	7.50	7.80	[4]	7.65
South Jersey Industries, Inc.	6.00	8.50	[2]	7.25
Southwest Gas Corporation	6.50	5.00	[3]	5.75
WGL Holdings, Inc.	3.50	4.00	[1]	3.75
Average	5.78 %	5.89 %		5.76 %
Median	6.00 %	5.35 %		5.75 %
Southern Union Company	9.50 %	8.60 %	[1]	9.05 %

NA= Not Applicable

Notes: (1) As shown on pages 2 through 11 of this Schedule.

(2) Average of Columns 1 and 2.

Source of Information: Value Line Investment Survey Standard Edition December 12, 2008.

Reuters Company Research February 13, 2009

AGL RESOURCES NYSE-ATG

RECENT PRICE 28.54 | P/E RATIO 10.2 (Trailing: 11.0 Median: 14.0) | RELATIVE P/E RATIO 1.00 | DIV'D YLD 6.0% | VALUE LINE

TIMELINESS 3 Raised 11/7/08
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 12/21/07
BETA .75 (1.00 = Market)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	21.6	23.4	23.4	23.2	24.5	25.0	29.3	33.7	39.3	40.1	44.7	39.1
Low:	17.8	17.7	15.6	16.5	19.0	17.3	21.0	26.6	32.0	34.4	35.2	24.0

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+95%)	21%
Low	40	(+40%)	13%

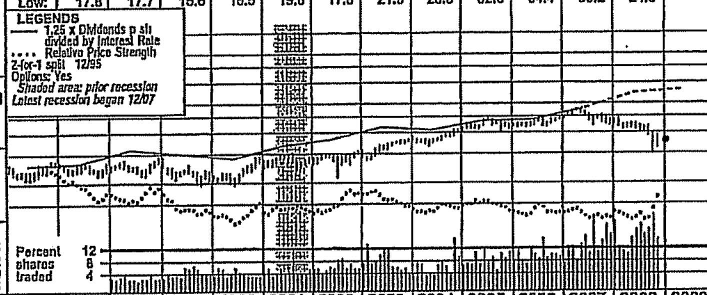
Insider Decisions

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

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	105	131	92
to Sell	127	106	130
Hld's(000)	47696	46762	46786

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 12/95
Options: Yes
Shaded area: prior recession
Latest recession began 12/07



Target Price Range
2011 | 2012 | 2013

% TOT. RETURN 11/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-14.6	-41.9
3 yr.	-2.7	-30.9
5 yr.	30.7	-10.6

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC	11-13
20.43	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	35.40	35.90	Revenues per sh A	41.25
2.31	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	4.64	4.70	4.80	"Cash Flow" per sh	5.40
1.13	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	2.70	2.80	Earnings per sh AB	3.15
1.03	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	Div'ds Decl'd per sh C■	1.84
2.74	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	4.20	4.35	Cap'l Spending per sh	5.00
9.70	9.90	10.19	10.12	10.66	10.99	11.42	11.59	11.50	12.19	12.62	14.66	18.06	19.29	20.71	21.74	22.60	22.75	Book Value per sh D	23.15
48.69	49.72	50.86	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	77.00	78.00	Common Shs Outst'g E	80.00
15.5	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	Bold figures are	Value Line	Avg Ann'l P/E Ratio	15.0
.94	1.06	.99	.84	.86	.85	.72	1.22	.88	.75	.68	.71	.69	.76	.73	.78	estimates		Relative P/E Ratio	1.00
5.9%	5.4%	5.9%	6.2%	5.6%	5.4%	5.5%	5.5%	8.2%	4.9%	4.7%	4.3%	3.8%	3.7%	4.0%	4.1%			Avg Ann'l Div'd Yield	3.9%

CAPITAL STRUCTURE as of 9/30/08
Total Debt $2444.0 mill. Due in 5 Yrs $1088 mill.
LT Debt $1675.0 mill. LT Interest $85.0 mill.
(Total interest coverage: 3.8x)

Leases, Uncapitalized Annual rentals $26.0 mill.

Pension Assets-12/07 $383.0 mill. Oblig. $427.0 mill.

Pfd Stock None
Common Stock 76,780,439 shs. as of 10/22/08

MARKET CAP: $2.2 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
1338.6	1068.6	607.4	1049.3	868.9	983.7	1832.0	2718.0	2621.0	2494.0	2725	2800	Revenues ($mill) A	3300
80.8	52.1	71.1	82.3	103.0	132.4	153.0	193.0	212.0	210.5	210	220	Net Profit ($mill)	250
32.5%	33.1%	34.3%	40.7%	36.0%	35.9%	37.0%	37.7%	37.8%	37.6%	39.0%	38.0%	Income Tax Rate	38.0%
6.0%	4.9%	11.7%	7.8%	11.9%	13.5%	8.4%	7.1%	8.1%	8.4%	7.7%	7.9%	Net Profit Margin	7.6%
47.5%	45.3%	45.9%	61.3%	58.3%	50.3%	54.0%	51.9%	50.2%	50.2%	49.0%	48.0%	Long-Term Debt Ratio	45.5%
47.1%	49.2%	48.3%	38.7%	41.7%	49.7%	46.0%	48.1%	49.8%	49.8%	51.0%	52.0%	Common Equity Ratio	54.5%
1388.4	1345.8	1286.2	1736.3	1704.3	1901.4	3008.0	3114.0	3231.0	3335.0	3415	3425	Total Capital ($mill)	3400
1534.0	1598.9	1637.5	2058.9	2194.2	2352.4	3178.0	3271.0	3436.0	3568.0	3750	3850	Net Plant ($mill)	4200
7.6%	5.7%	7.4%	6.5%	8.1%	8.9%	6.3%	7.9%	8.0%	7.7%	7.5%	7.5%	Return on Total Cap'l	8.5%
11.1%	7.1%	10.2%	12.3%	14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	12.0%	12.5%	Return on Shr. Equity	13.5%
12.3%	7.9%	11.5%	12.3%	14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	12.0%	12.5%	Return on Com Equity	13.5%
4.4%	NMF	3.2%	4.2%	7.0%	6.6%	5.6%	6.2%	6.3%	5.3%	4.5%	5.0%	Retained to Com Eq	5.5%
64%	101%	72%	65%	52%	53%	49%	52%	52%	58%	62%	61%	All Div'ds to Net Prof	59%

CURRENT POSITION ($MILL.)	2006	2007	9/30/08
Cash Assets	20.0	21.0	11.0
Other	1802.0	1790.0	1929.0
Current Assets	1822.0	1811.0	1940.0
Accts Payable	213.0	172.0	181.0
Debt Due	539.0	580.0	769.0
Other	875.0	893.0	872.0
Current Liab.	1627.0	1645.0	1822.0
Fix. Chg. Cov.	397%	391%	390%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	3.5%	13.5%	3.5%
"Cash Flow"	6.5%	7.0%	3.5%
Earnings	7.0%	15.0%	3.0%
Dividends	2.5%	4.0%	4.0%
Book Value	6.5%	10.5%	2.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	908	430	387	993	2718
2006	1044	436	434	707	2621
2007	973	467	369	685	2494
2008	1012	444	539	730	2725
2009	1040	480	505	775	2800

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	1.14	.30	.19	.85	2.48
2006	1.41	.25	.46	.60	2.72
2007	1.29	.40	.17	.86	2.72
2008	1.16	.30	.28	.96	2.70
2009	1.20	.35	.30	.95	2.80

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.28	.29	.29	.29	1.15
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	

BUSINESS: AGL Resources, Inc. is a public utility holding company. Its distribution subsidiaries include Atlanta Gas Light, Chattanooga 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. Also wholesales and retails propane. Deregulated subsidiaries: Georgia Natural Gas markets natural gas at retail. Sold Utilipro, 3/01. Acquired Compass Energy Services, 10/07. Officers/directors own less than 1.0% of common (3/08 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.

Shares of AGL Resources have held up relatively well since our September review, despite considerable weakness in the broader market. The company reported healthy performance in the third quarter. Revenues and share earnings advanced considerably in the recent interim. This was primarily due to strength in the Wholesale Services business, which reported much higher operating income for the period. Elsewhere, performance at the Distribution Operations was helped by greater pipeline replacement revenues for Atlanta Gas Light. However, the utility operations continued to be dampened by weakness in the housing market, and customer growth has slowed significantly in recent times. Despite the challenging economic environment, healthy performance should continue at the company's core businesses. Thus, we anticipate solid results at AGL Resources going forward.

The company continues to progress with its capital projects. The Hampton Roads Crossing Project remains on schedule and within budget. This initiative will connect two pipeline systems crossing the Hampton Roads harbor, and provide for an ample supply of natural gas to the region. The project will likely be completed late in 2009, and ought to earn solid returns for the company. Elsewhere, construction continues on the Spindletop salt dome in Beaumont, Texas. This underground natural gas storage facility will offer up to 12 billion cubic feet (bcf) of gas capacity in two caverns. The project should meet a growing demand for natural gas storage in the region. Meantime, AGL is moving forward with the Magnolia Pipeline Project. This $48 million initiative will provide transportation of regasified liquid natural gas from Elba Island to Atlanta Gas Light in the Macon and Atlanta areas.

Overall, this stock offers attractive total return potential for a utility. We anticipate steady bottom-line growth from 2009 onward, assuming capital projects pay off. Moreover, AGL earns high marks for Safety, Price Stability, and Earnings Predictability. Income investors may find this neutrally-ranked issue's healthy dividend yield appealing. Earnings need to pick up for dividend growth to remain above average, though.

Michael Napoli, CPA *December 12, 2008*

(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, ($0.45). Next earnings report due late January/early February. (C) Dividends historically paid early March, June, Sept., and Dec. ■ Div'd reinvest. plan available. (D) Includes intangibles. At 9/30/08: $418 million, $5.44/share.
(E) In millions, adjusted for stock split.

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

ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE	23.24	P/E RATIO	10.8 (Trailing: 11.6; Median: 16.0)	RELATIVE P/E RATIO	1.06	DIV'D YLD	5.7%	VALUE LINE

TIMELINESS 2 Raised 12/12/08
SAFETY 2 Raised 12/16/05
TECHNICAL 2 Raised 12/12/08
BETA .65 (1.00 = Market)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	30.5	32.3	33.0	26.3	25.8	24.5	25.5	27.6	30.0	33.1	33.5	29.3
Low:	22.1	24.8	19.6	14.3	19.5	17.6	20.8	23.4	25.0	25.5	23.9	19.7

2011-13 PROJECTIONS

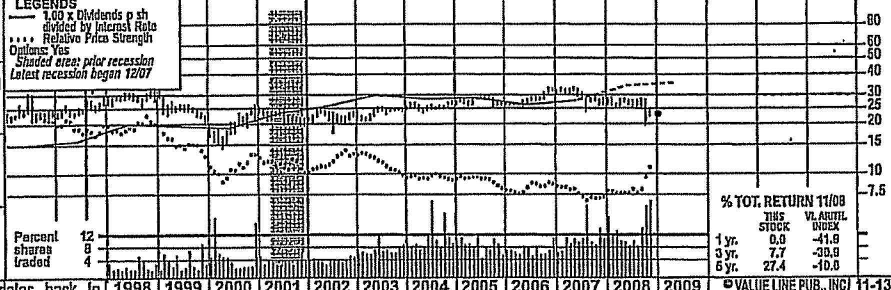
	Price	Gain	Ann'l Total Return
High	40	(+70%)	19%
Low	30	(+30%)	11%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	1	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	3	0	1	1

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	112	119	103
to Sell	103	89	119
Hld's(000)	58504	58318	56301



% TOT. RETURN 11/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	0.0	-41.9
3 yr.	7.7	-30.9
5 yr.	27.4	-10.0

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.

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC	11-13
27.90	22.09	26.61	35.36	22.82	54.39	46.50	61.75	75.27	66.03	79.35	86.95	Revenues per sh A	93.05
3.38	2.62	3.01	3.03	3.39	3.23	2.91	3.90	4.26	4.14	4.20	4.40	"Cash Flow" per sh	4.65
1.84	.81	1.03	1.47	1.45	1.71	1.58	1.72	2.00	1.94	2.00	2.10	Earnings per sh A B	2.45
1.06	1.10	1.14	1.16	1.18	1.20	1.22	1.24	1.26	1.28	1.30	1.32	Div'ds Decl'd per sh C ■	1.40
4.44	3.53	2.38	2.77	3.17	3.10	3.03	4.14	5.20	4.39	5.20	5.65	Cap'l Spending per sh	6.30
12.21	12.09	12.28	14.31	13.76	16.66	18.05	19.90	20.16	22.01	23.65	24.10	Book Value per sh	25.55
30.40	31.25	31.95	40.79	41.68	51.48	62.80	80.54	81.74	89.33	91.00	92.00	Common Shs Outst'g D	115.00
16.4	33.0	18.9	15.8	15.2	13.4	16.0	16.1	13.5	15.9	13.6		Avg Ann'l P/E Ratio	14.5
.80	1.88	1.23	.80	.83	.76	.84	.86	.73	.83	.80		Relative P/E Ratio	.95
3.7%	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%
848.2	690.2	850.2	1442.3	950.8	2799.9	2920.0	4973.3	6152.4	5898.4	7221.3	8000	Revenues ($mill) A	10700
55.3	25.0	32.2	56.1	59.7	79.5	86.2	135.8	162.3	170.5	180.3	195	Net Profit ($mill)	280
36.5%	35.0%	36.1%	37.3%	37.1%	37.1%	37.4%	37.7%	37.6%	35.8%	38.4%	38.5%	Income Tax Rate	40.0%
6.5%	3.6%	3.8%	3.9%	6.3%	2.8%	3.0%	2.7%	2.6%	2.9%	2.5%	2.4%	Net Profit Margin	2.6%
51.8%	50.0%	48.1%	54.3%	53.9%	50.2%	43.2%	57.7%	57.0%	52.0%	51.0%	51.0%	Long-Term Debt Ratio	51.0%
48.2%	50.0%	51.9%	45.7%	46.1%	49.8%	56.8%	42.3%	43.0%	48.0%	49.0%	49.0%	Common Equity Ratio	49.0%
769.7	755.1	755.7	1276.3	1243.7	1721.4	1994.8	3785.5	3828.5	4092.1	4170	4460	Total Capital ($mill)	6000
917.9	965.8	982.3	1335.4	1300.3	1516.0	1722.5	3374.4	3629.2	3836.8	4135	4350	Net Plant ($mill)	5800
9.0%	5.1%	6.6%	5.9%	6.8%	6.2%	5.8%	5.3%	6.1%	5.9%	6.0%	6.0%	Return on Total Cap'l	6.0%
14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	9.0%	9.0%	Return on Shr. Equity	9.5%
14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	9.0%	9.0%	Return on Com Equity	9.5%
6.3%	NMF	NMF	2.1%	1.9%	2.8%	1.7%	2.3%	3.6%	3.0%	3.0%	3.5%	Retained to Com Eq	4.0%
58%	NMF	112%	79%	82%	70%	77%	73%	63%	65%	66%	62%	All Div'ds to Net Prof	58%

CAPITAL STRUCTURE as of 6/30/08
Total Debt $2234.0 mill. Due in 5 Yrs $920.0 mill.
LT Debt $2119.7 mill. LT Interest $125.0 mill.
(LT interest earned: 2.9x; total interest coverage: 2.8x)
Leases, Uncapitalized Annual rentals $16.9 mill.
Pfd Stock None
Pension Assets-9/07 $389.1 mill. Oblig. $335.6 mill.
Common Stock 90,627,522 shs. as of 7/31/08
MARKET CAP: $2.1 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2006	2007	6/30/08
Cash Assets	75.8	60.7	46.5
Other	1041.7	1008.2	1350.5
Current Assets	1117.5	1068.9	1397.0
Accts Payable	345.1	355.3	582.4
Debt Due	385.6	154.4	114.3
Other	388.5	410.0	472.1
Current Liab.	1119.2	919.7	1168.8
Fix. Chg. Cov.	408%	405%	410%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	8.5%	19.0%	5.5%
"Cash Flow"	4.0%	5.5%	2.0%
Earnings	3.5%	7.5%	4.5%
Dividends	2.5%	1.5%	2.0%
Book Value	7.0%	9.0%	3.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2005	1371.0	1687.8	809.9	1004.6	4973.3
2006	2283.8	2033.8	863.2	971.6	6152.4
2007	1602.6	2075.6	1218.2	1002.0	5898.4
2008	1657.5	2484.0	1639.1	1440.7	7221.3
2009	1855	2925	1735	1485	8000

Fiscal Year Ends	EARNINGS PER SHARE A B E Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2005	.79	1.11	.06	d.21	1.72
2006	.88	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	.90	1.30	d.06	d.04	2.10

Calendar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.305	.305	.305	.31	1.23
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	

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 2007 gas volumes: 297 MMcf. Breakdown: 56%, residential; 32%, commercial; 8%, industrial; and 4% other. 2007 depreciation rate 3.7%. Has around 4,470 employees. Officers and directors own approximately 1.8% of common stock (12/07 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 stands to perform decently in fiscal 2009 (began on October 1st). That division should benefit from a rise in throughput, plus more aggressive collection efforts, which should keep bad debt expense under control. Note that revenues from pending rate cases are excluded from our presentation.

We are constructive about the other operations, as well. The regulated transmission and storage segment ought to be boosted by healthy transportation volumes from production in the Barnett Shale region of Texas. Moreover, respectable results seem achievable for the nonregulated marketing segment. But that unit's record showing in fiscal 2006 (when it was able to capture highly favorable arbitrage spreads created by natural gas volatility) probably won't be repeated.

Consolidated share net may rise around 5%, to $2.10, this fiscal year. One threat to this estimate is higher interest expense. The company has normally used short-term commercial paper to finance natural gas purchases. But Atmos had to access a line of credit when the commercial paper market froze. Efficiency gains may provide an offset, though. We expect a similar rate of bottom-line growth (to $2.20 a share) in fiscal 2010.

Steady, albeit unspectacular, annual earnings gains appear to be in store over the 2011-2013 horizon. The utility is one of the country's leading natural gas-only distributors, serving some 3.2 million customers across 12 states. Furthermore, the unregulated segments (contributing between 15% and 35% to net income annually on a historical basis) seem to possess healthy overall prospects. Finally, management should continue to implement its successful strategy of purchasing less-efficient utilities and shoring up their profitability via expense-reduction efforts, rate relief, and aggressive marketing.

These good-quality shares offer a healthy dose of current dividend income, which is adequately covered by earnings. Continued moderate increases in the distribution seem likely, too.

Total return prospects look decent, on a risk-adjusted basis. Also, the stock is ranked 2 (Above Average) for Timeliness.

