Exhibit No.:

Issues:

Return on Equity, Capital

Structure

Witness:

Pauline M. Ahern

Exhibit Type:

Rebuttal

Sponsoring Party: Missouri-American Water

Company

Case No.:

WR-2007-0216 SR-2007-

0217

Date:

July 10, 2007

### MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2007-0216 SR-2007-0217

**EXHIBIT** 

TO ACCOMPANY THE

**REBUTTAL TESTIMONY** 

OF

**PAULINE M. AHERN** 

**ON BEHALF OF** 

MISSOURI-AMERICAN WATER COMPANY

Missouri American Water Company Embedded Cost of Long-Term Debt June 30, 2006

Missour-American Water Company Case No. WR-2007-0216 S0094R-1

Tissue   Amount   Sisue   Amount   Data	Series   Face   Coupon Rate   Issued   Date   Date   Primerest   Amount   Date   Date   Date   Primerest   Primerest   Primerest   Date   Da	Sesue   Amount   Issue			Principal	Unamortized	Chamorized				-	
Type   Coupon Rase   Issued   Date   Date   Payment Diago    In   In   In   In   In   In   In	Type   Coupon Rate   Issued   Date   Date   Peyment Date(s)   A (6500)   E (7)   E (	Type		interest	Amount	¥aC	(Discount) or	Carried	loeoo	4.44	, d	t
Communication   Composition	Commany Mortgage Bonds:   Co	(4)		Payment Date(s)	At 6/30/06	Excense	Premi m	Saliying ordey	Roses	Armuai Dobt Everen	Annual	Embedded
Participate	Bonds:         Commany Mortgage Bands:	Bonds:  General Mortgage Bonds:  General Mortgage Bonds:  Series C		ú	Ç	į			1101031	Carl Cybal Se	L'OSI	So
General Mortgage Bonds:         11,000,000         115/11977         12/11500         NA         SS 220         \$514,236         (17,468)         0         12,322           Series S C (5,000)         115/11969         115/1100         NA         0         13,494         42,706         (16,174)         0         23,556           Series S C (5,000)         21/11969         121/11696 <td>General Mortgage Bonds;         Characterist Mortgage Bonds;         11,000,000         112/1/1977         127/12007         NA         SD         45220         \$14,2269         (17,459)         0           Series O         10,000,000         112/1798         115/1709         NA         0         4,544         47,706         (66,737)         0           Series O         10,000,000         121/1798         121/1702         NA         0         645,147         666,205         (66,737)         0           Series S         5,500%         25,000,000         21/1792         NA         0         645,147         340,253         0         665,737         0           Series S         5,500%         12,000,000         21/1792         NA         0         641,170         340,200         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0</td> <td>General Mortgage Bonds:         11,000,000         127/1/977           Series C         10,050%         12,000,000         127/1/988           Series O         1,000,000         127/1/988           Series C         9,480%         12,000,000         127/1/988           Series C         9,480%         25,000,000         127/1/989           Series T         5,500%         12,000,000         27/1/997           Series T         5,500%         12,000,000         27/1/997           Series V         5,500%         12,000,000         27/1/995           Series V         5,500%         12,000,000         27/1/995           Series Y         5,500%         12,000,000         27/1/995           Series Y         5,500%         12,000,000         27/1/996           Series Y         5,500%         12,000,000         37/1/996           Series Y         5,500%         12,000,000         37/1/996           Series Y         5,500%         12,500,000         37/1/996           Series S         5,500%         12,500,000         37/1/996           Series S         5,500%         12,500,000         37/1/996           Series S         5,000%         12,500,000         37/1/</td> <td></td> <td>à</td> <td>2</td> <td>Ē</td> <td>3</td> <td>ŝ</td> <td>Ž.