Frederick L. Harris, III December 12, 2008

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '99, d23¢; '00, 12¢; '03, d17¢; '06, d18¢; '07, d2¢. Next egs. rpt. due early Feb. (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. (F) ATO completed United Cities merger 7/97.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	40
Earnings Predictability	80

LACLEDE GROUP NYSE-LG

RECENT PRICE 48.89 | P/E RATIO 21.2 (Trailing: 18.4 / Median: 15.0) | RELATIVE P/E RATIO 2.08 | DIV'D YLD 3.1% | VALUE LINE

TIMELINESS 2 Raised 10/10/08
SAFETY 2 Raised 6/20/03
TECHNICAL 1 Raised 12/5/08
BETA .65 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	28.6	27.9	27.0	24.8	25.5	25.0	30.0	32.5	34.3	37.5	36.0	55.8
Low:	20.3	22.4	20.0	17.5	21.3	19.0	21.8	26.0	26.9	29.1	28.8	31.9

Target Price Range 2011 | 2012 | 2013

2011-13 PROJECTIONS

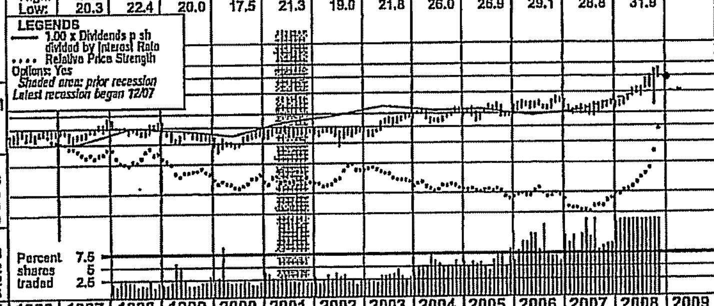
	Price	Gain	Ann'l Total Return
High	60	(+25%)	8%
Low	45	(-10%)	1%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	1	0	9	0	0	2	0
to Sell	0	0	1	0	9	0	0	2	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	72	97	82
to Sell	55	60	72
Hld's(000)	10492	11750	11943



% TOT. RETURN 11/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	69.3	-41.9
3 yr.	100.2	-30.9
5 yr.	124.7	-10.6

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC	11-13
26.83	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	*100.40*	*96.00*	Revenues per sh	*111.75*
2.32	2.81	2.65	2.55	3.29	3.32	3.02	2.56	2.68	3.00	2.56	3.15	2.79	2.98	3.81	3.87	*4.20*	*4.30*	"Cash Flow" per sh	*5.30*
1.17	1.61	1.42	1.27	1.87	1.84	1.58	1.47	1.37	1.61	1.18	1.82	1.82	1.90	2.37	2.31	*2.64*	*2.50*	Earnings per sh A B	*2.85*
1.20	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*	Div'ds Decl'd per sh C ■	*1.65*
2.87	2.62	2.50	2.63	2.35	2.44	2.68	2.58	2.77	2.51	2.60	2.67	2.45	2.84	2.97	2.72	*2.55*	*2.65*	Cap'l Spending per sh	*3.40*
11.79	12.19	12.44	13.05	13.72	14.26	14.57	14.96	14.99	15.26	15.07	15.65	16.96	17.31	18.85	19.79	*22.10*	*21.90*	Book Value per sh D	*26.00*
15.59	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	*22.00*	*22.50*	Common Shs Outst'g E	*25.50*
15.8	13.5	16.4	15.5	11.9	12.5	16.5	15.8	14.9	14.5	20.0	13.6	15.7	16.2	13.6	14.2	14.3		Avg Ann'l P/E Ratio	*18.0*
.96	.80	1.08	1.04	.75	.72	.81	.90	.97	.74	1.09	.78	.83	.86	.73	.75	.85		Relative P/E Ratio	*1.20*
6.5%	5.6%	5.3%	6.3%	5.6%	5.6%	5.4%	5.8%	6.6%	5.7%	5.7%	5.4%	4.7%	4.4%	4.3%	4.4%	3.9%		Avg Ann'l Div'd Yield	*3.1%*
						547.2	491.6	566.1	1002.1	755.2	1050.3	1250.3	1597.0	1997.6	2021.6	2209.0	*2160*	Revenues ($mill) A	*2850*
						27.9	26.9	26.0	30.5	22.4	34.6	36.1	40.1	50.5	49.8	57.5	*56.5*	Net Profit ($mill)	*75.0*
						35.6%	35.5%	35.2%	32.7%	35.4%	35.0%	34.8%	34.1%	32.5%	33.4%	31.3%	*31.5%*	Income Tax Rate	*35.0%*
						5.1%	5.5%	4.6%	3.0%	3.0%	3.3%	2.9%	2.5%	2.5%	2.5%	2.6%	*2.6%*	Net Profit Margin	*2.7%*
						40.9%	41.8%	45.2%	49.5%	47.5%	50.4%	51.6%	48.1%	49.5%	45.3%	*44.5%*	*45.0%*	Long-Term Debt Ratio	*47.0%*
						58.6%	57.8%	54.5%	50.2%	52.3%	49.4%	48.3%	51.6%	50.4%	54.6%	*55.5%*	*55.0%*	Common Equity Ratio	*53.0%*
						438.0	488.6	519.2	574.1	546.6	605.0	737.4	707.9	798.9	784.5	*875*	*895*	Total Capital ($mill)	*1250*
						490.6	519.4	576.4	602.5	594.4	621.2	646.9	679.5	763.8	793.8	*825*	*855*	Net Plant ($mill)	*1150*
						8.1%	7.1%	6.7%	6.9%	6.0%	7.4%	6.6%	7.6%	8.4%	8.5%	*8.0%*	*7.5%*	Return on Total Cap'l	*7.5%*
						10.8%	9.5%	9.1%	10.6%	7.8%	11.5%	10.1%	10.9%	12.5%	11.6%	*12.0%*	*11.5%*	Return on Shr. Equity	*11.5%*
						10.8%	9.5%	9.1%	10.5%	7.8%	11.6%	10.1%	10.9%	12.5%	11.6%	*12.0%*	*11.5%*	Return on Com Equity	*11.5%*
						1.8%	1.0%	.2%	1.8%	NMF	3.1%	2.7%	3.1%	5.1%	4.3%	*5.0%*	*4.5%*	Retained to Com Eq	*5.0%*
						83%	89%	98%	83%	113%	74%	73%	72%	59%	63%	*57%*	*61%*	All Div'ds to Net Prof	*56%*

CAPITAL STRUCTURE as of 6/30/08
Total Debt $368.0 mill. Due in 5 Yrs $275.0 mill.
LT Debt $309.2 mill. LT Interest $20.0 mill.
(Total interest coverage: 3.0x)

Leases, Uncapitalized Annual rentals $.9 mill.
Pension Assets-9/07 $260.3 mill. Oblig. $293.3 mill.

Pfd Stock $.5 mill. Pfd Div'd $.04 mill.
Common Stock 21,971,760 shs. as of 8/5/08

MARKET CAP: $1.1 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2006	2007	6/30/08
Cash Assets	50.8	52.7	33.0
Other	409.0	414.6	395.9
Current Assets	459.8	467.3	428.9
Accts Payable	103.3	106.8	191.4
Debt Due	207.5	251.6	58.8
Other	120.1	115.3	75.3
Current Liab.	430.9	473.7	325.5
Fix. Chg. Cov.	285%	282%	285%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	11.5%	16.5%	4.5%
"Cash Flow"	1.5%	6.5%	7.0%
Earnings	3.0%	8.5%	4.5%
Dividends	1.0%	1.0%	2.5%
Book Value	3.0%	4.5%	5.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2005	442.5	576.5	311.3	266.7	1597.0
2006	689.2	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	*540*	*540*	*540*	*540*	*2160*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2005	.79	1.06	.29	d.24	1.90
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	*.96*	*1.16*	*.33*	*.05*	*2.50*

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				

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 632,000 customers. Purchased SM&P Utility Resources, 1/02; divested, 3/08. Therms sold and transported in fiscal 2007: 1.12 mill. Revenue mix for regulated operations: residential, 60%; commercial and industrial, 24%; transportation, 1%; other, 15%. Has around 3,845 employees. Officers and directors own approximately 7.0% of common shares (1/08 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.

We do not believe that Laclede Group's share net in fiscal 2009 (which began on October 1st) will reach last year's level, attributable mainly to the difficult comparison. Regarding Laclede Gas, accounting for the biggest portion of profits, it appears that the substantial rate increase effective August 1st of 2007 won't be repeated. Furthermore, there may not be a recording of additional previously unrecognized tax benefits here. Meanwhile, Laclede Energy Resources stands to have a respectable performance (depending greatly on natural gas price volatility), but we do not anticipate a reversal of more tax-related expenses. All things considered, consolidated share net ought to decrease roughly 5%, to $2.50, this fiscal year. Laclede Group's bottom line could expand in the mid-single-digit range (to $2.60 a share) in fiscal 2010, assuming additional expansion in operating margins.

Steady, if unspectacular, earnings increases seem achievable over the 3- to 5-year timeframe. Expansion of the customer base for the natural gas distribution unit has been moderate for some time because the service area, located in eastern Missouri, is in a mature stage. That being the case, internal growth here will likely remain a challenge. The non-regulated division has promising expansion opportunities, but it has contributed just a small portion to Laclede Group's profits on a historical basis. A significant acquisition could help to offset this, but it appears that management has no such plans in the works at this juncture. Consequently, annual bottom-line advances could be only between 4% and 5% over the 2011-2013 horizon.

This favorably ranked equity offers a decent level of current dividend income, which is adequately covered by earnings. But further increases in the distribution will probably be slow in coming. This is primarily because of the regulated gas segment's unexciting long-term growth prospects.

Total-return possibilities are limited. That is attributable to these shares' relatively high present quotation and our expectation of moderate increases in the dividend.

Frederick L. Harris, III December 12, 2008

(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 Jan. (C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available. (D) Incl. deferred charges. In '07: $289.7 mill., $13.38/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	75

NEW JERSEY RES. NYSE-NJR

RECENT PRICE 38.42 | P/E RATIO 12.2 (Trailing: 14.2 Median: 15.0) | RELATIVE P/E RATIO 1.20 | DIV'D YLD 3.2% | VALUE LINE

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	16.7	17.9	18.3	19.8	21.7	22.4	26.4	29.7	32.9	35.4	37.6	41.1	
Low:	12.5	14.0	14.9	16.1	16.6	16.2	20.0	24.3	27.1	27.7	30.3	24.6	

Target Price Range 2011 | 2012 | 2013

TIMELINESS 2 Raised 11/28/08

SAFETY 1 Raised 9/15/06

TECHNICAL 2 Raised 11/21/08

BETA .70 (1.00 = Market)

LEGENDS
— 1.40 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 3/02
3-for-2 split 3/08
Options: No
Shaded area: prior recession
Latest recession began 12/07

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+15%)	7%
Low	40	(+5%)	4%

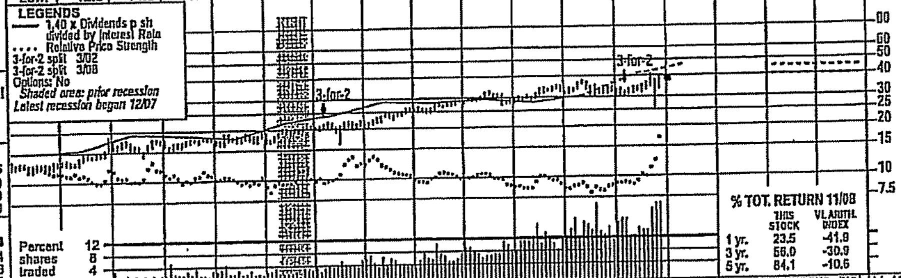
Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	0	1	2	0	0	1	0
to Sell	0	2	0	0	2	0	0	1	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	85	80	64
to Sell	70	62	68
Hld's(000)	26518	26910	26312

Percent shares traded 12 8 4



% TOT. RETURN 11/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	23.5	-41.9
3 yr.	56.0	-30.9
5 yr.	84.1	-10.6

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
11.25	12.02	12.81	11.36	13.48	17.31	17.73	22.65	29.42	51.22	44.11	62.29	60.89	76.19	79.63	72.62	91.12	92.46	Revenues per sh A	97.60
1.30	1.42	1.54	1.42	1.48	1.63	1.74	1.86	1.99	2.12	2.14	2.36	2.50	2.62	2.73	2.44	3.64	3.70	"Cash Flow" per sh	3.90
.73	.76	.84	.86	.92	.99	1.04	1.11	1.20	1.30	1.39	1.59	1.70	1.77	1.87	1.55	2.70	2.80	Earnings per sh B	3.00
.68	.68	.68	.68	.69	.71	.73	.75	.76	.78	.80	.83	.87	.91	.96	1.01	1.11	1.24	Div'ds Decl'd per sh C■	1.36
1.33	1.54	1.40	1.18	1.19	1.15	1.07	1.21	1.23	1.10	1.02	1.14	1.45	1.28	1.28	1.46	1.73	1.75	Cap'l Spending per sh	1.80
6.29	6.54	6.43	6.47	6.73	6.92	7.26	7.57	8.29	8.80	8.71	10.28	11.25	10.60	15.00	15.50	17.36	19.35	Book Value per sh D	25.75
36.64	37.84	38.93	40.03	40.69	40.23	40.07	39.92	39.69	40.00	41.50	40.85	41.61	41.32	41.44	41.61	41.86	42.50	Common Shs Outst'g E	44.00
12.4	15.1	13.0	11.7	13.6	13.6	15.3	15.2	14.7	14.2	14.7	14.0	15.3	16.8	16.1	21.6	12.3		Avg Ann'l P/E Ratio	14.0
.75	.89	.85	.78	.85	.78	.80	.87	.96	.73	.80	.80	.81	.89	.87	1.13	.73		Relative P/E Ratio	.95
7.5%	5.8%	6.2%	6.7%	5.6%	6.3%	4.6%	4.5%	4.4%	4.2%	3.9%	3.7%	3.3%	3.1%	3.2%	3.0%	3.3%		Avg Ann'l Div'd Yield	3.4%

CAPITAL STRUCTURE as of 9/30/08
Total Debt $693.4 mill. Due in 5 Yrs $175.6 mill.
LT Debt $455.1 mill. LT Interest $16.9 mill.
Incl. $8.8 mill. capitalized leases.
(LT interest earned: 4.8x; total interest coverage: 4.8x)
Pension Assets-9/08 $80.6 mill. Oblig. $102.4 mill.

Pfd Stock None

Common Stock 42,120,169 shs. as of 11/20/08
MARKET CAP: $1.6 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
710.3	904.3	1164.5	2048.4	1830.8	2544.4	2533.6	3148.3	3299.6	3021.8	3816.2	3930	Revenues ($mill) A	4295
43.3	44.9	47.9	52.3	56.8	65.4	71.6	74.4	78.5	65.3	113.9	120	Net Profit ($mill)	130
30.4%	36.2%	37.6%	38.0%	38.7%	39.4%	39.1%	39.1%	38.9%	38.8%	37.8%	39.0%	Income Tax Rate	40.0%
6.1%	5.0%	4.1%	2.6%	3.1%	2.6%	2.8%	2.4%	2.4%	2.2%	3.0%	3.1%	Net Profit Margin	3.0%
51.2%	48.7%	47.0%	50.1%	50.6%	38.1%	40.3%	42.0%	34.8%	37.3%	38.5%	38.0%	Long-Term Debt Ratio	32.5%
45.6%	51.2%	52.9%	49.9%	49.4%	61.9%	59.7%	58.0%	65.2%	62.7%	61.5%	62.0%	Common Equity Ratio	67.5%
638.2	590.4	620.1	706.2	732.4	676.8	783.8	755.3	954.0	1028.0	1182.1	1325	Total Capital ($mill)	1680
680.0	705.4	730.6	743.9	756.4	852.6	880.4	805.1	934.9	970.9	1017.3	1040	Net Plant ($mill)	1100
8.1%	9.0%	9.0%	8.5%	8.7%	10.7%	10.1%	11.2%	9.6%	7.7%	10.7%	10.0%	Return on Total Cap'l	8.5%
13.9%	14.8%	14.6%	14.8%	15.7%	15.6%	15.3%	17.0%	12.6%	10.1%	15.7%	14.5%	Return on Shr. Equity	11.5%
14.4%	14.8%	14.6%	14.9%	15.7%	15.6%	15.3%	17.0%	12.6%	10.1%	15.7%	14.5%	Return on Com Equity	11.5%
4.4%	5.0%	5.4%	6.1%	6.9%	7.7%	7.8%	8.5%	6.3%	3.6%	9.3%	8.0%	Retained to Com Eq	6.5%
71%	67%	63%	59%	56%	51%	49%	50%	50%	64%	41%	44%	All Div'ds to Net Prof	46%

CURRENT POSITION ($MILL.)	2006	2007	9/30/08
Cash Assets	5.0	5.1	42.6
Other	960.5	794.8	1067.1
Current Assets	965.5	799.9	1109.7
Accts Payable	46.8	64.4	61.7
Debt Due	284.4	260.8	238.3
Other	566.0	378.1	594.0
Current Liab.	897.2	703.3	894.0
Fix. Chg. Cov.	570%	461%	460%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	18.5%	13.0%	4.5%
"Cash Flow"	5.5%	4.5%	7.0%
Earnings	6.5%	6.0%	9.5%
Dividends	3.5%	4.0%	6.0%
Book Value	7.5%	10.0%	11.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2005	854.1	1065	544.3	684.9	3148.3
2006	1164	1064	536.1	535.5	3299.6
2007	737.4	1029	662.2	593.2	3021.8
2008	811.1	1178	1000	827.1	3816.2
2009	850	1190	1050	840	3930

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2005	.61	1.23	.05	d.12	1.77
2006	.82	1.43	d.09	d.29	1.87
2007	.70	.19	.60	.06	1.55
2008	.87	.30	d.18	1.86	2.70
2009	.90	.40	--	1.50	2.80

Cal-endar	QUARTERLY DIVIDENDS PAID C E■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.217	.217	.217	.217	.87
2005	.227	.227	.227	.227	.91
2006	.24	.24	.24	.24	.96
2007	.253	.253	.253	.253	1.01
2008	.267	.28	.28	.28	

BUSINESS: New Jersey Resources Corp. is a holding company providing retail/wholesale energy svcs. to customers in New Jersey, and in states from the Gulf Coast to New England, and Canada. New Jersey Natural Gas had about 478,000 customers at 9/30/07 in Monmouth and Ocean Counties, and other N.J. Counties. Fiscal 2007 volume: 102.8 bill. cu. ft. (58% firm, 6% interruptible industrial and electric utility, 36% off-system and capacity release). N.J. Natural Energy subsidiary provides unregulated retail/wholesale natural gas and related energy svcs. 2007 dep. rate: 2.8%. Has 808 empls. Off./dir. own about 2% of common (12/07 Proxy). Chmn., CEO, & Pres.: Laurence M. Downes. Inc.: N.J. Addr.: 1415 Wyckoff Road, Wall, NJ 07719. Tel.: 732-938-1480. Web: www.njresources.com.

New Jersey Resources posted solid results for its fiscal fourth quarter (ended September 30th) and year. This stemmed from roughly 7,175 new customers last year, as well as about 730 conversions, which boosted results at the New Jersey Natural Gas (NJNG) division. Meanwhile, record performance from NJR Energy Services also contributed nicely.

Capital projects ought to provide room for the expansion of its midstream assets. NJR has been making progress at its Steckman Ridge storage facility in western Pennsylvania. Meanwhile, the company has drilled three wells so far, and expects to have nine others completed in 2009. This facility will provide extra capacity during the peak winter and summer months to the Northeast. Also, the completion of a new 16-inch main pipeline into the Whiting section of Manchester Township, NJ is allowing for new first-time customers.

We have raised our 2009 annual estimate by 30%. This stems a recent base rate case approval for NJNG that boosts annual revenues by $32.5 million, as well as the aforementioned capital projects. New customers at the NJNG division are expected to contribute approximately $4 million annually to utility gross margins. And there is still sizable room for that segment to grow through potential customers and conversions. The NJR Energy Services unit has benefited from its dynamic portfolio of supply storage and transportation contacts. And the Steckman Ridge facility ought to complement that mix nicely. All told, the company's prospects appear bright.

Meanwhile, the balance sheet and financial position appear strong. NJR has ample cash on hand, and solid access to capital through revolving bank credit.

These timely shares have been on a bumpy ride since our September review. Still, they are currently trading up about 6% over that interim, thanks to a dividend increase and solid earnings this past year. Meanwhile, the 10.7% hike in NJR's quarterly dividend may appeal to income-oriented accounts. And conservative investors may find the high Safety rank (1) and solid Financial Strength rating (A) comforting.

Bryan Fong *December 12, 2008*

(A) Fiscal year ends Sept. 30th.
(B) Diluted earnings. Qtly egs may not sum to total due to change in shares outstanding. Next earnings report due late Jan.
(C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.
(D) Includes regulatory assets in 2008: $340.7 million, $8.09/share.
(E) In millions, adjusted for split.
(F) Restated.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	50

N.W. NAT'L GAS NYSE-NWN

RECENT PRICE 46.38 | P/E RATIO 17.4 (Trailing: 18.0 Median: 16.0) | RELATIVE P/E RATIO 1.71 | DIV'D YLD 3.4% | VALUE LINE

High:	31.4	30.8	27.9	27.5	26.8	30.7	31.3	34.1	39.6	43.7	52.8	55.2
Low:	23.0	24.3	19.5	17.8	21.7	23.5	24.0	27.5	32.4	32.8	39.8	37.7

TIMELINESS 3 Raised 8/8/08
SAFETY 1 Raised 3/18/05
TECHNICAL 1 Raised 12/12/08
BETA .60 (1.00 = Market)

2011-13 PROJECTIONS

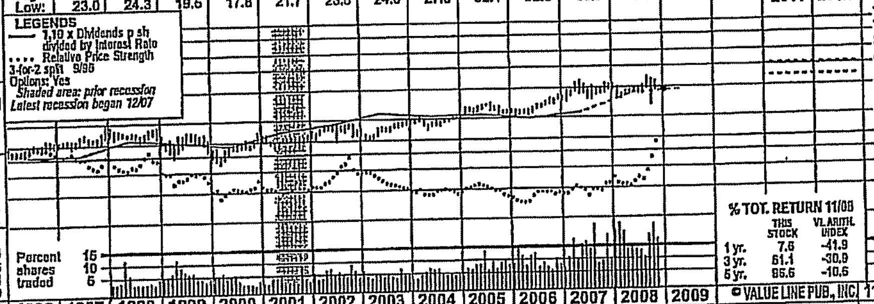
	Price	Gain	Ann'l Total Return
High	65	(+40%)	12%
Low	55	(+20%)	8%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	1	0	0	0	1	0	0	0
Options	0	0	0	0	0	1	0	1	2
to Sell	0	0	0	0	0	1	0	1	2

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	77	78	65
to Sell	92	71	74
Hld's(000)	16772	16947	16310



Target Price Range 2011 | 2012 | 2013

% TOT. RETURN 11/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	7.6	-41.9
3 yr.	61.1	-30.9
5 yr.	95.6	-10.6

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
14.10	18.15	18.30	16.02	16.66	15.82	16.77	18.17	21.09	25.78	25.07	23.57	25.69	33.01	37.20	39.13	40.55	43.95	Revenues per sh	50.00
3.25	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	5.40	5.75	"Cash Flow" per sh	5.60
.74	1.74	1.63	1.61	1.97	1.76	1.02	1.70	1.79	1.88	1.62	1.76	1.86	2.11	2.35	2.76	2.55	2.80	Earnings per sh A	3.35
1.15	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	Div'ds Decl'd per sh B■	1.88
3.73	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	5.45	9.00	Cap'l Spending per sh	4.50
12.41	13.08	13.63	14.55	15.37	16.02	16.59	17.12	17.93	18.56	18.88	19.52	20.64	21.28	22.01	22.52	23.65	23.75	Book Value per sh	26.50
19.46	19.77	20.13	22.24	22.66	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	Common Shs Outst'g C	28.00
27.0	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	Bold figures are		Avg Ann'l P/E Ratio	18.0
1.64	.76	.85	.86	.73	.83	1.39	.83	.81	.66	.94	.90	.88	.91	.86	.88	Value Line		Relative P/E Ratio	1.20
5.7%	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%	estimates		Avg Ann'l Div'd Yield	3.1%
						416.7	455.8	632.1	650.3	641.4	611.3	707.6	910.5	1013.2	1033.2	1000	1025	Revenues ($mill)	1400
						27.3	44.9	47.8	50.2	43.8	46.0	50.6	58.1	65.2	74.5	67.5	74.0	Net Profit ($mill)	94.0
						31.0%	35.4%	35.9%	35.4%	34.9%	33.7%	34.4%	36.0%	36.3%	37.2%	37.0%	37.0%	Income Tax Rate	37.0%
						6.6%	9.9%	8.0%	7.7%	6.8%	7.5%	7.1%	6.4%	6.4%	7.2%	6.8%	6.4%	Net Profit Margin	6.7%
						45.0%	46.0%	45.1%	43.0%	47.6%	49.7%	46.0%	47.0%	46.3%	46.3%	47.0%	48.0%	Long-Term Debt Ratio	48.0%
						50.6%	49.9%	50.9%	53.2%	51.5%	50.3%	54.0%	53.0%	53.7%	53.7%	53.0%	52.0%	Common Equity Ratio	52.0%
						815.6	861.5	887.8	880.5	937.3	1006.6	1052.5	1108.4	1116.5	1106.8	1150	1200	Total Capital ($mill)	1500
						894.7	895.9	934.0	965.0	995.6	1205.9	1318.4	1373.4	1425.1	1485.9	1550	1650	Net Plant ($mill)	2000
						5.0%	6.8%	6.7%	6.9%	5.9%	5.7%	5.9%	6.5%	7.1%	8.5%	7.5%	7.7%	Return on Total Cap'l	7.0%
						6.1%	9.7%	9.8%	10.0%	8.9%	9.1%	8.9%	9.9%	10.9%	12.5%	11.5%	11.5%	Return on Shr. Equity	11.0%
						6.0%	9.9%	10.0%	10.2%	8.5%	9.0%	8.9%	9.9%	10.9%	12.5%	11.5%	11.5%	Return on Com Equity	11.0%
						NMF	2.8%	3.1%	3.5%	1.9%	2.6%	2.7%	3.7%	4.5%	6.0%	5.0%	5.0%	Retained to Com Eq	5.0%
						118%	74%	70%	67%	79%	72%	69%	63%	59%	52%	58%	57%	All Div'ds to Net Prof	56%

CAPITAL STRUCTURE as of 9/30/08
Total Debt $686.8 mill. Due in 5 Yrs $259.8 mill.
LT Debt $512.0 mill. LT Interest $37.0 mill.

(Total interest coverage: 4.0x)

Pension Assets-12/07 $241 mill.
Oblig. $260 mill.
Pfd Stock None

Common Stock 26,470,688 shs.
as of 10/31/08
MARKET CAP $1.2 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2006	2007	9/30/08
Cash Assets	5.8	6.1	4.1
Other	303.0	268.8	279.7
Current Assets	308.8	274.9	283.8
Accts Payable	113.6	119.7	53.5
Debt Due	129.6	148.1	174.8
Other	98.3	122.1	184.0
Current Liab.	341.5	389.9	412.3
Fx. Chg. Cov.	349%	408%	NMF

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	8.5%	8.5%	6.5%
"Cash Flow"	3.0%	5.5%	6.0%
Earnings	3.0%	6.5%	7.0%
Dividends	1.5%	2.0%	5.5%
Book Value	3.5%	3.5%	3.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	308.7	153.7	106.7	341.4	910.5
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	311.3	1000
2009	380	190	120	335	1025

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	1.44	.04	d.31	.94	2.11
2006	1.48	.07	d.35	1.15	2.35
2007	1.77	.10	d.22	1.11	2.76
2008	1.63	.08	d.38	1.22	2.55
2009	1.70	.13	d.30	1.27	2.80

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.325	.325	.325	.325	1.30
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	

BUSINESS: Northwest Natural Gas Co. distributes natural gas to 90 communities, 657,000 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 1,130. Barclays Global owns 6.5% of shares; off./dir., 1.3% (4/08 proxy). CEO Mark S. Dodson; CEO-elect: Gregg S. Kantor. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Tel.: 503-226-4211. Internet: www.nwnatural.com.

Northwest Natural's third-quarter results reflected mostly unusual items. In the 2007 period, the company received a state tax refund, and in the 2008 quarter, it lost money from its gas cost-sharing mechanism in Oregon; the two items added up to about $0.12 a share of the higher year-to-year loss. (Gas utilities usually book losses in the summer quarter.) Meanwhile, customer growth, at 2.4% from September 30, 2007, was below the recent 3% pace, but still above the national average.

Lower costs should lead to a good fourth-quarter earnings gain. Despite the higher-than-expected third-quarter loss, Northwest reaffirmed its 2008 earnings-per-share guidance of $2.48-$2.63. In the final frame of 2007, Northwest spent about $3 million over its normal operating expenses, partly in connection with redoing some business practices. The absence of those costs, plus continued customer growth, should produce a good earnings boost.

We look for normal earnings growth in 2009, excluding the effects of gas cost-sharing. In the first nine months of 2008, Northwest lost about $0.17 a share from its gas cost-sharing in Oregon. The state has modified the cost-sharing procedure, so that the company now chooses to receive either 20% or 10% of the difference between actual gas costs and the prices built into rates, with the balance going to its customers. For the next year, starting in November 2008, Northwest has chosen to retain 20% of that difference, believing that it will earn a small profit from the cost-sharing arrangement.

Several projects should contribute considerably to earnings by the end of our 3- to 5-year horizon. Gill Ranch, a gas storage project near Fresno, CA, should receive approval from that state next year and open by 2011. The Palomar pipeline, a joint venture with TransCanada, would connect Portland to a second source of gas. Northwest's investment in the two projects would total about $525 million if both halves of Palomar are built. The two investments would add significantly to our out-year earnings forecast.

These top-quality shares, steady in recent troubled times, should appeal to conservative investors.

Sigourney b. Romaine December 12, 2008

(A) Diluted earnings per share. Excludes nonrecurring items: '98, $0.15; '00, $0.11; '06, ($0.06). Next earnings report due early February.

(B) Dividends historically paid in mid-February, mid-May, mid-August, and mid-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	80

PIEDMONT NAT'L. GAS NYSE-PNY

RECENT PRICE	31.23	P/E RATIO	19.8 (Trailing: 19.9 / Median: 17.0)	RELATIVE P/E RATIO	1.94	DIV'D YLD	3.3%	VALUE LINE

TIMELINESS 3 Raised 6/15/07

SAFETY 2 New 7/27/90

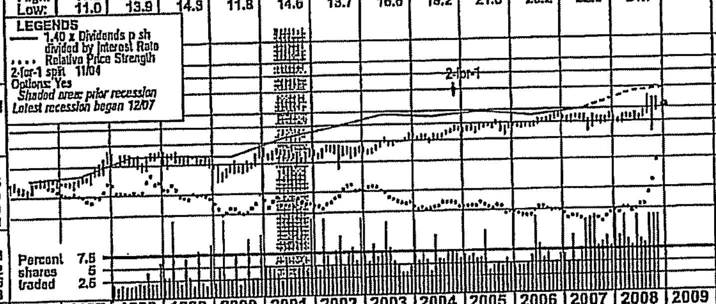
TECHNICAL 1 Raised 12/5/08

BETA .70 (1.00 = Market)

High:	18.2	18.1	18.3	19.7	19.0	19.0	22.0	24.3	25.8	28.4	28.0	35.3
Low:	11.0	13.9	14.9	11.8	14.6	13.7	16.6	19.2	21.3	23.2	22.0	21.7

Target Price Range 2011 | 2012 | 2013

LEGENDS
— 1.40 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 11/04
Options: Yes
Shaded area: prior recession
Latest recession began 12/07



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+30%)	10%
Low	30	(-5%)	3%

Insider Decisions

	J	F	M	A	M	J	J	A	S
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	2	0	0	0	0	0	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	78	97	82
to Sell	85	77	96
Hld's(000)	36778	36688	35228

Percent shares traded 7.5 / 5 / 2.5

% TOT. RETURN 11/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	33.9	-41.9
3 yr.	60.2	-30.9
5 yr.	89.5	-10.6

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
8.91	10.57	10.82	8.76	11.59	12.84	12.45	10.97	13.01	17.06	12.57	18.14	19.95	22.96	25.80	23.37	28.30	29.10	Revenues per sh A	32.05
1.07	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	2.80	2.85	"Cash Flow" per sh	3.30
.70	.73	.68	.73	.84	.93	.98	.93	1.01	1.01	.95	1.11	1.27	1.32	1.27	1.40	1.55	1.60	Earnings per sh B	2.05
.46	.48	.51	.54	.57	.61	.64	.68	.72	.76	.80	.82	.85	.91	.95	.99	1.03	1.07	Div'ds Decl'd per sh C■	1.19
1.41	1.58	1.95	1.72	1.64	1.52	1.48	1.58	1.65	1.29	1.21	1.16	1.85	2.60	2.74	1.85	1.95	3.40	Cap'l Spending per sh	2.25
5.13	5.45	5.68	6.16	6.53	6.95	7.45	7.86	8.26	8.63	8.91	9.36	11.16	11.63	11.83	11.99	12.60	13.15	Book Value per sh D	15.45
51.59	52.30	53.15	57.67	59.10	60.39	61.48	62.59	63.63	64.93	66.18	67.31	76.67	76.70	74.61	73.23	73.50	73.50	Common Shs Outst'g E	73.00
12.3	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	Bold figures are	Value Line	Avg Ann'l P/E Ratio	18.0
.75	.91	1.03	.92	.87	.78	.85	1.01	.93	.86	1.01	.95	.88	.95	1.04	.98	estimates		Relative P/E Ratio	1.50
6.3%	4.3%	4.8%	5.4%	4.9%	4.8%	4.0%	4.1%	5.0%	4.5%	4.6%	4.4%	4.1%	3.8%	3.9%	3.8%			Avg Ann'l Div'd Yield	3.1%

CAPITAL STRUCTURE as of 7/31/08
Total Debt $994.0 mill. Due in 5 Yrs $150.0 mill.
LT Debt $824.6 mill. LT Interest $55.7 mill.
(LT interest earned: 4.0x; total interest coverage: 4.0x)

Pension Assets-10/07 $225.0 mill.
Oblig. $188.7 mill.

Pfd Stock None

Common Stock 73,278,668 shs.
as of 9/2/08
MARKET CAP: $2.3 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
765.3	686.5	830.4	1107.9	832.0	1220.8	1529.7	1761.1	1924.7	1711.3	2080	2140	Revenues ($mill) A	2340
60.3	58.2	64.0	65.5	62.2	74.4	95.2	101.3	97.2	104.4	114	118	Net Profit ($mill)	150
39.2%	39.7%	34.7%	34.6%	33.1%	34.8%	35.1%	33.7%	34.2%	33.0%	35.0%	35.0%	Income Tax Rate	35.0%
7.9%	8.5%	7.7%	5.9%	7.5%	6.1%	6.2%	5.8%	5.0%	6.1%	5.5%	5.5%	Net Profit Margin	6.4%
44.7%	46.2%	46.1%	47.6%	43.9%	42.2%	43.6%	41.4%	48.3%	48.4%	47.5%	50.0%	Long-Term Debt Ratio	47.0%
55.3%	53.8%	53.9%	52.4%	56.1%	57.8%	56.4%	58.6%	51.7%	51.6%	52.5%	50.0%	Common Equity Ratio	53.0%
829.3	914.7	978.4	1069.4	1051.6	1090.2	1514.9	1509.2	1707.9	1703.3	1765	1930	Total Capital ($mill)	2125
990.6	1047.0	1072.0	1114.7	1158.5	1812.3	1849.8	1939.1	2075.3	2141.5	2200	2250	Net Plant ($mill)	2400
9.2%	8.1%	8.3%	7.9%	7.8%	8.6%	7.8%	8.2%	7.2%	7.8%	8.0%	7.5%	Return on Total Cap'l	8.5%
13.2%	11.8%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.5%	12.5%	Return on Shr. Equity	13.5%
13.2%	11.8%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.5%	12.5%	Return on Com Equity	13.5%
4.7%	3.3%	3.5%	3.0%	1.7%	3.1%	3.7%	3.5%	2.8%	3.5%	4.0%	4.0%	Retained to Com Eq	5.5%
65%	72%	71%	75%	83%	74%	66%	68%	74%	70%	66%	67%	All Div'ds to Net Prof	58%

CURRENT POSITION ($MILL.)	2006	2007	7/31/08
Cash Assets	8.9	7.6	4.9
Other	467.1	427.8	429.9
Current Assets	476.0	435.3	434.8
Accts Payable	80.3	97.2	151.8
Debt Due	170.0	195.0	169.6
Other	150.1	132.3	114.2
Current Liab.	400.4	424.5	435.6
Fix. Chg. Cov.	261%	225%	220%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	8.0%	11.0%	6.0%
"Cash Flow"	5.5%	7.0%	4.5%
Earnings	6.0%	8.0%	7.5%
Dividends	5.0%	4.5%	4.0%
Book Value	6.0%	6.6%	4.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2005	680.6	508.0	232.9	339.6	1761.1
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	302.6	2080
2009	815	655	360	310	2140

Fiscal Year Ends	EARNINGS PER SHARE A B F Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2005	.93	.52	d.06	d.07	1.32
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.13	1.55
2009	1.13	.68	d.10	d.11	1.60

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.208	.215	.215	.215	.85
2005	.216	.23	.23	.23	.91
2006	.23	.24	.24	.24	.95
2007	.24	.25	.25	.25	.99
2008	.25	.26	.26	.26	

BUSINESS: Piedmont Natural Gas Company is primarily a regulated natural gas distributor, serving over 932,097 customers in North Carolina, South Carolina, and Tennessee. 2007 revenue mix: residential (54%), commercial (30%), industrial (14%), other (2%). Principal suppliers: Transco and Tennessee Pipeline. Gas costs: 69.4% of revenues. '07 deprec. rate: 3.4%. Estimated plant age: 8.7 years. Non-regulated operations: sale of gas-powered heating equipment; natural gas brokering; propane sales. Has about 1,876 employees. Officers & directors own less than 1% of common stock (1/08 proxy). Chairman, CEO, & President: Thomas E. Skains. Inc.: NC. Addr.: 4720 Piedmont Row Drive, Charlotte, NC 28210. Telephone: 704-364-3120. Internet: www.piedmontng.com.

Piedmont Natural Gas likely posted a larger share loss for the October interim. Its top-line volumes have been growing steadily due to its residential and commercial businesses. Moreover, marketing activities are beginning to bear fruit for its wholesale division. But weaker performance at the sideline Hardy Storage and Southstar Energy Service units ought to detract from other income, resulting in the aforementioned decline in share net. However, due to stronger profitability earlier this year, PNY's 2008 tally likely advanced almost 11%.

Due to the tough operating environment, the top and bottom lines may well advance only 3% in fiscal 2009 (began November 1st). Winter heating costs are expected to remain flat this year. However, some uncertainty stems from the 2008-2009 winter weather. Meanwhile, operating margins should continue to benefit from higher volumes and decreased operating expenses. Thus, profitability ought to improve marginally. Furthermore,

New rate cases and capital projects augur well for the company's prospects. Piedmont recently received approval for a rate increase in North Carolina. This allowed the company to raise its annual rates by $15.7 million, effective November 1st. Meanwhile, the Robeson liquid natural gas storage project, located in NC, is moving along nicely. This facility should allow for extra capacity and profits during peak winter months.