</td> <td>2</td> <td>Œ)</td> <td>2</td>	General Mortgage Bonds;         Characterist Mortgage Bonds;         11,000,000         112/1/1977         127/12007         NA         SD         45220         \$14,2269         (17,459)         0           Series O         10,000,000         112/1798         115/1709         NA         0         4,544         47,706         (66,737)         0           Series O         10,000,000         121/1798         121/1702         NA         0         645,147         666,205         (66,737)         0           Series S         5,500%         25,000,000         21/1792         NA         0         645,147         340,253         0         665,737         0           Series S         5,500%         12,000,000         21/1792         NA         0         641,170         340,200         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0         1/17,174         0         0	General Mortgage Bonds:         11,000,000         127/1/977           Series C         10,050%         12,000,000         127/1/988           Series O         1,000,000         127/1/988           Series C         9,480%         12,000,000         127/1/988           Series C         9,480%         25,000,000         127/1/989           Series T         5,500%         12,000,000         27/1/997           Series T         5,500%         12,000,000         27/1/997           Series V         5,500%         12,000,000         27/1/995           Series V         5,500%         12,000,000         27/1/995           Series Y         5,500%         12,000,000         27/1/995           Series Y         5,500%         12,000,000         27/1/996           Series Y         5,500%         12,000,000         37/1/996           Series Y         5,500%         12,000,000         37/1/996           Series Y         5,500%         12,500,000         37/1/996           Series S         5,500%         12,500,000         37/1/996           Series S         5,500%         12,500,000         37/1/996           Series S         5,000%         12,500,000         37/1/		à	2	Ē	3	ŝ	Ž.	2	Œ)	2
Series   1,000,000   12/1/57   12/1/2007   NA   50   51,220   51,426   10,056   10,000   12/1/59   12/1/2009   NA   0   4,834   41,300   (16,134)   0   23,256   23,256   25,000,000   12/1/1999   12/1/2009   NA   0   4,834   41,300   (16,134)   0   23,326   23,256   25,000,000   12/1/1991   12/1/2009   NA   0   61,174   12/1/2009   12/1/2009   NA   15,000,000   12/1/1992   12/1/2009   1	Series Communication         11,000,000         12/11/1998         12/11/2002         NA         SD         SD         SD         ST         C45         41,300         (46,134)         O           Series Communication         10,0000         12/11/1998         12/11/2000         NA         0         4,834         41,300         (46,134)         0           Series Communication         11,000,000         12/11/1998         12/11/2002         NA         0         6,417         6,617         0         0           Series S         10,000,000         21/11/991         21/10/202         NA         0         6,417         20,200         0	Series C										
Series   10,000,000   1151/1989   1172,0008   NA   50   53,220   514,230   (17,456)   0 0   12,222   (17,456)   0 0 0 0   12,11989   12/17,0008   NA   0   4,344   47,780   (16,134)   0   23,250   (16,134)   0   23,250   (16,134)   0   23,250   (16,134)   0   23,250   (16,134)   0   23,250   (16,134)   0   23,250   (16,134)   0   23,250   (16,134)   0   23,250   (16,134)   0   23,250   (16,134)   0   23,250   (16,134)   0   23,250   (16,134)   0   23,250   (16,134)   0   23,250   (16,134)   0   23,250   (16,134)   0   24,270	Series K         11,000,000         12/11/1977         12/11/2000         NA         60         4,834         4/1,300         (46,134)         0           Series O         1,000,000         12/11/1987         12/100,000         12/11/1989         11/17/208         NA         0         4,834         47,300         (46,134)         0           Series O         1,000,000         12/11/1981         2/17/2021         NA         0         6,61,170         66,65.05         (46,134)         0           Series S         1,000,000         21/11/1981         21/10022         NA         0         6,61,170         66,65.05         (46,134)         0           Series S         5,500%         1,17000         21/1002         NA         0         6,61,170         66,65.05         (46,61,27)         (46,61,37)         0           Series S         5,500%         1,17000         21/1002         1,111/1996         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111/1900         1,111	Series K Series C Ser										