Hardy Storage and Southstar Energy Services contributions to PNY have moderated a bit. This stems from higher operating expenses at Hardy Storage and from the effects of warmer weather on Southstar Energy. Meanwhile, Southstar has been impacted by rising commodity prices and reduced opportunities from the management of storage and transportation assets. Still, the Hardy Storage facility only came on line in April, 2007. There is room to expand, and operations can be tightened up, providing upside. In all,

These neutrally ranked shares may offer modest conservative appeal. They have been more volatile than usual since our September review. However, presently, they are trading almost 13% higher and offer good dividend growth potential.

Bryan Fong *December 12, 2008*

(A) Fiscal year ends October 31st.
(B) Diluted earnings. Excl. extraordinary item: '00, 8¢. Excl. nonrecurring charge: '97, 2¢. Next earnings report due early Feb.
(C) Dividends historically paid mid-January, April, July, October.
■ Div'd reinvest. plan available; 5% discount.
(D) Includes deferred charges. In 2007: $23.9 million, 33¢/share.
(E) In millions, adjusted for stock split.
(F) Quarters may not add to total due to change in shares outstanding.

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

SOUTH JERSEY INDS. NYSE-SJI

RECENT PRICE 37.07 | P/E RATIO 15.6 (Trailing: 16.5 Median: 14.0) | RELATIVE P/E RATIO 1.53 | DIV'D YLD 3.2% | VALUE LINE

TIMELINESS 3 Raised 9/23/08
SAFETY 2 Lowered 1/4/91
TECHNICAL 2 Raised 12/5/08
BETA .75 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	15.3	15.4	15.4	15.1	17.0	18.3	20.3	26.5	32.4	34.3	41.3	39.4
Low:	10.5	11.0	10.8	12.3	13.8	14.1	15.3	19.7	24.9	25.6	31.2	25.2

Target Price Range

2011	2012	2013

2011-13 PROJECTIONS

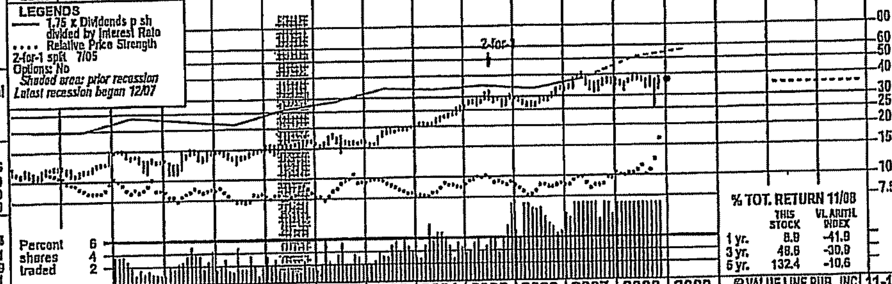
	Price	Gain	Ann'l Total Return
High	50	(+35%)	10%
Low	35	(-5%)	2%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	1	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	2	0	2	1	0	0	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	67	85	71
to Sell	71	58	69
Hld's(000)	17182	17430	17041



% TOT. RETURN 11/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	8.8	-41.9
3 yr.	48.6	-30.9
5 yr.	132.4	-10.6

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
16.67	17.03	17.45	16.50	16.52	16.18	20.89	17.60	22.43	35.30	20.69	26.34	29.51	31.78	31.76	32.30	32.00	32.25	Revenues per sh	35.95
1.56	1.54	1.35	1.65	1.64	1.60	1.44	1.84	1.95	1.90	2.12	2.24	2.44	2.51	3.51	3.20	3.30	3.60	"Cash Flow" per sh	4.20
.81	.78	.61	.83	.85	.86	.64	1.01	1.08	1.15	1.22	1.37	1.58	1.71	2.46	2.09	2.30	2.50	Earnings per sh A	3.00
.71	.72	.72	.72	.72	.72	.72	.72	.73	.74	.75	.78	.82	.86	.92	1.01	1.11	1.20	Div'ds Decl'd per sh B ■	1.30
1.69	1.87	1.93	2.08	2.01	2.30	3.06	2.19	2.21	2.82	3.47	2.38	2.67	3.21	2.51	1.88	2.00	2.25	Cap'l Spending per sh	3.15
6.95	7.17	7.23	7.34	8.03	6.43	6.23	6.74	7.25	7.81	9.67	11.26	12.41	13.50	15.11	16.25	17.35	17.75	Book Value per sh C	19.55
19.00	19.61	21.43	21.44	21.51	21.64	21.56	22.30	23.00	23.72	24.41	26.46	27.76	28.98	29.33	29.61	30.00	31.00	Common Shs Outst'g D	32.00
13.2	15.8	16.1	12.2	13.3	13.8	21.2	13.3	13.0	13.6	13.5	13.3	14.1	16.8	11.9	17.2	Bold figures are	Value Line	Avg Ann'l P/E Ratio	14.0
.80	.93	1.06	.82	.83	.80	1.10	.76	.85	.70	.74	.76	.74	.88	.64	.91	estimates		Relative P/E Ratio	.95
6.6%	5.9%	7.4%	7.2%	6.4%	6.1%	5.3%	5.4%	5.2%	4.7%	4.6%	4.3%	3.7%	3.0%	3.2%	2.8%			Avg Ann'l Div'd Yield	3.1%
						450.2	392.5	515.9	837.3	505.1	696.8	819.1	921.0	931.4	956.4	960	1000	Revenues ($mill)	1150
						13.8	22.0	24.7	26.8	29.4	34.6	43.0	48.6	72.0	61.8	70.0	80.0	Net Profit ($mill)	100
						46.2%	42.8%	43.1%	42.2%	41.4%	40.6%	40.9%	41.5%	41.3%	41.9%	42.0%	40.0%	Income Tax Rate	40.0%
						3.1%	5.6%	4.8%	3.2%	5.8%	5.0%	5.2%	5.3%	7.7%	6.5%	7.3%	8.0%	Net Profit Margin	8.7%
						57.3%	53.8%	54.1%	57.0%	53.6%	50.8%	48.7%	44.9%	44.7%	42.7%	41.0%	40.5%	Long-Term Debt Ratio	40.5%
						33.5%	37.0%	37.6%	35.9%	46.1%	49.0%	51.0%	55.1%	55.3%	57.3%	59.0%	59.5%	Common Equity Ratio	59.5%
						401.1	405.9	443.5	516.2	512.5	608.4	675.0	710.3	801.1	839.0	880	925	Total Capital ($mill)	1050
						504.3	533.3	562.2	607.0	566.6	748.3	799.9	877.3	920.0	948.9	980	1015	Net Plant ($mill)	1200
						5.3%	7.4%	7.4%	6.8%	7.6%	7.3%	7.9%	8.3%	10.1%	8.6%	9.0%	9.5%	Return on Total Cap'l	10.5%
						8.1%	11.7%	12.1%	12.1%	12.4%	11.5%	12.4%	12.4%	16.3%	12.8%	13.5%	14.5%	Return on Shr. Equity	16.0%
						10.3%	14.6%	14.8%	12.8%	12.5%	11.6%	12.5%	12.4%	16.3%	12.8%	13.6%	14.5%	Return on Com Equity	16.0%
						NMF	4.2%	4.8%	3.5%	4.7%	5.0%	5.9%	6.2%	10.2%	6.7%	7.0%	8.0%	Retained to Com Eq	9.5%
						112%	72%	67%	76%	62%	57%	52%	50%	37%	48%	48%	47%	All Div'ds to Net Prof	42%

CAPITAL STRUCTURE as of 9/30/08
Total Debt $517.0 mill. Due in 5 Yrs $196.8 mill.
LT Debt $357.8 mill. LT Interest $17.0 mill.
(Total interest coverage: 5.9x)

Pension Assets-12/07 $120.4 mill.
Oblig. $133.0 mill.

Pfd Stock none

Common Stock 29,728,697 common shs.
as of 11/3/08

MARKET CAP: $1.1 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2006	2007	9/30/08
Cash Assets	7.9	11.7	4.2
Other	363.8	316.6	350.7
Current Assets	371.7	328.3	354.9
Accts Payable	101.6	101.2	88.1
Debt Due	197.0	118.4	159.2
Other	124.2	108.7	131.1
Current Liab.	422.8	328.3	378.4
Fix. Chg. Cov.	627%	476%	581%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	7.0%	4.0%	2.0%
"Cash Flow"	7.0%	9.0%	5.5%
Earnings	9.5%	12.5%	6.0%
Dividends	2.5%	4.5%	5.5%
Book Value	7.5%	12.5%	4.5%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	328.6	154.0	157.0	281.4	921.0
2006	372.6	153.8	154.7	250.3	931.4
2007	368.4	171.7	156.2	260.1	956.4
2008	348.0	135.8	210.4	265.8	960
2009	365	160	200	275	1000

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.96	.27	.09	.39	1.71
2006	1.06	.20	.51	.69	2.46
2007	1.30	.21	d.05	.63	2.09
2008	1.32	.26	.04	.68	2.30
2009	1.35	.30	.15	.70	2.50

Calendar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	--	.202	.202	.415	.82
2005	--	.213	.213	.438	.86
2006	--	.225	.225	.470	.92
2007	--	.245	.245	.515	1.01
2008	--	.270	.270	.568	

BUSINESS: South Jersey Industries, Inc. is a holding company. Its subsidiary, South Jersey Gas Co., distributes natural gas to 335,663 customers in New Jersey's southern counties, which covers 2,500 square miles and includes Atlantic City. Gas revenue mix '07: residential, 46%; commercial, 23%; cogeneration and electric generation, 8%; industrial, 23%. Non-utility operations include: South Jersey Energy, South Jersey Resources Group, Marina Energy, and South Jersey Energy Service Plus. Has 604 employees. Off./dir. control 1.0% of com. shares; Dimensional Fund Advisors, 6.5%; Barclays, 6.1% (3/08 proxy). Chmn. & CEO: Edward Graham. Incorp.: NJ. Address: 1 South Jersey Plaza, Folsom, NJ 08037. Tel.: 609-561-9000. Internet: www.sjindustries.com.

Shares of South Jersey Industries have held their own in recent months, despite considerable weakness in the broader market. The company reported strong results for the third quarter. Customer growth at South Jersey Gas continued at a decent clip, considering the slowdown in the housing construction market. The utility posted a slightly greater loss in the recent period, though. Losses are common for this business in the third quarter, due to a lack of heating demand. This was more than offset by strength in other areas. Higher cooling demand and the opening of the Borgata's new Water Club tower benefited performance at the on-site energy production business, Marina Energy. The Retail Services and Asset Management & Marketing segments also posted improved results. We anticipate a healthy performance in the fourth quarter, as well. We expect a share-earnings advance of roughly 10% for full-year 2008. Bottom-line growth ought to continue in 2009.

The New Jersey Board of Public Utilities has approved a rate increase for South Jersey Gas. The subsidiary had originally requested an increase in June, citing greater natural gas costs. Its Basic Gas Supply Service rate will now increase by 9.2%, which was somewhat smaller than had been originally requested, reflecting a decline in gas prices in recent months.

The company has announced a 10% dividend hike. The board of directors raised the quarterly dividend from $0.27 to $0.2975, starting with the December payout. The company has established an encouraging track record of dividend increases in recent years. We expect this pattern to continue. In addition, South Jersey has announced a share-repurchase program. Under this program, the company can buy back up to 5% of common stock outstanding over the next four years. This ought to keep a lid on the share count, supporting share net.

This issue is neutrally ranked for year-ahead performance. Looking further out, we anticipate solid bottom-line growth at the company over the pull to 2011-2013. This good-quality stock offers subpar, but reasonably well-defined, total return potential for the coming years.

Michael Napoli, CPA *December 12, 2008*

(A) Based on GAAP EPS through 2006, economic earnings thereafter. GAAP EPS: '07, $2.10. Excl. nonrecur. gain (loss): '01, $0.13; Q2 '08, ($0.70). Excl gain (losses) from discont. ops.: '96, $1.14; '97, ($0.24); '98, ($0.26); '99, ($0.02); '00, ($0.04); '01, ($0.02); '02, ($0.04); '03, ($0.09); '05, ($0.02); '06, ($0.02); '07, $0.01. Next egs. report due late February. (B) Div'ds paid early Apr., Jul., Oct., and late Dec. ■ Div. reinvest. plan avail. (C) Incl. regulatory assets. At 9/30/08: $212.7 mill., $7.15 per shr. (D) In millions, adjusted for split.

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

SOUTHWEST GAS NYSE-SWX

RECENT PRICE 24.79 | P/E RATIO 13.6 (Trailing: 14.1, Median: 18.0) | RELATIVE P/E RATIO 1.33 | DIV'D YLD 3.8% | VALUE LINE

TIMELINESS 3 Raised 5/23/08
SAFETY 3 Lowered 1/4/91
TECHNICAL 2 Raised 12/12/08
BETA .75 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	20.3	28.9	29.5	23.0	24.7	25.3	23.6	26.2	28.1	39.4	39.9	33.3	
Low:	16.1	17.3	20.4	16.9	18.6	18.1	19.3	21.5	23.5	26.0	26.5	21.1	

Target Price Range 2011 | 2012 | 2013

2011-13 PROJECTIONS

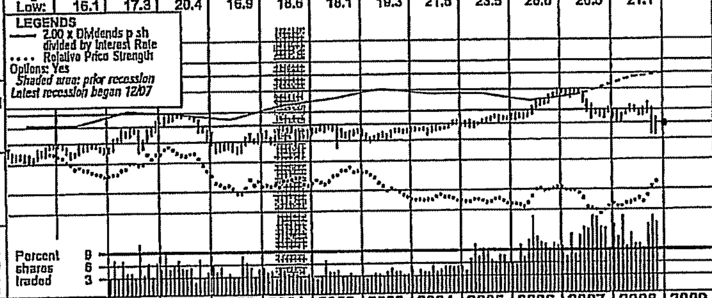
	Price	Gain	Ann'l Total Return
High	45	(+80%)	18%
Low	30	(+20%)	8%

Insider Decisions

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

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	80	85	69
to Sell	88	65	74
Hld's(000)	34496	34150	33669



% TOT. RETURN 11/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-7.6	-41.9
3 yr.	5.5	-30.9
5 yr.	33.3	-10.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
25.93	25.68	28.16	23.03	24.09	28.73	30.17	30.24	32.61	42.98	39.68	35.96	40.14	43.59	48.47	50.27	*48.85*	*50.00*	Revenues per sh A	*58.35*
3.34	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	*6.00*	*6.45*	"Cash Flow" per sh	*7.00*
.81	.63	1.22	.10	.25	.77	1.65	1.27	1.21	1.15	1.16	1.13	1.66	1.25	1.98	1.85	*1.75*	*2.00*	Earnings per sh A B	*2.50*
.70	.74	.80	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.86	*.90*	*.94*	Div'ds Decl'd per sh C ■	*1.06*
5.02	5.43	6.64	6.79	8.19	6.19	6.40	7.41	7.04	8.17	8.50	7.03	8.23	7.49	8.27	7.96	*6.80*	*7.50*	Cap'l Spending per sh	*9.90*
15.99	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	21.68	22.98	*23.30*	*24.45*	Book Value per sh	*26.55*
20.60	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	*44.00*	*45.00*	Common Shs Outst'g D	*48.00*
16.6	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	18.4	*Bold figures are*	*Value Line estimates*	Avg Ann'l P/E Ratio	*15.0*
1.01	1.57	.92	NMF	4.34	1.39	.69	1.20	1.04	.97	1.09	1.09	.76	1.10	.86	.98			Relative P/E Ratio	*1.00*
5.2%	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%	2.4%			Avg Ann'l Div'd Yield	*2.8%*
						917.3	936.9	1034.1	1396.7	1320.9	1231.0	1477.1	1714.3	2024.7	2152.1	*2150*	*2250*	Revenues ($mill) A	*2800*
						47.6	39.3	38.3	37.2	38.6	38.5	58.9	48.1	80.5	83.3	*75.0*	*90.0*	Net Profit ($mill)	*120*
						43.4%	35.5%	26.2%	34.5%	32.8%	30.5%	34.8%	29.7%	37.3%	36.5%	*39.0%*	*36.0%*	Income Tax Rate	*35.0%*
						5.2%	4.2%	3.7%	2.7%	2.9%	3.1%	4.0%	2.8%	4.0%	3.9%	*3.5%*	*4.0%*	Net Profit Margin	*4.3%*
						60.2%	60.3%	60.2%	56.2%	62.5%	66.0%	64.2%	63.8%	60.6%	58.1%	*56.0%*	*54.0%*	Long-Term Debt Ratio	*50.5%*
						35.3%	35.5%	35.8%	39.6%	34.1%	34.0%	35.8%	36.2%	39.4%	41.9%	*44.0%*	*46.0%*	Common Equity Ratio	*49.5%*
						1349.3	1424.7	1489.9	1417.6	1748.3	1851.6	1868.6	2076.0	2287.8	2349.8	*2325*	*2380*	Total Capital ($mill)	*2575*
						1459.4	1581.1	1686.1	1825.6	1979.5	2175.7	2336.0	2489.1	2688.1	2845.3	*2960*	*3100*	Net Plant ($mill)	*3600*
						6.8%	4.8%	4.6%	5.1%	4.3%	4.2%	5.0%	4.3%	5.5%	5.6%	*5.0%*	*5.5%*	Return on Total Cap'l	*6.5%*
						8.9%	7.0%	6.5%	6.0%	5.9%	6.1%	8.3%	6.4%	8.9%	8.5%	*7.5%*	*8.0%*	Return on Shr. Equity	*8.5%*
						10.0%	7.8%	7.2%	6.6%	6.5%	6.1%	8.3%	6.4%	8.9%	8.5%	*7.5%*	*8.0%*	Return on Com Equity	*9.5%*
						5.0%	2.8%	2.4%	1.9%	1.9%	1.7%	4.3%	2.2%	5.2%	4.8%	*3.5%*	*4.5%*	Retained to Com Eq	*5.5%*
						50%	64%	67%	71%	70%	72%	49%	65%	42%	44%	*52%*	*47%*	All Div'ds to Net Prof	*42%*

CAPITAL STRUCTURE as of 9/30/08

Total Debt $1325.6 mill. Due in 5 Yrs $615.0 mill.
LT Debt $1313.1 mill. LT Interest $90.0 mill.
(Total interest coverage: 2.3x)
Leases, Uncapitalized Annual rentals $7.0 mill.
Pension Assets-12/07 $441.7 mill. Oblig. $546.4 mill.