Series O         10,005/00         11,21/1998         11/57/2018         NA         0         4,324         47,300         (8,134)         0         7,322           Series O         1,005/04         1,21/1998         1,21/1999         1,21/1999         1,21/1999         1,21/1999	Series O         10,000,000         11,55,708         IVA         0         4,534         4,708         (16,129)         0           Series O         5,400%         1,200,000         12,117098         12,11700         0         14,44         4,708         (56,202)         0           Series P         5,500%         1,100,000         21/11991         12/117020         NA         0         64,170         66,5202         0           Series P         5,500%         1,100,000         21/11991         12/11002         NA         0         64,170         30,513         (56,500)         0           Series P         5,500%         15,000,000         21/11993         21/12022         NA         1,489,000         41,438,171         30,513         (56,500)         0         11/14891         11/14892         11/14891	Series O         10,050%         17,51988           Series P         10,050%         12,117,998           Series R         9,480%         1,000,000         12/17,1989           Series T         9,480%         1,000,000         12/17,199           Series T         5,500%         25,000,000         27/1799           Series U         5,500%         15,000,000         21/1799           Series U         5,500%         17,000,000         21/1799           Series V         5,500%         15,000,000         21/1799           Series X         5,500%         15,000,000         31/1799           Series X         5,500%         25,000,000         31/1799           Series X         5,500%         31/1799         31/1799           Series X         5,000%         31/1799         31/1799           Series X         5,500%         3,000,000         31/1799           Series B         5,000%         1,220,000         31/1799           Series B         5,000%         4,500,000         21/1200           Series B         5,000%         4,500,000         21/1200           Series B         5,000%         4,500,000         21/1200           Series		MA	Ş	000 00	6		•			
Series P         1,00,00%	Series P         10,000%         12,000,000         12/17/200         IA         6,534         47,300         (66,124)         0           Series C         5,490%         11,000,000         12/17/200         IA/17022	Series P 10.050% 12,000,000 12/1/1989 Series G 5.400% 12,000,000 12/1/1989 Series S 5.400% 12,000,000 12/1/1989 Series S 5.500% 12,000,000 12/1/1981 Series Y 5.500% 12,000,000 12/1/1981 Series Y 5.500% 12,000,000 12/1/1985 Series W 7.500% 12,000,000 12/1/1985 Series W 7.500% 12,000,000 12/1/1986 Series Y 5.000% 12,000,000 12/1/1986 Series M 5.000% 12,000,000 12/1/1986 Series B 5.000% 12,000,000 12/1/1988 Series S 5.000% 12,000,000 12/1/1988 Series B 5.000% 12,000,000 12/1/1988 Series S 5.000% 12,000,000 12/1/1988 Series B 5.000% 12,000,000 12/1/1988 Series S 5.000% 12/1/1988 Series S 5.000% 12/1/1988 Series S 5.000% 12/1/1988 Series		£ :	2	22,56	414 738	(17,458)	0	12,322	12,322	
Series         5.500%         1.2/17/200         NA         0         61,494         42,703         (6,502)         0         23,256           Series C         5.500%         2.7/1900         2/1/1902         NA         0         61,417         6.62,500         0         23,256           Series S         6.500%         2.7/1900         2/1/1902         2/1/1902         1/1,000         0         61,417         6.62,500         0         0         62,500         0         0         0         6,617         0         0         0         0         6,617         0	Series G 5500% 12/11/399 12/11/2029 NA 0 61,170 66,020 (667,375) 0 6 65,120 (667,375) 0 6 67,120 (667,375) 0 6 67,	Series C		£ :	>	4,634	41.300	46.134)	0	30,756	30,756	