Pfd Stock None

Common Stock 43,914,407 shs. as of 10/31/08

MARKET CAP: $1.1 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2006	2007	9/30/08
Cash Assets	18.8	32.0	13.2
Other	482.8	470.5	257.2
Current Assets	501.6	502.5	270.4
Accts Payable	265.7	220.7	79.7
Debt Due	27.5	47.1	12.5
Other	202.9	260.1	266.8
Current Liab.	496.1	527.9	359.0
Fix. Chg. Cov.	220%	229%	230%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	5.0%	4.5%	3.5%
"Cash Flow"	4.5%	4.0%	3.0%
Earnings	12.0%	6.0%	6.5%
Dividends	--	--	4.0%
Book Value	3.0%	3.5%	4.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	542.9	361.1	313.3	497.0	1714.3
2006	676.9	430.9	351.8	565.1	2024.7
2007	793.7	426.6	371.5	560.3	2152.1
2008	813.6	447.3	374.4	*514.7*	*2150*
2009	*800*	*475*	*415*	*560*	*2250*

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.88	d.07	d.43	.87	1.25
2006	1.11	.02	d.26	1.11	1.98
2007	1.17	d.01	d.22	1.00	1.95
2008	1.14	d.06	d.38	*1.05*	*1.75*
2009	*1.15*	*Nil*	*d.25*	*1.10*	*2.00*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.205	.205	.205	.205	.82
2005	.205	.205	.205	.205	.82
2006	.205	.205	.205	.205	.82
2007	.205	.215	.215	.215	.85
2008	.215	.225	.225	.225	

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. 2007 margin mix: residential and small commercial, 86%; large commercial and industrial, 6%; transportation, 8%. Total throughput: 2.4 billion therms. Sold PriMerit Bank, 7/96. Has 5,073 employees. Off. & Dir. own 1.8% of common stock; T. Rowe Price Associates, Inc., 6.7%; GAMCO Investors, Inc., 5.8% (3/08 Proxy). Chairman: James J. Kropid. Chief Executive Officer: Jeffrey W. Shaw. Inc.: California. Address: 5241 Spring Mountain Road, Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.swgas.com.

Southwest Gas reported an unimpressive performance for the third quarter. The top line advanced slightly in the recent interim. Operating costs increased at a faster pace, though. Moreover, the company reported a negative return on long-term investments. Overall, Southwest posted a much greater share loss for the period. Customer growth has moderated in recent periods. A slowdown in the new construction market and an increasing inventory of vacant homes in the Southwest hurt performance. Third-quarter losses are common, considering the seasonal nature of the business. Still, the company is operating in a challenging environment, which ought to continue to stymie growth in the near term. We anticipate flat revenues and lower earnings per share at Southwest Gas for full-year 2008. Share earnings may rebound in 2009, assuming success at controlling costs.

The company has two important rate case proceedings nearing conclusion. It is seeking a rate increase of $50.2 million in Arizona, and has included proposed rate design changes to address weather-related volatility. Elsewhere, Southwest is seeking a $9.1 million increase in operating revenues in California. These requests appear reasonable, although it is unclear what pressures the rate boards may face, if any. We expect decisions on these cases by yearend. The company's focus on procuring rate relief and improving rate design is important, as SWX depends upon such approved revenue increases to help it cope with higher expenses and to provide for smoother earnings.

Investors should be aware of several caveats. Warmer-than-normal temperatures during the winter months can hurt profitability at Southwest Gas. Moreover, the company will likely incur higher operating costs as it continues to expand. Furthermore, insufficient, or lagging, rate relief could also hurt profits.

Shares of Southwest Gas, once favored for their growth, are out of sorts now. Nevertheless, we anticipate higher share earnings at the company by early next decade. At the current quotation, this issue features good total return potential for a utility, considering its healthy dividend yield.

Michael Napoli, CPA *December 12, 2008*

(A) Incl. income for PriMerit Bank on the equity basis through 1994. (B) 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 late February. (C) Dividends historically paid early March, June, September, December. ■ Div'd reinvest. plan avail. (D) In millions.

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

WGL HOLDINGS NYSE-WGL

RECENT PRICE	33.52	P/E RATIO	14.1 (Trailing: 8.3; Median: 15.0)	RELATIVE P/E RATIO	1.38	DIV'D YLD	4.3%	VALUE LINE

TIMELINESS 3 Raised 5/25/07
SAFETY 1 Raised 4/2/93
TECHNICAL 2 Raised 12/12/08
BETA .75 (1.00 = Market)

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	20%	8%
Low	35	5%	5%

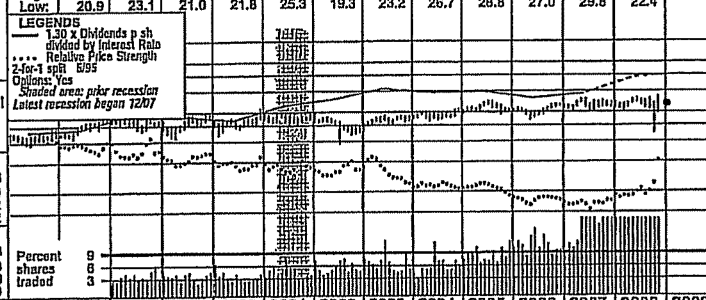
Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	1	0	0	0	0
Options	0	0	0	0	6	1	0	0	2
to Sell	2	0	0	0	7	1	0	0	2

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	106	95	83
to Sell	89	100	119
Hld's(000)	35559	34195	32939

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	31.4	30.8	29.4	31.6	30.5	29.5	28.8	31.4	34.8	33.6	35.9	37.1	
Low:	20.9	23.1	21.0	21.8	25.3	19.3	23.2	26.7	28.8	27.0	29.8	22.4	



Target Price Range 2011 | 2012 | 2013

% TOT. RETURN 11/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	14.2	-41.9
3 yr.	35.2	-30.9
5 yr.	68.0	-10.6

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
18.37	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	52.98	53.35	Revenues per sh A	54.60
2.17	2.25	2.43	2.51	2.93	3.02	2.70	2.74	3.20	3.24	2.63	4.00	3.87	3.97	3.93	3.89	4.17	4.30	"Cash Flow" per sh	4.55
1.27	1.31	1.42	1.45	1.85	1.85	1.54	1.47	1.79	1.88	1.14	2.30	1.98	2.11	1.94	2.10	2.33	2.40	Earnings per sh B	2.55
1.07	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	1.34	1.37	1.42	1.44	Div'ds Decl'd per sh C■	1.56
2.17	2.43	2.84	2.63	2.85	3.20	3.62	3.42	2.67	2.68	3.34	2.65	2.33	2.32	3.27	3.33	3.33	3.00	Cap'l Spending per sh	2.50
10.68	11.04	11.51	11.95	12.79	13.48	13.86	14.72	15.31	16.24	15.78	16.25	16.95	17.80	18.28	19.83	21.06	22.00	Book Value per sh D	25.00
40.62	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	49.61	49.65	Common Shs Outst'g E	50.00
13.6	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	14.3		Avg Ann'l P/E Ratio	15.0
.82	.92	.92	.85	.72	.73	.89	.99	.95	.75	1.26	.63	.75	.78	.84	.82	.85		Relative P/E Ratio	1.00
6.2%	5.3%	5.6%	6.1%	5.4%	5.0%	4.5%	4.8%	4.8%	4.6%	4.8%	5.0%	4.6%	4.2%	4.5%	4.2%	4.3%		Avg Ann'l Div'd Yield	4.2%

CAPITAL STRUCTURE as of 9/30/08
Total Debt $950.7 mill. Due in 5 Yrs $399.5 mill.
LT Debt $603.7 mill. LT Interest $40.1 mill.
(LT interest earned: 6.7x; total interest coverage: 5.7x)
Pension Assets-9/08 $588.2 mill. Oblig. $590.5 mill.
Preferred Stock $28.2 mill. Pfd. Div'd $1.3 mill.

Common Stock 49,971,614 shs. as of 10/31/08

MARKET CAP: $1.7 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
1040.6	972.1	1031.1	1446.5	1584.8	2064.2	2089.6	2185.3	2637.9	2646.0	2628.2	2650	Revenues ($mill) A	2730
68.6	68.8	84.6	89.9	55.7	112.3	98.0	104.8	95.1	102.9	116.3	120	Net Profit ($mill)	130
35.6%	36.0%	36.1%	39.6%	34.0%	38.0%	38.2%	37.4%	39.0%	39.1%	38.0%	38.0%	Income Tax Rate	38.0%
6.6%	7.1%	8.2%	6.2%	3.5%	5.4%	4.7%	4.8%	3.6%	3.9%	4.4%	4.5%	Net Profit Margin	4.8%
40.3%	41.5%	43.1%	41.7%	45.7%	43.8%	40.9%	39.5%	38.5%	37.9%	36.0%	35.0%	Long-Term Debt Ratio	32.0%
57.1%	56.1%	54.8%	56.3%	52.4%	54.3%	57.2%	58.6%	61.5%	60.3%	62.3%	63.5%	Common Equity Ratio	66.5%
1064.8	1218.5	1299.2	1400.8	1462.5	1454.9	1443.6	1478.1	1497.8	1625.4	1677.2	1720	Total Capital ($mill)	1880
1319.5	1402.7	1460.3	1519.7	1606.8	1874.9	1915.6	1969.7	2067.9	2150.4	2208.3	2325	Net Plant ($mill)	2615
8.0%	7.1%	7.9%	7.9%	5.3%	9.1%	8.2%	8.5%	7.7%	7.6%	8.1%	8.0%	Return on Total Cap'l	8.0%
10.8%	9.7%	11.4%	11.0%	7.0%	13.7%	11.5%	11.7%	10.3%	10.2%	11.1%	11.0%	Return on Shr. Equity	10.0%
11.1%	9.9%	11.7%	11.2%	7.2%	14.0%	11.7%	12.0%	10.2%	10.4%	11.6%	11.5%	Return on Com Equity	10.5%
2.5%	1.8%	3.7%	3.8%	NMF	6.2%	4.1%	4.6%	3.1%	3.5%	4.3%	4.5%	Retained to Com Eq	4.0%
78%	82%	69%	67%	112%	56%	65%	62%	70%	66%	61%	60%	All Div'ds to Net Prof	61%

CURRENT POSITION ($MILL.)	2006	2007	9/30/08
Cash Assets	4.4	4.9	6.2
Other	556.9	568.8	736.1
Current Assets	561.3	573.7	742.3
Accts Payable	208.5	216.9	243.1
Debt Due	238.4	205.4	347.0
Other	113.9	134.8	158.4
Current Liab.	560.8	557.1	748.6
Fix. Chg. Cov.	465%	460%	460%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	9.0%	12.5%	1.0%
"Cash Flow"	3.6%	6.0%	2.5%
Earnings	2.0%	5.0%	3.5%
Dividends	1.5%	1.5%	2.5%
Book Value	4.0%	3.5%	5.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2005	623.4	929.8	349.0	284.1	2186.3
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	760	1050	480	360	2650

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2005	.88	1.63	d.17	d.23	2.11
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.22	2.33
2009	.97	1.50	.13	d.20	2.40

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.32	.325	.325	.325	1.30
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	

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 (1,046,201 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 8.2% of common stock; Off./dir. less than 1% (1/08 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 performed well in fiscal 2008 (ended September 30th). New rates, higher consumption, and customer growth contributed to the annual top-line increase of almost 18%. Meanwhile, the initiation of regulatory mechanisms like the weather normalization adjustment (WMA) minimized usage volatility. And margins widened due to the successful expansion of the "asset optimization" program. The retail energy segment did not fare as well. This reflects lower margins from electric sales, partially offset by slightly higher margins for natural gas sales. Weakness here stemmed from milder weather and the loss of certain government and large commercial accounts. However, on balance, WGL's earnings per share advanced 11%. Next up,

We look for December-period results to be little changed compared to last year. Aggregate electric and gas customer accounts declined in the most recent quarter, due to the extended run-up in natural gas and electric prices from February through June. That caused WGL to halt its mass market customer acquisition efforts. However, as the company begins fiscal 2009, lower energy prices have allowed it to resume those efforts. It may take some time for these programs to pick up steam, consequently, WGL will likely experience growth in electricity sales, but natural gas volumes will probably continue to decline, as the last of the lost government accounts roll off its books. However,

The company should still register a modest 3% earnings increase for fiscal 2009. The utility segment should benefit from an estimated 9,500 new accounts, as well as higher contributions from its expanded asset management strategy. Meanwhile, the retail energy business may get a boost from stronger gross margins on natural gas sales. Also, rate case approvals and capital projects augur well for WGL's prospects. However, a likely decline in usage compared to last year's unusually high levels could be an offset.

These neutrally ranked shares may appeal to conservative income-oriented accounts. Indeed, this is evident in their good dividend yield, strong Safety rank (1), solid financial strength (A), and top mark for Price Stability (100).

Bryan Fong *December 12, 2008*

(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 Jan.
(C) Dividends historically paid early February, May, August, and November. ■ Dividend reinvestment plan available.
(D) Includes deferred charges and intangibles. '07: $322.2 million, $6.51/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	65

SOUTHERN UNION NYSE-SUG

RECENT PRICE **12.55** | P/E RATIO **6.6** (Trailing: 6.6; Median: 26.0) | RELATIVE P/E RATIO **0.65** | DIV'D YLD **4.8%** | VALUE LINE

High:	12.3	18.4	18.4	23.2	21.9	17.6	17.0	23.8	26.3	29.8	35.5	29.8		Target Price Range
Low:	9.7	10.9	13.1	10.5	14.4	8.8	10.4	16.1	20.8	22.8	26.8	10.6		2011 | 2012 | 2013

TIMELINESS **3** Lowered 6/14/07

SAFETY **3** New 3/24/00

TECHNICAL **3** Lowered 10/31/08

BETA 1.10 (1.00 = Market)

2011-13 PROJECTIONS

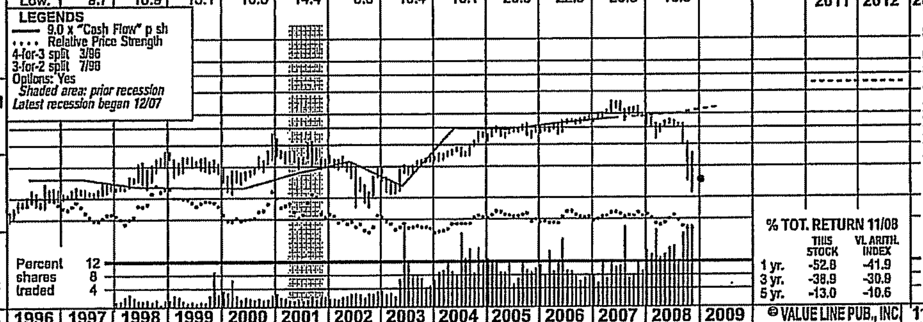
	Price	Gain	Ann'l Total Return
High	45	(+260%)	38%
Low	30	(+140%)	26%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	1	0	0	1	0	0
Options	0	0	1	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	110	110	108
to Sell	106	114	115
Hld's(000)	89232	91593	91341



% TOT. RETURN 11/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-52.8	-41.9
3 yr.	-38.9	-30.9
5 yr.	-13.0	-10.6

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
7.22	5.66	10.12	12.89	16.51	19.04	16.99	14.73	15.88	29.77	20.30	14.75	22.22	17.95	19.54	21.14	24.70	24.80	Revenues per sh A	27.20
.62	.58	.82	1.30	1.43	1.43	1.29	1.27	1.26	1.54	1.79	1.29	2.77	2.71	2.96	3.15	3.30	3.65	"Cash Flow" per sh	4.60
.15	.26	.26	.43	.54	.49	.31	.26	.20	.19	.56	.67	1.24	1.58	1.33	1.75	1.85	2.05	Earnings per sh A B	2.65
--	--	--	--	--	--	--	--	--	--	--	--	--	--	.30	.40	.60	.64	Div'ds Decl'd per sh D ■	.76
.70	.50	1.03	1.81	1.58	1.71	1.96	1.78	1.92	1.91	1.47	.99	2.79	2.49	2.90	4.98	4.45	4.40	Cap'l Spending per sh	4.55
5.55	5.47	5.65	3.37	3.88	7.10	7.54	7.33	14.05	11.12	10.78	11.42	12.74	14.43	15.20	15.96	17.25	18.80	Book Value per sh E	26.50
26.67	36.94	37.01	37.24	37.59	37.65	39.38	41.09	52.39	64.93	63.57	80.66	81.00	112.53	119.77	123.77	124.00	125.00	Common Shs Outst'g C	132.00
20.2	15.9	20.3	12.5	14.1	21.2	37.5	NMF	NMF	NMF	29.5	17.9	13.4	15.0	15.3	17.5	Bold figures are		Avg Ann'l P/E Ratio	14.0
1.23	.94	1.33	.84	.88	1.22	1.95	NMF	NMF	NMF	1.61	1.02	.71	.80	.83	.92	Value Line		Relative P/E Ratio	.93
--	--	--	--	--	--	--	--	--	--	--	--	--	--	1.5%	1.3%	estimates		Avg Ann'l Div'd Yield	2.1%

CAPITAL STRUCTURE as of 9/30/08

Total Debt $3693.0 mill. Due in 5 Yrs $1616 mill.
LT Debt $3254.9 mill. LT Interest $101 mill.
(Est'd LT interest earned: 2.9x; total interest coverage: 2.6x)
(54% of Cap'l)

Leases, Uncapitalized: Annual rentals $16.4 mill.
Pension Assets-12/08 $128.3 mill. Oblig. $163.0 mill.
Pfd. Stock $230.0 mill. Pfd. Div'd. $17.4 mill. (4% of Cap'l)

Common Stock 123,982,918 shs. as of 10/31/08

MARKET CAP: $1.6 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
669.3	605.2	831.7	1932.8	1290.6	1188.5	1800.0	2019.4	2340.2	2616.7	3060	3100	Revenues ($mill) A	3590
12.2	10.4	11.1	12.9	36.6	43.7	114.0	195.7	217.1	228.7	245	275	Net Profit ($mill)	375
39.5%	40.5%	49.0%	35.3%	29.2%	35.7%	37.7%	26.6%	33.5%	29.4%	33.0%	33.0%	Income Tax Rate	33.0%
1.8%	1.7%	1.3%	.7%	2.8%	3.7%	6.3%	9.7%	9.3%	8.7%	8.0%	8.9%	Net Profit Margin	10.5%
63.0%	62.0%	53.1%	66.4%	63.3%	65.0%	63.1%	52.5%	56.7%	57.3%	59.5%	58.0%	Long-Term Debt Ratio	55.5%
37.0%	38.0%	46.9%	33.6%	36.7%	35.0%	30.2%	41.6%	38.4%	38.2%	38.5%	40.0%	Common Equity Ratio	43.0%
803.2	792.0	1569.6	2151.5	1867.6	2632.1	3416.6	3903.2	4740.1	5166.1	5555	5880	Total Capital ($mill)	8130
848.4	878.3	1487.2	1456.3	1456.4	3144.8	3207.5	3465.9	4584.4	5102.3	5500	5750	Net Plant ($mill)	6500
3.7%	3.6%	2.3%	2.9%	4.3%	3.3%	4.8%	6.5%	6.5%	6.1%	6.5%	6.5%	Return on Total Cap'l	6.5%
4.1%	3.5%	1.5%	1.8%	5.3%	4.7%	9.0%	10.6%	10.6%	11.6%	11.5%	11.5%	Return on Shr. Equity	10.5%
4.1%	3.5%	1.5%	1.8%	5.3%	4.7%	10.2%	11.0%	11.0%	12.0%	12.0%	12.0%	Return on Com Equity	11.0%
4.1%	3.5%	1.5%	1.8%	5.3%	4.7%	10.2%	11.0%	9.1%	8.3%	7.0%	7.5%	Retained to Com Eq	7.5%
--	--	--	--	--	--	7%	9%	24%	21%	30%	29%	All Div'ds to Net Prof	27%

CURRENT POSITION ($MILL.)