Series D         5,400%         1,1000,000         21/1/1091         1/2/1/1091         NA         0         645,177         600,255         (667,375)         0         28,500           Series S         25,000%         21/1/1995         21/1/2002         NA         0         645,177         8,000         0         65,077           Series S         25,000%         20,000         21/1/1995         21/1/2002         14,489,000         645,677         3,000         1,171,198         6,000           Series V         5,500%         12,000,000         21/1/1995         6/1/2002         11,885,000         645,642         0         15,11688         67,744         17,734           Series V         5,500%         10,000         21/1/1995         6/1/2005         11,885,000         11,004,101         0         645,642         0         15,743         17,744         17,744           Series Y         5,500%         10,000,000         31/1/1995         41/1/2002         Mar.1, Nov.1         15,000,000         71,474         9         13,722         0         14,541         14,541         14,541         14,541         14,541         14,541         14,541         14,541         14,541         14,541         14,541         14,541	Series   Control	Series J. Series		¥	0	13.494	42 708	(56 202)	0	73.756	23.756	
Series R         6,900%         25,000,000         21/1991         1/1000         1/1000         2/1000         0 645,197         20,513         (965,660)         0 65,079           Series S         5,500%         15,000,000         21/1992         21/1000         1/1000         1/1000         0 65,079         0 65,079           Series V         5,500%         15,000,000         21/1997         21/1000         1/1000         1/1000         0 77,441         10,000         1/1000         10,000         10,000         10,000         10,000         10,000         10,000         11/1000         10,	Series S         6:300%         25,000,000         21/1991         21/12021         NA         0         645,177         300,513         (1054,107)         0           Series S         5:500%         25,000,000         21/1992         21/12023         Feb 1, Aug 1         14,880,000         617,074         343,277         (104,4101)         0           Series T         5,500%         12,000,000         21/1992         21/12023         Feb 1, Aug 1         14,880,000         37,302         0         11,511,698         677,441           Series V         5,500%         10,000,000         61/11995         11/12007         Mar 1, Nor 1         15,600,000         37,11998         677,446         0         11,511,698         677,446         0         11,511,698         677,441         0         11,511,698         677,446         0         11,511,698         677,446         0         11,511,698         677,446         0         11,511,698         677,446         0         11,511,698         677,446         0         11,531,698         677,447         0         11,531,698         677,447         0         11,531,698         677,441         0         11,531,698         677,441         0         11,531,698         677,441         0         11,531,698 </td <td>Series R         6.300%         25,000,000         27/1/1991           Series T         5.500%         25,000,000         27/1/1992           Series U         5.500%         15,000,000         27/1/1993           Series W         5.500%         10,000,000         11/1/1996           Series W         5.500%         15,000,000         11/1/1996           Series X         5.000%         15,000,000         11/1/1996           Series X         5.000%         27/1/1997         27/1/1996           Series X         5.000%         27/1/1996         27/1/1996           Series S         5.500%         27/1/1996         27/1/1996           Series S         5.500%         37/1/1996         27/1/1996           Series S         5.500%         37/1/1996         37/1/1996           Series S         5.500%         12,200,000         37/1/1996           Series B         5.000%         4,500,000         27/1/1997           Series B         5.000%         19,000,000         21/1/1997           Series B         5.000%         25,000%         25/1/1/200           Series B         5.000%         19,000,000         21/1/200           Series B         5.000%         <t< td=""><td></td><td>Ϋ́</td><td><b>C</b></td><td>51 170</td><td>506 205</td><td>375 235)</td><td></td><td>200</td><td>201,00</td><td></td></t<></td>	Series R         6.300%         25,000,000         27/1/1991           Series T         5.500%         25,000,000         27/1/1992           Series U         5.500%         15,000,000         27/1/1993           Series W         5.500%         10,000,000         11/1/1996           Series W         5.500%         15,000,000         11/1/1996           Series X         5.000%         15,000,000         11/1/1996           Series X         5.000%         27/1/1997         27/1/1996           Series X         5.000%         27/1/1996         27/1/1996           Series S         5.500%         27/1/1996         27/1/1996           Series S         5.500%         37/1/1996         27/1/1996           Series S         5.500%         37/1/1996         37/1/1996           Series S         5.500%         12,200,000         37/1/1996           Series B         5.000%         4,500,000         27/1/1997           Series B         5.000%         19,000,000         21/1/1997           Series B         5.000%         25,000%         25/1/1/200           Series B         5.000%         19,000,000         21/1/200           Series B         5.000% <t< td=""><td></td><td>Ϋ́</td><td><b>C</b></td><td>51 170</td><td>506 205</td><td>375 235)</td><td></td><td>200</td><td>201,00</td><td></td></t<>		Ϋ́	<b>C</b>	51 170	506 205	375 235)		200	201,00	
Series S         5500%         17/1922         21/12022         NA         61/13/193         61/13/193         11/1202         NA         61/13/193         15/13/193	Series S         25,000,000         21/1992         21/10022         NA         6 74,174         343,027         (1014,101)         0           Series V         5,00%         15,000,000         21/19022         144,890,000         641,223         0         14,488,771         818,950           Series V         5,000%         15,000,000         61/17998         61/12025         Junt, Det 1         14,880,000         645,646         0         19,243,354         1034,445           Series V         5,000%         11/1997         51/12025         Junt, Det 1         14,880,000         645,646         0         19,243,354         11,551,698         677,445           Series X         5,000,000         31/11997         51/12025         Junt, Det 1         19,800,000         14,488,771         81,850         67,445         77,445         67,445         77,445         77,445         77,445         77,445         77,445         77,445         77,445         77,445         77,445         77,445         77,445         77,445         77,445         77,445         77,445         77,445         77,744         77,744         77,744         77,744         77,744         77,744         77,744         77,744         77,744         77,744         77,744	Series S         5,500%         17,1992           Series T         5,500%         15,000,000         21/1993           Series V         5,700%         15,000,000         61/1995           Series W         7,500%         12,000,000         61/1995           Series W         7,500%         15,000,000         61/1997           Series Y         5,100%         25,000,000         31/1998           Series Y         5,000%         40,000,000         31/1998           Series Y         5,800%         40,000,000         31/1998           Series S         5,800%         40,000,000         31/1998           Series S         1,400%         12,500,000         31/21/994           Series S         5,500%         4,500,000         31/21/994           Series S         5,500%         4,500,000         31/21/994           Series S         5,000%         4,500,000         31/12/1998           Series S         5,000%         19,000,000         61/12/1998           Series S         5,000%         19,000,000         61/12/000           Series S         5,000%         15,000,000         61/12/2002           Series S         5,000%         15,000,000         61/12/2		ΦN	· C	E A E 427	200	(0.00)	•	70.00	SE 07	
Series T         \$500%         15,000,000         21/1903         21/12023         Feb 1, Aug 1         14,880,000         51/1,0/4         343,127         5,000         65,079         5,000         5,000         61/1995         61/12025         Link (1995)         61/1002	Series V         5,500%         15,000,000         2/11/935         2/11/223         Feb 1, Aug 1         14,880,000         431,222         14,488,777         818,950           Series V         5,500%         12,000,000         2/11/935         11/11/11/11/11/11/11/11/11/11/11/11/11/	Series T 5.500% 175,000,000 21/1/992 58ries U 5.500% 17,000,000 21/1/992 58ries W 5.500% 12,000,000 11/1/1/995 58ries W 5.500% 20,000,000 11/1/1/995 58ries S 5.000% 20,000,000 31/1/998 58ries S 5.500% 20,000,000 31/1/998 58ries S 5.500% 17,21/994 58ries B 5.500% 17,21/994 58ries B 5.000% 17,200,000 17,21/994 58ries B 5.000% 17,200,000 17,21/994 58ries B 5.000% 15,000,000 17,21/997 58ries B 5.000% 15,000,000 17,21/997 58ries B 5.000% 15,000,000 17,21/997 58ries B 5.000% 15,000,000 17,21/998 58ries B 5.000% 15,000,000 17,22/998 58ries B 5.000% 15,000,000 17,22/900 17,22/900 17,22/900 17,22/900 17,22/900 17,22/900 17,22/900 17,22/900 17,22/900 17,22/900 17,22/900 17,22/900 17,22		-		2 1	250,050	(Aco'cos)	•	56,22	66,221	