	2006	2007	9/30/08
Cash Assets	5.8	5.7	3.1
Receivables	298.2	358.5	193.3
Inventory (Avg Cst)	241.1	263.6	344.1
Other	145.7	180.5	334.0
Current Assets	690.8	808.3	874.5
Accts Payable	300.8	335.3	226.3
Debt Due	561.0	558.3	438.1
Other	339.1	430.1	558.8
Current Liab.	1200.9	1323.7	1223.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	2.0%	-2.5%	5.5%
"Cash Flow"	8.0%	14.0%	8.0%
Earnings	13.0%	39.5%	9.5%
Dividends	--	--	22.0%
Book Value	12.0%	5.0%	10.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) A Mar.31	Jun.31	Sep.30	Dec.31	Full Year
2005	767.6	305.1	255.0	691.7	2019.4
2006	547.2	552.4	564.4	676.2	2340.2
2007	780.2	588.1	525.5	722.9	2616.7
2008	952.7	733.1	657.3	716.9	3060
2009	960	745	665	730	3100

Cal-endar	EARNINGS PER SHARE A B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.82	.10	.13	.53	1.58
2006	.60	.10	.06	.57	1.33
2007	.53	.39	.34	.49	1.75
2008	.64	.43	.34	.44	1.85
2009	.67	.45	.38	.55	2.05

Cal-endar	QUARTERLY DIVIDENDS PAID D ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	--	--	--	--	--
2005	--	--	--	--	--
2006	--	.10	.10	.10	.30
2007	.10	.10	.10	.10	.40
2008	.15	.15	.15	.15	

BUSINESS: Southern Union Co. owns and operates assets in the regulated and unregulated natural gas industry and is primarily engaged in the transportation, storage, and distribution of natural gas. Serves about 550,000 residential, commercial, and industrial customers through its Missouri Gas Energy and New England Gas Company. Acq. Panhandle Energy 6/03; Sid Richardson Energy Services 3/06. Sold Rhode Island operations 2/06; PG Energy 1/06. Owns 100% interest in CCE Holdings. Has 2,337 employees. Officers & directors own 10.1% of stock (3/08 proxy). Chairman, President & Chief Executive Officer: George L. Lindemann. Inc.: Deleware. Address: 5444 Westheimer Road, Houston, TX 77056. Telephone: 713-989-2000. Internet: www.southernunionco.com.

Southern Union's recent operating results were a mixed bag. Its top line advanced 25% for the September period. Most of this gain stemmed from the Gathering & Processing (G&P) and Transportation & Storage (T&S) units. However, hurricanes disrupted access to third-party fractionating facilities and damaged offshore pipelines. Meanwhile, some of its accounts receivables had to be written off as the associated companies filed for bankruptcy. The T&S unit experienced diminished profitability as its investment in Citrus Corp. did not fare so well. And lower market-driven pipeline capacity release sales at the Distribution segment hurt that unit's contributions. In sum, the added expenses squeezed margins and resulted in the flat year-to-year earnings comparison.

Thus, we have reduced our fourth-quarter and 2008 earnings estimates. The economic slowdown and credit crunch may possibly result in the writedown of more of SUG's receivables. Thus we look for a low single-digit decline in the fourth-quarter top line. Still, more than 80% of SUG's cash flow is derived from stable, regulated businesses with predominantly fixed-fee structures, such as interstate pipelines, storage, and liquid natural gas (LNG) terminaling. All told, this year's share net ought to advance almost 6% over 2007's.

Next year's financial results will likely be subdued. Revenue gains ought to slow down as a result of customer conservation. And we have trimmed a nickel off our earnings per share estimate to compensate for the aforementioned rise in expenses.

Still, capital projects augur well for Southern's long-term prospects. The Florida Gas Transmission phase VIII expansion is on schedule and on budget. Meanwhile, the Trunkline LNG infrastructure enhancement project continues to progress nicely, and is projected to be in service during the second quarter of 2009.

These average ranked shares have lost about 50% since our September review. But the pullback may provide an attractive entry point for patient accounts. Meantime, the solid dividend yield may appeal to income-oriented investors.

Bryan Fong *December 12, 2008*

(A) Fiscal year ends June 30th through 2004; December 31st beg. in 2005. (B) Based on diluted shares. Excludes non-recurring per share gain (loss): '01, 81¢; '03, 55¢; '06, (1.30¢). Next egs. report due late Jan. (C) In millions, adjusted for stock splits. (D) Annual 5% common stock dividend suspended end of 2005. Cash dividend started April 2006. Qtrly div'ds paid January, April, July, and October. ■ Dividend Reinvestment plan available. (E) Incl. intang. In 2007: $89.2 mill., $0.72/sh.

Company's Financial Strength	B+
Stock's Price Stability	85
Price Growth Persistence	90
Earnings Predictability	45

Missouri Gas Energy
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

Line No.		Proxy Group of Nine Value Line Natural Gas Distribution Companies	Southern Union Company
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	5.08 %	5.08 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds	1.41 (2)	1.41 (2)
3.	Adjusted Prospective Yield on A Rated Public Utility Bonds	6.49 %*	6.49 %*
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	0.40 (3)	0.60 (4)
5.	Adjusted Prospective Bond Yield	6.89	7.09
6.	Equity Risk Premium (5)	5.47	7.41
7.	Risk Premium Derived Common Equity Cost Rate	12.36 %	14.50 %

* Actual Moody's A Rated Public Utility Bond Yield for January 2009 is 6.39%.

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 1.41% from page 4 of this Schedule.

(3) Adjustment to reflect the Baa1 Moody's Bond Rating of the Proxy Group of Nine Value Line Natural Gas Distribution Companies as shown on page 2 of this Schedule. Normally, Mr. Hanley would take 2/3 of the spread between Baa and A2 Public Utility Bonds (2/3 * 1.55% = 1.03%) to reflect the risk of the proxy group. However Mr. Hanley believes that the current spread between A2 and Baa2 rated public utility bonds are not representitive of the long-term and will utilize a normalized spread of 0.60% between A2 and Baa2 rated public utility bonds based upon a weighting explained in depth in Mr. Hanley's direct testimony. A spread of 0.40%, or 2/3 of the normalized spread will be applied to the prospective yield on A rated public utility bonds relative to the proxy group of nine Value Line natural gas distribution companies as shown above.

(4) Adjustment to reflect the Baa3 Moody's Bond Rating of Southern Union Company as shown on page 2 of this Schedule. Normally, Mr. Hanley would take the full spread between A2 and Baa2 yields (1.51%) and add it to prospective A yield to reflect the risk of Southern Union Company. However Mr. Hanley believes that the current spread between A2 and Baa2 rated public utility bonds are not representitive of the long-term and will utilize a normalized spread of 0.60% between A2 and Baa2 rated public utility bonds based upon a weighting explained in depth in Mr. Hanley's direct testimony. The full spread of 0.60% will be applied to the prospective yield on A rated public utility bonds relative to Southern Union Company as shown above.

(5) From page 5 of this Schedule.

Comparison of Bond Ratings, Business Risk and Financial Risk Profiles for the
Proxy Group of Nine Value Line Natural Gas Distribution Companies
and Southern Union Company

		Moody's Bond Rating February 2009		Standard & Poor's Bond Rating February 2009				Standard & Poor's			
	Proxy Group of Nine Value Line Natural Gas Distribution Companies	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)
ATG	AGL Resources Inc.	A3	7.0	A-	7.0	A-	7.0	Excellent	1.0	Intermediate	3.0
ATO	Atmos Energy Corp.	Baa3	10.0	BBB+	8.0	BBB+	8.0	Excellent	1.0	Aggressive	4.0
LG	The Laclede Group, Inc.	A3	7.0	A	6.0	A	6.0	Excellent	1.0	Intermediate	3.0
NJR	New Jersey Resources Corp.	NR	- -	NR	- -	A	6.0	Excellent	1.0	Intermediate	3.0
NWN	Northwest Natural Gas Co.	A2	6.0	AA-	4.0	AA-	4.0	Excellent	1.0	Intermediate	3.0
PNY	Piedmont Natural Gas Co., Inc.	A3	7.0	A	6.0	A	6.0	Excellent	1.0	Intermediate	3.0
SJI	South Jersey Industries, Inc.	Baa1	8.0	A	6.0	BBB+	8.0	Excellent	1.0	Aggressive	4.0
SWX	Southwest Gas Corporation	Baa3	10.0	BBB-	10.0	BBB-	10.0	Strong	2.0	Aggressive	4.0
WGL	WGL Holdings, Inc.	A2	6.0	AA-	4.0	AA-	4.0	Excellent	1.0	Intermediate	3.0
	AVERAGE	Baa1	7.6	A	6.4	A-	7.0	Excellent	1.0	Intermediate	3.3
	Southern Union Company	Baa3	10.0	BBB-	10.0	BBB-	10.0	Satisfactory	3.0	Aggressive	4.0

Notes:
(1) From page 3 of this Schedule.
(2) From Standard & Poor's Issuer Ranking: U.S. Natural Gas Distribution and Integrated Gas Companies, Strongest to Weakest and U.S. Midstream Energy Companies, Strongest to Weakest February 2, 2009 shown on Schedule 4 of this Exhibit.

(3) Ratings, business risk and financial risk profiles are those of Atlanta Gas Light Company.
(4) Ratings, business risk and financial risk are those of Laclede Gas Company.
(5) Ratings, business risk and financial risk profiles are those of New Jersey Natural Gas Company.
(6) Ratings, business risk and financial risk profiles are those of South Jersey Gas.
(7) 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 Gas Energy
Numerical Assignment for
Moody's and Standard & Poor's Bond Ratings
Standard & Poor's Business and Financial Risk Profiles

Moody's Bond Rating	Numerical Bond Weighting	Standard & Poor's Bond 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
Weak	4	Aggressive	4
Vulnerable	5	Highly Leveraged	5

Moody's
Comparison of Interest Rate Trends
for the Two Months Ending January 2009 (1)

Years	Corporate Bonds	Public Utility Bonds			Spread - Corporate v. Public Utility Bonds			Spread - Public Utility Bonds	
	Aaa Rated	Aa Rated	A Rated	Baa Rated	Aa (Pub. Util.) over Aaa (Corp.)	A (Pub. Util.) over Aaa (Corp.)	Baa (Pub. Util.) over Aaa (Corp.)	A over Aa	Baa over A
December-08	5.06	5.93	6.54	8.13 %					
January-09	5.05	6.01	6.39	7.90					
Average of Last 2 Months	5.06 %	5.97 %	6.47 %	8.02 %	0.91 %	1.41 %	2.96 %	0.50 %	1.55 %

Notes: (1) All yields are distributed yields.

Average 5 yr Spread Between Moody's A and Baa Rated Public Utility Bonds	0.37%	80% Weight
January 2009 Spread Between Moody's A and Baa Rated Public Utility Bonds	1.51%	20% Weight
5 yr Normalized Spread Between Moody's A and Baa Rated Public Utility Bonds	0.60%	

Source of Information: Mergent Bond Record, February 2009, Vol. 76, No. 2.

Missouri Gas Energy
Judgment of Equity Risk Premium for
the Proxy Group of Nine Value Line Natural Gas Distribution Companies

Line No.		Proxy Group of Nine Value Line Natural Gas Distribution Companies	Southern Union Company
1.	Calculated equity risk premium based on the total market using the beta approach (1)	6.80 %	10.69 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with Baa rated bonds (2)	4.13	4.13
3.	Average equity risk premium	5.47 %	7.41 %

Notes:

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

Missouri Gas Energy
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
the Proxy Group of Nine Value Line Natural Gas Distribution Companies

Line No.		Proxy Group of Nine Value Line Natural Gas Distribution Companies	Southern Union Company
1.	Arithmetic mean total return rate on the Standard & Poor's 500 Composite Index - 1926-2007 (1)	12.30 %	12.30 %
2.	Arithmetic mean yield on Aaa and Aa Corporate Bonds 1926-2007 (2)	(6.10)	(6.10)
3.	Historical Equity Risk Premium	6.20 %	6.20 %
4.	Forecasted 3-5 year Total Annual Market Return (3)	28.85 %	28.85 %
5.	Prospective Yield an Aaa Rated Corporate Bonds (4)	(5.08)	(5.08)
6.	Forecasted Equity Risk Premium	23.77 %	23.77 %
7.	Conclusion of Equity Risk Premium (5)	9.71 %	9.71 %
8.	Adjusted Value Line Beta (6)	0.70	1.10
9.	Beta Adjusted Equity Risk Premium	6.80 %	10.69 %

Notes:

(1) From Ibbotson SBBI - 2008 Valuation Yearbook - Market Results for Stocks Bonds Bills and Inflation for 1926-2007, Morningstar, Inc., 2008 Chicago, IL.

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

(3) From page 3 of Schedule FJH-18.

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

First Quarter 2009	4.90 %
Second Quarter 2009	4.90
Third Quarter 2009	5.00
Fourth Quarter 2009	5.10
First Quarter 2010	5.20
Second Quarter 2010	5.40
Average	5.08 %

(5) The average of the Historical Equity Risk Premium of 6.20% from Line No. 3 and the Forecasted Equity Risk Premium of 23.77% from Line No. 6 ((6.20% + 23.77%) / 2 = 14.98%. Normally, Mr. Hanley would use this average in his Risk Premium Analysis. However, in Mr. Hanley's opinion, the current and recent substantial volatility in the stock market is extraordinary and not representative of the expected long-term. Consequently, in this instance, Mr. Hanley will apply a 20% weight to the forecasted risk premium of 23.77% and an 80% weight to the historical risk premium of 6.20%, resulting in a 9.71% weighted risk premium.

(6) From page 9 of this Schedule.

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

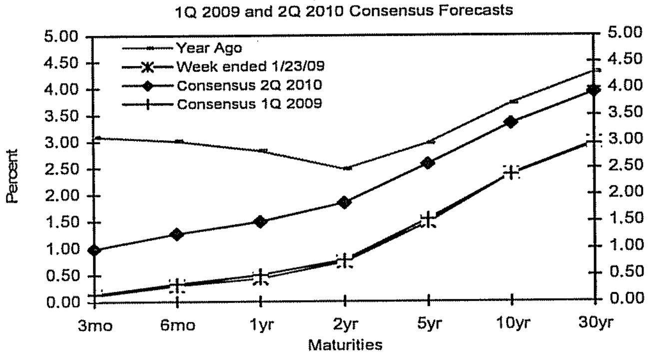
	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week End				Average For Month			Latest Q	1Q	2Q	3Q	4Q	1Q	2Q
Interest Rates	Jan.23	Jan.16	Jan.9	Jan.2	Dec.	Nov.	Oct.	4Q 2008	2009	2009	2009	2009	2010	2010
Federal Funds Rate	0.20	0.10	0.10	0.10	0.16	0.39	0.97	0.51	0.1	0.1	0.2	0.3	0.5	0.9
Prime Rate	3.25	3.25	3.25	3.25	3.61	4.00	4.56	4.06	3.2	3.2	3.2	3.3	3.6	3.9
LIBOR, 3-mo.	1.13	1.13	1.37	1.43	1.83	2.28	4.06	2.11	1.4	1.3	1.2	1.2	1.5	1.9
Commercial Paper, 1-mo.	0.16	0.13	0.09	0.12	0.25	0.61	1.55	0.80	0.5	0.5	0.5	0.6	0.9	1.3
Treasury bill, 3-mo.	0.12	0.12	0.11	0.09	0.03	0.19	0.69	0.30	0.1	0.2	0.3	0.4	0.7	1.0
Treasury bill, 6-mo.	0.30	0.29	0.30	0.27	0.26	0.74	1.23	0.74	0.3	0.4	0.5	0.6	0.9	1.3
Treasury bill, 1 yr.	0.43	0.43	0.44	0.37	0.49	1.07	1.42	0.99	0.5	0.6	0.7	0.9	1.2	1.5
Treasury note, 2 yr.	0.74	0.74	0.80	0.79	0.82	1.21	1.61	1.21	0.8	0.9	1.0	1.2	1.5	1.8
Treasury note, 5 yr.	1.48	1.42	1.62	1.55	1.52	2.29	2.73	2.18	1.5	1.6	1.8	2.0	2.3	2.6
Treasury note, 10 yr.	2.39	2.30	2.48	2.24	2.42	3.53	3.81	3.25	2.4	2.5	2.6	2.8	3.1	3.3
Treasury note, 30 yr.	2.98	2.93	3.03	2.68	2.87	4.00	4.17	3.68	3.0	3.1	3.2	3.4	3.7	3.9
Corporate Aaa bond	4.93	4.89	5.04	4.74	5.08	6.15	6.28	5.84	4.9	4.9	5.0	5.1	5.2	5.4
Corporate Baa bond	7.98	7.97	8.23	8.07	8.46	9.22	8.88	8.85	7.9	7.6	7.5	7.4	7.4	7.5
State & Local bonds	4.80	4.80	5.02	5.24	5.56	5.23	5.50	5.43	4.8	4.7	4.6	4.6	4.7	4.8
Home mortgage rate	4.96	4.96	5.01	5.1	5.33	6.09	6.20	5.87	4.9	4.8	4.9	5.0	5.2	5.4

	History								Consensus Forecasts-Quarterly Avg.					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	*4Q**	1Q	2Q	3Q	4Q	1Q	2Q
Key Assumptions	2007	2007	2007	2007	2008	2008	2008	*2008*	2009	2009	2009	2009	2010	2010
Major Currency Index	81.9	79.3	77.0	73.3	72.0	70.9	73.5	81.3	80.1	80.8	81.1	81.1	81.6	81.9
Real GDP	0.1	4.8	4.8	-0.2	0.9	2.8	-0.5	*-5.2*	-3.7	-1.2	0.8	1.8	2.5	2.7
GDP Price Index	4.1	2.0	1.5	2.8	2.6	1.1	4.2	*0.3*	1.1	1.3	1.5	1.5	1.8	1.7
Consumer Price Index	3.7	4.6	2.8	5.0	4.3	5.0	6.7	-9.2	-2.2	1.0	1.8	1.8	2.0	2.0

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*. Definitions reported here are same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the U.S. Federal Reserve Board's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS). ***Figures for 4Q 2008 Real GDP and GDP Chained Price Index are consensus forecasts based on a special question asked of the panelists this month (see page 14). Actual figures will be released on January 30th.***

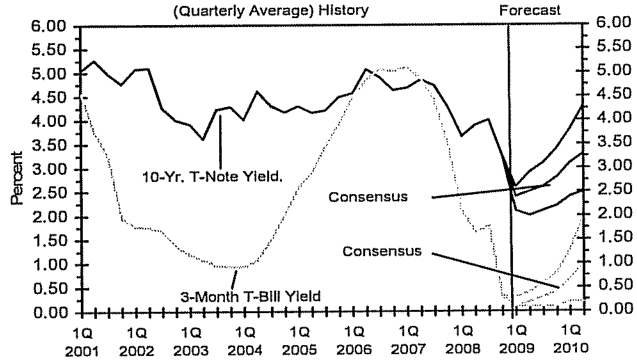
U.S. Treasury Yield Curve

Week ended January 23, 2009 and Year Ago vs. 1Q 2009 and 2Q 2010 Consensus Forecasts



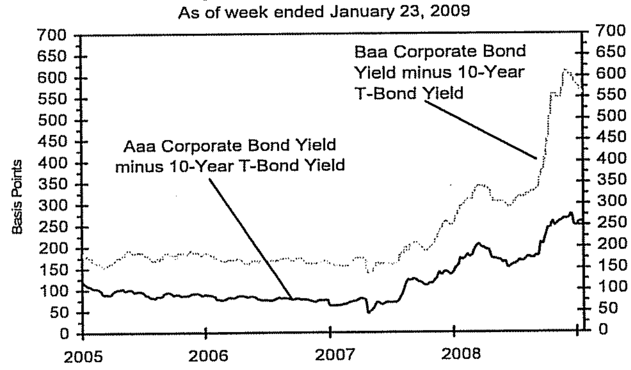
U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average) History Forecast



Corporate Bond Spreads

As of week ended January 23, 2009



U.S. Treasury Yield Curve

As of week ended January 23, 2009

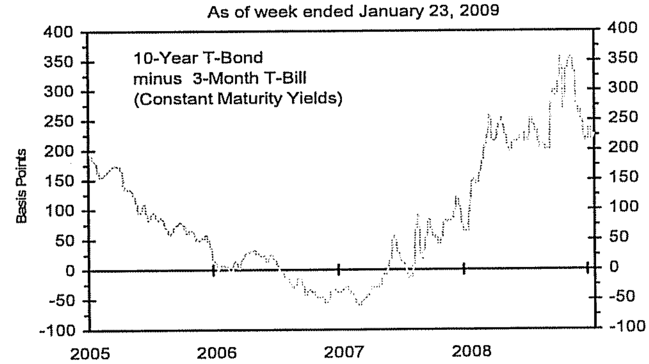


Exhibit FJH-15
Page 7of 9

Missouri Gas Energy
Derivation of Mean Equity Risk Premium Based on a Study
Using Holding Period Returns of Public Utilities

Line No.		Over Baa Rated Public Utility Bonds AUS Consultants - Utility Services Study (1)
Time Period		1928-2007
1.	Arithmetic Mean Holding Period Returns (2): Standard & Poor's Public Utility Index	11.24 %
2.	Arithmetic Mean Yield on: Moody's Baa Rated Public Utility Bonds	(7.11)
3.	Equity Risk Premium	4.13 %

Notes: (1) S&P Public Utility Index and Moody's Public Utility Bond Average Annual Yields 1928-2007, (AUS Consultants - Utility Services, 2008).