Series U         5,700%         12,000,000         411/12/20         14,488,700         431,223         0         14,488,77         88,000         26,004           Series V         5,700%         12,000,000         411/12/20         May 1, Nov 1         18,86,000         44,488,732         0         14,488,74         17,34 <t< td=""><td>Series V         5,700%         12,000,000         6/1/1995         6/1/2025         Jun, 1, Der 1         14,880,000         6/3,223         0         14,516,98         818,950           Series V         5,500%         10,000,000         6/1/1995         6/1/2025         Jun, 1, Der 1         1,880,000         6/4,566         0         19,23,434         1,155,000           Series V         5,500%         1,500,000         6/1/1997         5/1/2029         May 1, Nov 1         1,880,000         6/4,566         0         19,23,434         1,155,000           Series Y         5,000,000         3/1/1997         5/1/2028         May 1, Nov 1         1,500,000         1,247,469         0         1,234,369         0         1,255,000           Series S         5,000,000         3/1/1997         3/1/2028         May 1, Sep 1         2,500,000         1,247,469         3/1/2029         1,117,2029         3/1/2029         1,117,2029         3/1/2029</td><td>Series U 5,700% 12,000,000 6/1/1995 Series Y 5,500% 12,000,000 11/1/1995 Series Y 5,500% 20,000,000 11/1/1996 Series Y 5,000% 25,000,000 5/1/1999 Series Y 5,000% 40,000,000 5/1/1999 Series Y 5,000% 40,000,000 5/1/1999 Series S 5,500% 5,000,000 3/1/1999 Series S 7,140% 12,500,000 3/2/1994 Series R 5,000% 12,500,000 3/2/1994 Series B 5,000% 12,500,000 5/1/1999 Series S 5,000% 19,000,000 6/1/1999 Series S 5,000% 19,000,000 6/1/2/1999 Series S 5,000% 19,000,000 6/1/2/1999 Series S 5,000% 19,000,000 6/1/2/1998 Series S 5,000% 19,000,000 6/1/2/2002 Series S 5,000% 19,000,000 6/1/2/2002 Series S 5,000% 19,000,000 6/1/2/2002 Series S 5,000% 19,000,000 6/1/2/2002</td><td></td><td>£ ;</td><td>3</td><td>6/1,0/4 6</td><td>343,027</td><td>(1,014,101)</td><td>0</td><td>62,079</td><td>620,59</td><td></td></t<>	Series V         5,700%         12,000,000         6/1/1995         6/1/2025         Jun, 1, Der 1         14,880,000         6/3,223         0         14,516,98         818,950           Series V         5,500%         10,000,000         6/1/1995         6/1/2025         Jun, 1, Der 1         1,880,000         6/4,566         0         19,23,434         1,155,000           Series V         5,500%         1,500,000         6/1/1997         5/1/2029         May 1, Nov 1         1,880,000         6/4,566         0         19,23,434         1,155,000           Series Y         5,000,000         3/1/1997         5/1/2028         May 1, Nov 1         1,500,000         1,247,469         0         1,234,369         0         1,255,000           Series S         5,000,000         3/1/1997         3/1/2028         May 1, Sep 1         2,500,000         1,247,469         3/1/2029         1,117,2029         3/1/2029         1,117,2029         3/1/2029	Series U 5,700% 12,000,000 6/1/1995 Series Y 5,500% 12,000,000 11/1/1995 Series Y 5,500% 20,000,000 11/1/1996 Series Y 5,000% 25,000,000 5/1/1999 Series Y 5,000% 40,000,000 5/1/1999 Series Y 5,000% 40,000,000 5/1/1999 Series S 5,500% 5,000,000 3/1/1999 Series S 7,140% 12,500,000 3/2/1994 Series R 5,000% 12,500,000 3/2/1994 Series B 5,000% 12,500,000 5/1/1999 Series S 5,000% 19,000,000 6/1/1999 Series S 5,000% 19,000,000 6/1/2/1999 Series S 5,000% 19,000,000 6/1/2/1999 Series S 5,000% 19,000,000 6/1/2/1998 Series S 5,000% 19,000,000 6/1/2/2002		£ ;	3	6/1,0/4 6	343,027	(1,014,101)	0	62,079	620,59	