(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 Gas Energy
Value Line Adjusted Betas for
the Proxy Group of Nine Value Line Natural Gas Distribution Companies
and Southern Union Company

	Value Line Adjusted Beta
Proxy Group of Nine Value Line Natural Gas Distribution Companies	
AGL Resources Inc.	0.75
Atmos Energy Corp.	0.65
The Laclede Group, Inc.	0.65
New Jersey Resources Corp.	0.70
Northwest Natural Gas Co.	0.60
Piedmont Natural Gas Co., Inc.	0.70
South Jersey Industries, Inc.	0.75
Southwest Gas Corporation	0.75
WGL Holdings, Inc.	0.75
Average	0.70
Median	0.70
Southern Union Company	1.10

Source of Information: Value Line Investment Survey (Standard Edition) December 12, 2008.

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2008 Valuation Yearbook

Market Results for
Stocks, Bonds, Bills, and Inflation
1926–2007

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For example, if bond yields rise unexpectedly, investors can receive a higher coupon payment from a newly issued bond than from the purchase of an outstanding bond with the former lower-coupon payment. The outstanding lower-coupon bond will thus fail to attract buyers, and its price will decrease, causing its yield to increase correspondingly, as its coupon payment remains the same. The newly priced outstanding bond will subsequently attract purchasers who will benefit from the shift in price and yield; however, those investors who already held the bond will suffer a capital loss due to the fall in price.

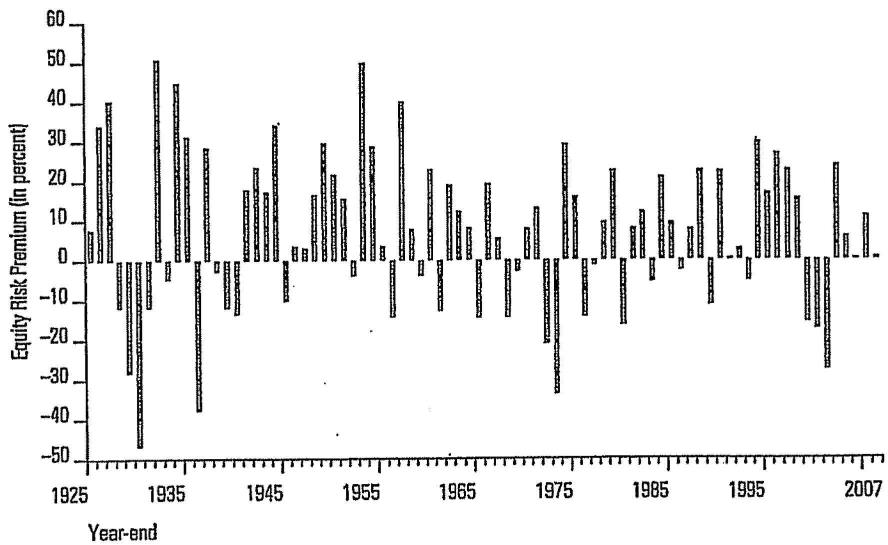
Anticipated changes in yields are assessed by the market and figured into the price of a bond. Future changes in yields that are not anticipated will cause the price of the bond to adjust accordingly. Price changes in bonds due to unanticipated changes in yields introduce price risk into the total return. Therefore, the total return on the bond series does not represent the riskless rate of return.The income return better represents the unbiased estimate of the purely riskless rate of return, since an investor can hold a bond to maturity and be entitled to the income return with no capital loss.

Arithmetic versus Geometric Means

The equity risk premium data presented in this book are arithmetic average risk premia as opposed to geometric average risk premia. The arithmetic average equity risk premium can be demonstrated to be most appropriate when discounting future cash flows. For use as the expected equity risk premium in either the CAPM or the building block approach, the arithmetic mean or the simple difference of the arithmetic means of stock market returns and riskless rates is the relevant number. This is because both the CAPM and the building block approach are additive models, in which the cost of capital is the sum of its parts. The geometric average is more appropriate for reporting past performance, since it represents the compound average return.

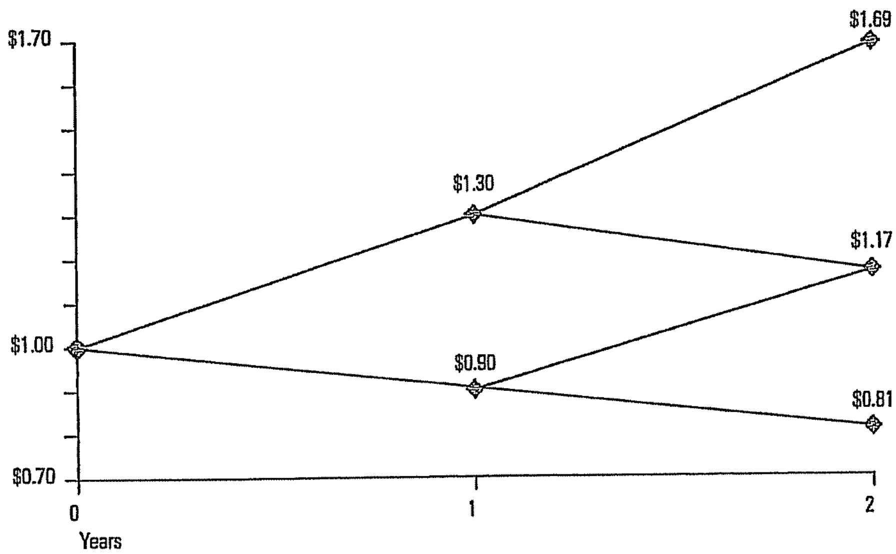
The argument for using the arithmetic average is quite straightforward. In looking at projected cash flows, the equity risk premium that should be employed is the equity risk premium that is expected to actually be incurred over the future time periods. Graph 5-3 shows the realized equity risk premium for each year based on the returns of the S&P 500 and the income return on long-term government bonds. (The actual, observed difference between the return on the stock market and the riskless rate is known as the realized equity risk premium.) There is considerable volatility in the year-by-year statistics. At times the realized equity risk premium is even negative.

Graph 5-3
Realized Equity Risk Premium Per Year
1926–2007



To illustrate how the arithmetic mean is more appropriate than the geometric mean in discounting cash flows, suppose the expected return on a stock is 10 percent per year with a standard deviation of 20 percent. Also assume that only two outcomes are possible each year: +30 percent and –10 percent (i.e., the mean plus or minus one standard deviation). The probability of occurrence for each outcome is equal. The growth of wealth over a two-year period is illustrated in Graph 5-4.

Graph 5-4



The most common outcome of $1.17 is given by the geometric mean of 8.2 percent. Compounding the possible outcomes as follows derives the geometric mean:

$$[(1+0.30)\times(1-0.10)]^{1/2}-1=0.082$$

However, the expected value is predicted by compounding the arithmetic, not the geometric, mean. To illustrate this, we need to look at the probability-weighted average of all possible outcomes:

(0.25 × $1.69) =	$0.4225
+ (0.50 × $1.17) =	$0.5850
+ (0.25 × $0.81) =	$0.2025
Total	$1.2100

Therefore, $1.21 is the probability-weighted expected value. The rate that must be compounded to achieve the terminal value of $1.21 after 2 years is 10 percent, the arithmetic mean:

$$\$1\times(1+0.10)^2=\$1.21$$

The geometric mean, when compounded, results in the median of the distribution:

$$\$1\times(1+0.082)^2=\$1.17$$

The arithmetic mean equates the expected future value with the present value; it is therefore the appropriate discount rate.

Appropriate Historical Time Period

The equity risk premium can be estimated using any historical time period. For the U.S., market data exists at least as far back as the late 1800s. Therefore, it is possible to estimate the equity risk premium using data that covers roughly the past 100 years.

Our equity risk premium covers the time period from 1926 to the present. The original data source for the time series comprising the equity risk premium is the Center for Research in Security Prices. CRSP chose to begin their analysis of market returns with 1926 for two main reasons. CRSP determined that the time period around 1926 was approximately when quality financial data became available. They also made a conscious effort to include the period of extreme market volatility from the late twenties and early thirties; 1926 was chosen because it includes one full business cycle of data before the market crash of 1929. These are the most basic reasons why our equity risk premium calculation window starts in 1926.

Implicit in using history to forecast the future is the assumption that investors' expectations for future outcomes conform to past results. This method assumes that the price of taking on risk changes only slowly, if at all, over time. This "future equals the past" assumption is most applicable to a random time-series variable. A time-series variable is random if its value in one period is independent of its value in other periods.

Does the Equity Risk Premium Revert to Its Mean over Time?

Some have argued that the estimate of the equity risk premium is upwardly biased since the stock market is currently priced high. In other words, since there have been several years with extraordinarily high market returns and realized equity risk premia, the expectation is that returns and realized equity risk premia will be lower in the future, bringing the average back to a normalized level. This argument relies on several studies that have tried to determine whether reversion to the mean exists in stock market prices and the equity risk premium.[3] Several academics contradict each other on this topic; moreover, the evidence supporting this argument is neither conclusive nor compelling enough to make such a strong assumption.

Our own empirical evidence suggests that the yearly difference between the stock market total return and the U.S. Treasury bond income return in any particular year is random. Graph 5-3, presented earlier, illustrates the randomness of the realized equity risk premium.

3 Fama, Eugene F., and Kenneth R. French. "Permanent and Temporary Components of Stock Prices," *Journal of Political Economy*, April 1988, pp. 246–273. Poterba, James M., and Lawrence H. Summers. "Mean Reversion in Stock Prices," *Journal of Financial Economics*, October 1988, pp. 27–59. Lo, Andrew W., and A. Craig MacKinlay. "Stock Market Prices Do Not Follow Random Walks: Evidence from a Simple Specification Test," *The Review of Financial Studies*, Spring 1988, pp. 41–66. Finnerty, John D., and Dean Leistikow. "The Behavior of Equity and Debt Risk Premiums: Are They Mean Reverting and Downward-Trending?" *The Journal of Portfolio Management*, Summer 1993, pp. 73–84. Ibbotson, Roger G., and Scott L. Lummer. "The Behavior of Equity and Debt Risk Premiums: Comment," *The Journal of Portfolio Management*, Summer 1994, pp. 98–100. Finnerty, John D., and Dean Leistikow. "The Behavior of Equity and Debt Risk Premiums: Reply to Comment," *The Journal of Portfolio Management*, Summer 1994, pp. 101–102.

A statistical measure of the randomness of a return series is its serial correlation. Serial correlation (or autocorrelation) is defined as the degree to which the return of a given series is related from period to period. A serial correlation near positive one indicates that returns are predictable from one period to the next period and are positively related. That is, the returns of one period are a good predictor of the returns in the next period. Conversely, a serial correlation near negative one indicates that the returns in one period are inversely related to those of the next period. A serial correlation near zero indicates that the returns are random or unpredictable from one period to the next. Table 5-3 contains the serial correlation of the market total returns, the realized long-horizon equity risk premium, and inflation.

Table 5-3
Interpretation of Annual Serial Correlations
1926–2007

Series	Serial Correlation	Interpretation
Large Company Stock Total Returns	0.03	Random
Equity Risk Premium	0.03	Random
Inflation Rates	0.65	Trend

The significance of this evidence is that the realized equity risk premium next year will not be dependent on the realized equity risk premium from this year. That is, there is no discernable pattern in the realized equity risk premium—it is virtually impossible to forecast next year's realized risk premium based on the premium of the previous year. For example, if this year's difference between the riskless rate and the return on the stock market is higher than last year's, that does not imply that next year's will be higher than this year's. It is as likely to be higher as it is lower. The best estimate of the expected value of a variable that has behaved randomly in the past is the average (or arithmetic mean) of its past values.

Table 5-4 also indicates that the equity risk premium varies considerably by decade. The complete decades ranged from a high of 17.9 percent in the 1950s to a low of 0.3 percent in the 1970s, however, thus far the 2000s have shown a -2.4 percent equity risk premium. This look at historical equity risk premium reveals no observable pattern.

Table 5-4
Long-Horizon Equity Risk Premium by Decade
1926–2007

1920s*	1930s	1940s	1950s	1960s	1970s	1980s	1990s	2000s**	1997-2007
17.6%	2.3%	8.0%	17.9%	4.2%	0.3%	7.9%	12.1%	-2.4%	4.2%

*Based on the period 1926–1929.

**Based on the period 2000–2007.

Finnerty and Leistikow perform more econometrically sophisticated tests of mean reversion in the equity risk premium. Their tests demonstrate that—as we suspected from our simpler tests—the equity risk premium that was realized over 1926 to the present was almost perfectly free of mean reversion and had no statistically identifiable time trends.[4] Lo and MacKinlay conclude, "the rejection of the random walk for weekly returns does not support a mean-reverting model of asset prices."

Choosing an Appropriate Historical Period

The estimate of the equity risk premium depends on the length of the data series studied. A proper estimate of the equity risk premium requires a data series long enough to give a reliable average without being unduly influenced by very good and very poor short-term returns. When calculated using a long data series, the historical equity risk premium is relatively stable.[5] Furthermore, because an average of the realized equity risk premium is quite volatile when calculated using a short history, using a long series makes it less likely that the analyst can justify any number he or she wants. The magnitude of how shorter periods can affect the result will be explored later in this chapter.

Some analysts estimate the expected equity risk premium using a shorter, more recent time period on the basis that recent events are more likely to be repeated in the near future; furthermore, they believe that the 1920s, 1930s, and 1940s contain too many unusual events. This view is suspect because all periods contain "unusual" events. Some of the most unusual events of the last hundred years took place quite recently, including the inflation of the late 1970s and early 1980s, the October 1987 stock market crash, the collapse of the high-yield bond market, the major contraction and consolidation of the thrift industry, the collapse of the Soviet Union, the development of the European Economic Community, and the attacks of September 11, 2001.

It is even difficult for economists to predict the economic environment of the future. For example, if one were analyzing the stock market in 1987 before the crash, it would be statistically improbable to predict the impending short-term volatility without considering the stock market crash and market volatility of the 1929–1931 period.

Without an appreciation of the 1920s and 1930s, no one would believe that such events could happen. The 82-year period starting with 1926 is representative of what can happen: it includes high and low returns, volatile and quiet markets, war and peace, inflation and deflation, and prosperity and depression. Restricting attention to a shorter historical period underestimates the amount of change that could occur in a long future period. Finally, because historical event-types (not specific events) tend to

4 Though the study performed by Finnerty and Leistikow demonstrates that the traditional equity risk premium exhibits no mean reversion or drift, they conclude that, "the processes generating these risk premiums are generally mean-reverting." This conclusion is completely unrelated to their statistical findings and has received some criticism. In addition to examining the traditional equity risk premia, Finnerty and Leistikow include analyses on "real" risk premia as well as separate risk premia for income and capital gains. In their comments on the study, Ibbotson and Lummer show that these "real" risk premia adjust for inflation twice, "creating variables with no economic content." In addition, separating income and capital gains does not shed light on the behavior of the risk premia as a whole.

5 This assertion is further corroborated by data presented in *Global Investing: The Professional's Guide to the World of Capital Markets* (by Roger G. Ibbotson and Gary P. Brinson and published by McGraw-Hill, New York). Ibbotson and Brinson constructed a stock market total return series back to 1790. Even with some uncertainty about the accuracy of the data before the mid-nineteenth century, the results are remarkable. The real (adjusted for inflation) returns that investors received during the three 50-year periods and one 51-year period between 1790 and 1990 did not differ greatly from one another (that is, in a statistically significant amount). Nor did the real returns differ greatly from the overall 201-year average. This finding implies that because real stock-market returns have been reasonably consistent over time, investors can use these past returns as reasonable bases for forming their expectations of future returns.

repeat themselves, long-run capital market return studies can reveal a great deal about the future. Investors probably expect "unusual" events to occur from time to time, and their return expectations reflect this.

A Look at the Historical Results

It is interesting to take a look at the realized returns and realized equity risk premium in the context of the above discussion. Table 5-5 shows the average stock market return and the average (arithmetic mean) realized long-horizon equity risk premium over various historical time periods. Similarly, Graph 5-5 shows the average (arithmetic mean) realized equity risk premium calculated through 2007 for different starting dates. The table and the graph both show that using a longer historical period provides a more stable estimate of the equity risk premium. The reason is that any unique period will not be weighted heavily in an average covering a longer historical period. It better represents the probability of these unique events occurring over a long period of time.

Table 5-5
Stock Market Return and Equity Risk Premium Over Time
1926–2007

Period Length	Period Dates	Large Company Stock Arithmetic Mean Total Return	Long-Horizon Equity Risk Premium
82 Years	1926–2007	12.3%	7.1%
70 Years	1938–2007	12.8%	7.3%
60 Years	1948–2007	13.1%	7.1%
50 Years	1958–2007	12.2%	5.5%
40 Years	1968–2007	11.8%	4.4%
30 Years	1978–2007	14.0%	6.3%
20 Years	1988–2007	13.0%	6.6%
15 Years	1993–2007	11 8%	6.0%
10 Years	1998–2007	7 2%	1.9%
5 Years	2003–2007	13.2%	8.3%

Looking carefully at Graph 5-5 will clarify this point. The graph shows the realized equity risk premium for a series of time periods through 2007, starting with 1926. In other words, the first value on the graph represents the average realized equity risk premium over the period 1926–2007. The next value on the graph represents the average realized equity risk premium over the period 1927–2007, and so on, with the last value representing the average over the most recent five years, 2003–2007. Concentrating on the left side of Graph 5-5, one notices that the realized equity risk premium, when measured over long periods of time, is relatively stable. In viewing the graph from left to right, moving from longer to shorter historical periods, one sees that the value of the realized equity risk premium begins to decline significantly. Why does this occur? The reason is that the severe bear market of 1973–1974 is receiving proportionately more weight in the shorter, more recent average. If you continue to follow the line to the right, however, you will also notice that when 1973 and 1974 fall out of the recent average, the realized equity risk premium jumps up by nearly 1.2 percent.

Missouri Gas Energy
Spreads Between Moody's A and Baa Rated Public Utility Bond Yields
for Five Years One Month Ending January 2009

DATE	Moody's A Rated Public Utility Bond Yields	Moody's Baa Rated Public Utility Bond Yields	Spread Between A and Baa Rated Bond Yields
Jan-04	6.15%	6.47%	0.32%
Feb-04	6.15%	6.28%	0.13%
Mar-04	5.97%	6.12%	0.15%
Apr-04	6.35%	6.46%	0.11%
May-04	6.62%	6.75%	0.13%
Jun-04	6.46%	6.84%	0.38%
Jul-04	6.27%	6.67%	0.40%
Aug-04	6.14%	6.45%	0.31%
Sep-04	5.98%	6.27%	0.29%
Oct-04	5.94%	6.17%	0.23%
Nov-04	5.97%	6.16%	0.19%
Dec-04	5.92%	6.10%	0.18%
Jan-05	5.78%	5.95%	0.17%
Feb-05	5.61%	5.76%	0.15%
Mar-05	5.83%	6.01%	0.18%
Apr-05	5.64%	5.95%	0.31%
May-05	5.53%	5.88%	0.35%
Jun-05	5.40%	5.70%	0.30%
Jul-05	5.51%	5.80%	0.29%
Aug-05	5.50%	5.81%	0.31%
Sep-05	5.52%	5.83%	0.31%
Oct-05	5.79%	6.08%	0.29%
Nov-05	5.88%	6.19%	0.31%
Dec-05	5.80%	6.14%	0.34%
Jan-06	5.75%	6.06%	0.31%
Feb-06	5.82%	6.11%	0.29%
Mar-06	5.98%	6.26%	0.28%
Apr-06	6.29%	6.54%	0.25%
May-06	6.42%	6.59%	0.17%
Jun-06	6.40%	6.61%	0.21%
Jul-06	6.37%	6.61%	0.24%
Aug-06	6.20%	6.43%	0.23%
Sep-06	6.00%	6.26%	0.26%
Oct-06	5.98%	6.24%	0.26%
Nov-06	5.80%	6.04%	0.24%
Dec-06	5.81%	6.05%	0.24%
Jan-07	5.96%	6.16%	0.20%
Feb-07	5.90%	6.10%	0.20%
Mar-07	5.85%	6.10%	0.25%
Apr-07	5.97%	6.24%	0.27%
May-07	5.99%	6.23%	0.24%
Jun-07	6.30%	6.54%	0.24%
Jul-07	6.25%	6.49%	0.24%
Aug-07	6.24%	6.51%	0.27%
Sep-07	6.18%	6.45%	0.27%
Oct-07	6.11%	6.36%	0.25%
Nov-07	5.97%	6.27%	0.30%
Dec-07	6.16%	6.51%	0.35%
Jan-08	6.02%	6.35%	0.33%
Feb-08	6.21%	6.60%	0.39%
Mar-08	6.21%	6.68%	0.47%
Apr-08	6.29%	6.81%	0.52%
May-08	6.27%	6.79%	0.52%
Jun-08	6.38%	6.93%	0.55%
Jul-08	6.40%	6.97%	0.57%
Aug-08	6.37%	6.98%	0.61%
Sep-08	6.49%	7.15%	0.66%
Oct-08	7.56%	8.58%	1.02%
Nov-08	7.20%	8.98%	1.78%
Dec-08	6.54%	8.13%	1.59%
Jan-09	6.39%	7.90%	1.51%
Average	6.09%	6.46%	0.37%

Source of Information:
Mergent Bond Record, February 2009, Volume 76, No. 2.

Missouri Gas Energy
Indicated Common Equity Cost Rate Through Use
of the Capital Asset Pricing Model
for the Proxy Group of Nine Value Line Natural Gas Distribution Companies
and Southern Union Company

Line No.		Proxy Group of Nine Value Line Natural Gas Distribution Companies	Southern Union Company
1.	Traditional Capital Asset Pricing Model (1)	10.92 %	15.23 %
2.	Empirical Capital Asset Pricing Model (1)	11.73 %	14.96 %
3.	Conclusion	11.33 %	15.10 %

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

Missouri Gas Energy
Indicated Common Equity Cost Rate Through Use
of the Capital Asset Pricing Model

	1	2	3
	Value Line Adjusted Beta	Company-Specific Risk Premium Based on Market Premium of 10.77% (1)	CAPM Result Including Risk-Free Rate of 3.38% (2)
		Traditional Capital Asset Pricing Model (3)	
Proxy Group of Nine Value Line Natural Gas Distribution Companies			
AGL Resources Inc.	0.75	8.08 %	11.46 %
Atmos Energy Corp.	0.65	7.00	10.38
The Laclede Group, Inc.	0.65	7.00	10.38
New Jersey Resources Corp.	0.70	7.54	10.92
Northwest Natural Gas Co.	0.60	6.46	9.84
Piedmont Natural Gas Co., Inc.	0.70	7.54	10.92
South Jersey Industries, Inc.	0.75	8.08	11.46
Southwest Gas Corporation	0.75	8.08	11.46
WGL Holdings, Inc.	0.75	8.08	11.46
Average	0.70	7.54 %	10.92 %
Median	0.70	7.54 %	10.92 %
Southern Union Company	1.10	11.85 %	15.23 %
		Empirical Capital Asset Pricing Model (4)	
Proxy Group of Nine Value Line Natural Gas Distribution Companies			
AGL Resources Inc.	0.75	8.75 %	12.13 %
Atmos Energy Corp.	0.65	7.95	11.33
The Laclede Group, Inc.	0.65	7.95	11.33
New Jersey Resources Corp.	0.70	8.35	11.73
Northwest Natural Gas Co.	0.60	7.54	10.92
Piedmont Natural Gas Co., Inc.	0.70	8.35	11.73
South Jersey Industries, Inc.	0.75	8.75	12.13
Southwest Gas Corporation	0.75	8.75	12.13
WGL Holdings, Inc.	0.75	8.75	12.13
Average	0.70	8.35 %	11.73 %
Median	0.70	8.35 %	11.73 %
Southern Union Company	1.10	11.58 %	14.96 %

See page 3 for notes.

Missouri Gas Energy
Development of the Market-Required Rate of Return on Common Equity Using
the Capital Asset Pricing Model for
the Proxy Group of Nine Natural Gas Distribution Companies
and Southern Union Company
Adjusted to Reflect a Forecasted Risk-Free Rate and Market Return

Notes:

(1) For reasons explained in Mr. Hanley's accompanying direct testimony, from the two previous month-end (December 2008 – January 2009), as well as a recently available (February 13, 2009), Value Line Summary & Index, a forecasted 3-5 year total annual market return of 28.85% 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 148% produces a four-year average annual return of 25.49% $((2.48^{.25}) - 1)$. When the average annual forecasted dividend yield of 3.36% is added, a total average market return of 28.85% (3.36% + 25.49%) is derived.

The 3-month and spot forecasted total market return of 28.85% minus the risk-free rate of 3.38% (developed in Note 2) is 25.47% (28.85% - 3.38%). The Morningstar, Inc. (Ibbotson Associates) calculated market premium of 7.10% for the period 1926-2007 results from a total market return of 12.30% less the average income return on long-term U.S. Government Securities of 5.20% (12.30% - 5.20% = 7.10%). This is then averaged with the 25.54% Value Line market premium resulting in a 16.29% market premium. In Mr. Hanley's opinion, the current and recent substantial volatility in the stock market is extraordinary and not representative of the expected long-term. Consequently, in this instance, Mr. Hanley will weight what he believes is an extraordinary expected capital appreciation at 20% and will weight the historical market premium at 80%. The product of this weighting is 10.77% ((.20 * 25.47%) + (.80 * 7.10%)) which will be then multiplied by the beta in column 1 of page2 of this Exhibit.

(2) For reasons explained in Mr. Hanley's direct testimony, the risk-free rate that Mr. Hanley relies upon for his CAPM analysis is 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 February 1, 2009 (see Page 7 of Schedule FJH-15). The estimates are detailed below:

	30-Year Treasury Note Yield
First Quarter 2009	2.90%
Second Quarter 2009	3.00
Third Quarter 2009	3.20
Fourth Quarter 2009	3.40
First Quarter 2010	3.80
Second Quarter 2010	4.00
Average	3.38%

(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, February 1, 2009
Value Line Investment Survey, (Standard Edition) December 12, 2008.
Ibbotson SBBI – 2008 Valuation Yearbook – Market Results for Stocks, Bonds, Bills, and Inflation for 1926-2007, Morningstar, Inc., 2008, Chicago,

Missouri Gas Energy
Comparable Earnings Analysis
for a Proxy Group of Nine Non-Utility Companies Comparable to the
Proxy Group of Nine Value Line Natural Gas Distribution Companies (1)

Proxy Group of Nine Non-Utility Companies Comparable to the Proxy Group of Nine Value Line Natural Gas Distribution Companies (1)	Adj Beta	Unadj Beta	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) Percent	Student's Statistic
Automatic Data Proc.	0.75	0.58	2.2033	0.0635	16.00 %	(0.57)
Gallagher (Arthur J.)	0.70	0.51	2.2842	0.0658	23.50	0.58
Erie Indemnity Co.	0.70	0.51	2.0646	0.0595	22.00	0.35
Intl Flavors & Frag.	0.70	0.53	2.2368	0.0644	25.50	0.89
Kraft Foods	0.65	0.44	2.2521	0.0649	10.50	(1.42)
Northrop Grumman	0.75	0.56	2.2626	0.0652	12.50	(1.11)
Raytheon Co.	0.75	0.59	2.1222	0.0611	14.50	(0.81)
Sara Lee Corp.	0.70	0.50	2.2565	0.0650	24.00	0.66
Exxon Mobil Corp.	0.80	0.62	2.2771	0.0656	29.00	1.43
Average	0.72	0.54	2.2177	0.0639		
Average for the Proxy Group of Nine Value Line Natural Gas Distribution Companies	0.70	0.52	2.1000 (3)	0.0605		
Median (4)					22.00%	

See Page 3 for notes.

Missouri Gas Energy
Comparable Earnings Analysis
for a Proxy Group of Twenty Non-Utility Companies Comparable to
Southern Union Company (5)

Proxy Group of Twenty Non-Utility Companies Comparable to Southern Union Company (5)	Adj Beta	Unadj Beta	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): Percent	Student's Statistic
Air Products & Chem.	1.10	1.08	2.3626	0.0681	23.00 %	0.70
AptarGroup	1.00	1.00	2.5946	0.0747	12.50	(0.68)
Avery Dennison	1.00	0.95	2.3991	0.0691	14.50	(0.42)
Amer. Express	1.15	1.21	2.4846	0.0716	28.00	1.35
Ball Corp.	1.10	1.12	2.5673	0.0740	17.50	(0.02)
Can. National Railway	1.10	1.13	2.5814	0.0744	15.50	(0.29)
Rockwell Collins	1.05	1.02	2.4591	0.0708	36.00 (6)	2.40
Dow Chemical	1.00	0.96	2.5945	0.0747	10.50	(0.94)
DST Systems	1.00	0.97	2.3933	0.0689	17.00	(0.09)
Eaton Corp.	1.10	1.14	2.4252	0.0699	18.00	0.04
Fortune Brands	1.00	0.99	2.3314	0.0672	10.50	(0.94)
Honeywell Intl	1.10	1.08	2.4089	0.0694	24.50	0.89
Mettler-Toledo Intl	1.00	0.97	2.5052	0.0722	32.50	1.94
News Corp.	1.05	1.03	2.3072	0.0665	9.00	(1.14)
Praxair Inc.	1.05	1.02	2.3077	0.0665	19.50	0.24
Donnelley (R.R) & Sons	1.05	1.02	2.5412	0.0732	14.50	(0.42)
Republic Services	1.05	1.01	2.3435	0.0675	15.00	(0.35)
Stanley Works	1.10	1.09	2.6062	0.0751	15.50	(0.29)
Travelers Cos.	1.05	1.02	2.5261	0.0728	11.50	(0.81)
Time Warner	1.00	0.96	2.2781	0.0656	8.50	(1.20)
Average	1.05	1.04	2.4509	0.0706		
Southern Union Company	1.10	1.09	2.4005 (7)	0.0692		
Median (4)					15.50%	
Conservative Median (8)					15.50%	

See Page 3 for notes.

Missouri Gas Energy
Comparable Earnings Analysis

Notes:

(1) The criteria for selection of the proxy group of nine 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 for each of the five years ended 2007 and projected 2011- 2013 as reported in Value Line Investment Survey (Standard Edition). The proxy group of nine non-utility companies was selected based uponthe proxy group of nine Value Lire natural gas distribution companies' unadjusted beta range of 0.40 – 0.64 and standard error of the regression range of 1.9155 – 2.2845. These ranges are based upon plus or minus two standard deviations of the unadjusted beta and standard error of the regression as detailed in Mr. Hanley's direct testimony. Plus or minus two standard deviations captures 95.50% of the distribution of unadjusted betas and standard errors of the regression.

(2) 2011 - 2013.

(3) The standard deviation of group of ten Value Line electric and combination electric and gas companies' standard error of the regression is 0.0923. The standard deviation of the standarderror of the regressionis 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

$$\text{Thus, } 0.0923 = \frac{2.100}{\sqrt{518}} = \frac{2.100}{22.7596}$$

(4) Median five year projected rate of return on book common equity, shareholder's equity, net worth, or partners' capital.

(5) The criteria for selection of the proxy group of twenty 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 2011 - 2013 as reported in Value Line Investment Survey (Standard Edition). The proxy group of twenty non-utility companies was selected based upon Southern Union Company's unadjusted beta range of 0.95 – 1.23 and standard error of the regression range of 2.1896 – 2.6114. These ranges are based upon plus or minus two standard deviations of the unadjusted beta and standard error of the regression as detailed in Mr. Hanley's direct testimony. Plus or minus two standard deviations captures 95.50% of the distribution of unadjusted betas and standard errors of the regression.

(6) The Student's T-statistic associated with these returns exceeds 2.083 at the 95% level of confidence. Therefore, they have been excluded, as outliers, to arrive at proper mean projected returns as fully explained in Mr. Hanley's testimony.

(7) The standard deviation of the proxy group of eight Value Line natural gas distribution companies' standard error of the regression is 0.2110 (2.4005 / 22.7596).

(8) 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 (6) above.

Source of Information: Value Line, Inc., December 15, 2008
Value Line Investment Survey (Standard Edition)

Missouri Gas Energy
Authorized Returns on Equity and Equity Ratios for
Natural Gas Distribution Companies from January 2008 to February 2009

Company	State	Case Identification	Date	Return on Equity (%)		Common Equity /Total Cap (%)	
Northern States Power Co-WI	Wisconsin	D-4220-UR-115 (gas)	1/8/2008	10.75		52.51	
Wisconsin Electric Power Co.	Wisconsin	D-5-UR-103 (WEP-GAS)	1/17/2008	10.75		54.36	
Wisconsin Gas LLC	Wisconsin	D-5-UR-103 (WG)	1/17/2008	10.75		46.64	
North Shore Gas Co.	Illinois	D-07-0241	2/5/2008	9.99		56.00	
Peoples Gas Light & Coke Co.	Illinois	D-07-0242	2/5/2008	10.19		56.00	
Indiana Gas Co.	Indiana	Ca-43298	2/13/2008	10.20	(1)	48.99	(1)
Avista Corp.	Oregon	D-UG-181	3/31/2008	10.00	(1)	50.00	(1)
Duke Energy Ohio Inc.	Ohio	C-07-0589-GA-AIR	5/28/2008	10.50	(1)	55.76	(1)
Atmos Energy Corp.	Texas	GUD-9762	6/24/2008	10.00		48.27	
Questar Gas Co.	Utah	D-07-057-13	6/27/2008	10.00	(1)	51.38	(1)
San Diego Gas & Electric Co.	California	AP-06-12-009 (gas)	7/31/2008	10.70	(1)	49.00	(1)
Southern California Gas Co.	California	AP-06-12-010	7/31/2008	10.82	(1)	48.00	(1)
SourceGas Distribution LLC	Colorado	D-08S-108G	8/27/2008	10.25	(1)	53.13	(1)
Chesapeake Utilities Corp.	Delaware	D-07-186	9/2/2008	10.25	(1)	61.81	(1)
Atmos Energy Corp.	Georgia	D-27163-U	9/17/2008	10.70		45.00	
Central Illinois Light Co.	Illinois	D-07-0588	9/24/2008	10.68		46.50	
Central Illinois Public	Illinois	D-07-0589	9/24/2008	10.68		47.91	
Illinois Power Co.	Illinois	D-07-0590	9/24/2008	10.68		51.76	
Avista Corp.	Idaho	C-AVU-G-08-01	9/30/2008	10.20	(1)	47.94	(1)
New Jersey Natural Gas Co.	New Jersey	D-GR-07110889	10/3/2008	10.30	(1)	51.20	(1)
Puget Sound Energy Inc.	Washington	D-UG-07-2301	10/8/2008	10.15	(1)	46.00	(1)
CenterPoint Energy Resources	Texas	GUD 9791	10/20/2008	10.06		55.40	
Piedmont Natural Gas Co.	North Carolina	D-G-9, Sub 550	10/24/2008	10.60	(1)	51.00	(1)
Public Service Co. of NC	North Carolina	D-G-5, Sub 495	10/24/2008	10.60	(1)	54.00	(1)
Southwest Gas Corp.	California	A-07-12-022 (SoCalDiv)	11/21/2008	10.50	(1)	47.00	(1)
Southwest Gas Corp.	California	A-07-12-022 (NoCalDiv)	11/21/2008	10.50	(1)	47.00	(1)
Southwest Gas Corp.	California	A-07-12-022 (LkTah)	11/21/2008	10.50	(1)	47.00	(1)
Narragansett Electric Co.	Rhode Island	D-3943	11/24/2008	10.50		NA	
Columbia Gas of Ohio Inc	Ohio	C-08-0072-GA-AIR	12/3/2008	10.39	(1)	NA	(1)
Southwest Gas Corp.	Arizona	D-G-01551A-07-0504	12/24/2008	10.00		43.44	
Northwest Natural Gas Co.	Washington	D-UG-08-0546	12/26/2008	10.10	(1)	50.74	(1)
Avista Corp.	Washington	D-UG-08-0417	12/29/2008	10.20	(1)	46.30	(1)
Michigan Gas Utilities Corp	Michigan	C-U-15549	1/13/2009	10.45		46.49	
New England Gas Company	Massachusetts	DPU 08-35	2/2/2009	10.05		34.19	
			Average	10.38		49.71	
			Average of Litigated Cases	10.42		48.89	

Notes:
(1) Order followed stipulation or settlement by the parties. Decision particulars not necessarily precedent-setting or specifically adopted by the regulatory body.

Source of Information:
Report downloaded from Regulatory Research Associates, Inc. (RRA) an SNL Energy Company on March 12, 2009.