Series   S.00%   S.0	Series V 5.00% (1.000,000 11/1/1995 11/1/2026 Nay1, Nov 1 15,000 645,646 0 11,234,334 1,003,400 Series V 5.00% (1.000,000 51/1997 51/12028 Nay1, Nov 1 15,000 645,646 0 11,234,334 1,033,400 12,00% (1.000,000 51/1997 51/12028 Nay1, Nov 1 15,000 (1.000 12,009 11,234,334 1,135,000 0 11,234,334 1,135,000 0 11,234,334 1,135,000 0 12,234,334 1,135,000 0 11,224,335 1,131,000 0 11,335 1,135,000 0 11,335	Series V 5.500% 10,000,000 111/1/1995 Series V 5.500% 10,000,000 111/1/1995 Series X 5.500% 10,000,000 111/1/1995 Series X 5.000% 20,000,000 111/1/1995 Series X 5.000% 20,000,000 111/1/1995 Series X 5.000% 20,000,000 111/2/1995 Series X 5.000% 10,000,000 112/2/1995 Series X 5.000% 10,000,000 112/2/1998 Series X 5.000% 10,000 112/2/1998 Series X 5.000% 10,000,000 112/2/1998 Series X 5.000% 10,000 10,000,000 112/2/1998 Series X 5.000% 10,000 10,000,000 112/2/1998 Series X 5.000% 10,000,000 112/2/1998 Series X 5.000% 10,000 10,000,000 112/2/1998 Series X 5.000%		Feb 1, Aug 1	14,890,000	431,223	0	14,458,777	818,950	26.004	844 954	
Series   20,000,000   11/1/1996   11/1/2026   May 1, Nov 1   15,000,000   645,646   0   15,234,354   1,083,400   31,752	Series Y 500% 25,000 51/1996 31/12026 May 1, Nov 1 5,860,000 645,646 0 19,24,354 1,023,400 Series X 5,000,000 51/1997 51/12020 May 1, Nov 1 5,600,000 12,47,489 0 14,627,315 17,125,000 Series S 5,000,000 31/1998 31/12028 May 1, Nov 1 15,000,000 1247,489 0 12,431,990 1,1273,219	Series X 5.500% 20,000,000 51/1/1996 5eries X 5.100% 20,000 51/1/1997 5eries X 5.100% 20,000 51/1998 5eries Y 5.000% 40,000 500 51/1998 5eries X 5.000% 40,000,000 51/1999 5eries 5.500% 5.000,000 51/1999 5eries 7.140% 12,500,000 57/26/1998 5eries 7.140% 12,500,000 5eries 7.740% 12,500,000 5/26/1998 5eries 8 5.000% 12,500,000 5eries 8 5.000% 12,500,000 5/1/2000 5eries 5.200% 12,500,000 5/1/2000 5eries 5.200% 15,000,000 5/1/2000 5/1/2000 5eries 5.200% 15,000,000 5/1/2000 5		Jun 1, Dec 1	11,885,000	373,302	0	11,511,698	677.445	19.734	697 179	
Series   Color	Series 7 5.00% 5.000% 51/1997 51/12007 May 1, Nov 1 15,000,000 12,095 0 14,967.905 1/12200 Series 7 5.000% 5.000% 51/1999 31/12029 Mar 1, Sep 1 39,950,000 12,478 69 0 24,273,199 0 12,273,215 Series 5.500% 5.000% 51/1997 51/12029 Mar 1, Sep 1 39,950,000 12,478 69 0 0 24,273,199 0 12,273,215 Series 5.500% 5.000,000 31/16/1999 31/12029 Mar 1, Sep 1 12,500,000 231,635 0 0 12,263,935 17,272,231 1997,500 Series 8.500% 5.000,000 31/16/1999 31/12029 Mar 1, Sep 1 12,500,000 231,635 0 0 12,263,935 Series 8.500% 61/12/1997 61/12027 Jun 1, Det 1 8,000,000 12,534 0 0 12,263,557 223,100 Series 9.500% 61/12/1997 61/12027 Jun 1, Det 1 8,000,000 12,534 0 0 12,263,557 223,100 Series 9.500% 5.000% 61/12/1997 61/12029 Feb 1, Aug 1 4,500,000 255,347 0 0 17,900,233 922,000 Series 9.500% 61/12/1997 61/12020 Mar 1, Sep 1 15,000,000 1,198,600 0 11/12/1997 61/12020 41/13020 Mar 1, Sep 1 15,000,000 1,198,600 0 11/12/1997 61/12020 Mar 1, Sep 1 12,500,000 255,347 0 0 12,263,355 17,1000 Series 9.500% 61/12/1997 61/12020 Mar 1, Sep 1 12,500,000 255,347 0 0 17,900,337 17,11,000 Series 9.500% 61/12/1997 61/12020 Mar 1, Sep 1 15,000,000 1,198,600 0 17,14,653 17,11,000 Series 9.500% 61/12/100	Series Y 7.500% 15,000.00 31/1997 Series Y 5.100% 25,000.00 31/1998 Series S 5.000% 40,000,000 31/1998 Series S 5.500% 5,000,000 31/1998 Series S 5.500% 5,000,000 31/1998 Series S 5.500% 12,500,000 31/1998 Series S 5.500% 12,500,000 31/1998 Series S 5.000% 12,500,000 31/1998 Series S 5.000% 19,000,000 11/1241998		May 1, Nov 1	19,880,000	645,546	0	19.234.354	1 093 400	31 752	1 125 152	
Series   St.   S	Series X 5.100% 25,000 31/11998 31/12028 Mar.1. Sep 1 24,855,000 733,010 0 24,231,990 1,127,025 Series 5.500% 0.00 21/11999 31/12029 Mar.1. Sep 1 39,950,000 1,247,489 0 34,727,31 1997,500 1,273,01 1997,500 Series 5.500,000 21/41/489 11/12029 Mar.1. Sep 1 39,950,000 214,182 0 34,727,231 5391,000 21/41/489 11/2029 Mar.1. Sep 1 3,500,000 2214,182 0 1,2261,365 892,500 Series 5.500,000 61/21/1997 61/2027 Jun 1, Dec 1 8,000,000 79,444 0 7,266,365 892,500 Series 5.500% 11,267,499 11/12028 Feb 1, Aug 1 4,500,000 79,444 0 7,2261,367 822,300 Series 5.500% 11,267,499 21/12029 Mar.1. Sep 1 2,500,000 79,444 0 7,2261,367 822,300 Series 5.500% 0.0 4,1241,659 11/12028 Feb 1, Aug 1 4,500,000 14,692,634 0 17,241,639 11/12029 Series 5.500% 0.0 61/121/1997 61/2027 Jun 1, Dec 1 8,000,000 14,692,634 0 17,241,639 17,11,100 17,1	Series X 5,100% 25,000,000 31/1998 Series Y 5,000% 25,000,000 31/1998 Series S.500% 5,500,000 31/1998 Series S.500% 5,500% 5,500,000 31/81/998 Series S.500% 3,140% 12,500,000 31/81/994 Series P.500,000 31/81/994 Series P.500,000 11/24/994 Series B.500,000 11/24/998 Series S.500% 25,000% 11/24/998 Series S.500% 15,000,000 11/24/998 Series S.500% 15,000,000 11/24/998 Series S.500% 15,000,000 5/1/2000 Series B.500% 15,000,000 5/1/2000 Series S.500% 15,000,000 5/1/2000 5/1/2000 Series S.500% 15,000,000 5/1/2		May 1, Nov 1	15,000,000	12.095	6	14 987 905	1125,000	44.54	1 130 644	
Series / Sofors         40,000,000         34/1899         34/2023         1,247,409         0,247,203         1,247,409         5,000,100         5,000,100         34/1899         34/1802,331         1,487,500         5,000,100         5,000,100         34/1802,331         1,487,500         5,000,100         5,000,100         34/1802,331         1,481         36,000,200         5,000,100         37/1802,331         1,481         36,000,100         5,000,100         37/1802,331         1,481         36,000,100         1,4899         37/1802,331         1,481         36,000,100         37/1802,331         1,481         36,000,100         37/1802,331         37/1802,33	Series         5.000%         40,000,000         31/12/29         31/12/29         Mart. Sep 1         39,500,000         1247,499         0         21/23/29         1/23/29           Series         5.800%         \$6,000,000         31/16/29         31/12/29         Mart. Sep 1         39,500,000         1247,499         0         21/23/29         33/10/29           Series         5.600%         \$6,000,000         31/16/29         31/16/29         Jan. Jul 1         \$6,000,000         214,162         0         46,02,818         265,925           Series         7.14/20         31/16/29         31/16/29         31/16/29         31/16/29         0         46,02,818         265,925           Series         7.14/20         31/16/29         31/16/29         31/16/29         0         12,62,617         357,000           Series         7.14/20         31/16/20	Series Y 5.000% 40,000,000 31/1/999 Series 5.850% 86,000,000 7/26/1/996 Series 5.500% 5,000,000 7/26/1/996 Series 7.140% 12,500,000 37/2/1/994 Series 7.7790% 13,000,000 11/24/1/998 Series 5.000% 19,000,000 11/24/1/998		Mar 1 Sec 1	24 985 000	733.010		000 100 70		10000	1.000.0	
Series         5.850%         \$6.000,000         7/26/1996         7/1/2026         Jan 1, Jul 1         \$6.000,000         \$6.977,500         \$6.000,000	Series         5.850%         \$6.000,000         7/126/1936         7/17/205         Jan 1, Jul 1         \$6.000,000         2/14/1495         9 0, 124/1495         9 0, 124/1495         9 0, 124/1495         9 0, 124/1495         12/14/1495         14/17/202         3/17/202         Jan 1, Jul 1         4 635,000,000         2/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1495         5/14/1496         5/1	Series         5.860%         \$6.000,000         7/26/1996           Series         5.500%         5.000,000         3/18/1983           Series         7.140%         12.500,000         3/23/1984           Series         7.790%         3,000,000         6/12/1987           Series         5.000%         14,500,000         1724/1987           Series         5.000%         15,000,000         2/26/1988           Series         5.000%         11,24/1989         5/1000,000           Series         5.200%         15,000,000         6/1/2000           Series         5.200%         15,000,000         6/1/2000           Series         5.600%         15,000,000         6/1/2000           Series         5.600%         15,000,000         6/1/2000           Sub-ictal         Associated with pending dabt issuance         56,000,000         6/1/2002		Mar 1 Sen 1	20 050 OF	147 460	9 0	20,102,42	512.512	50,00	1 307 045	
Series         5.500%         5.000,000         3/18/1983         1/1/2023         Jan 1, Jul 1         4,620,000         26,702.231         5351,000         14,889           Series         5.500%         5.000,000         3/18/1983         1/1/2023         Jan 1, Jul 1         4,620,000         214,182         0         4,620,818         265,925         12,981           Series         7.140%         3.000,000         3/18/1983         1/1/2023         Mari 1, Sep 1         1,250,000         214,182         0         4,620,818         265,00         2,591           Series         5.000%         4,500,000         200,000         6/1/2023         4/1/2023         1,140         4,600,000         24,446         23,740         2,265,607         2,550         1,183           Series         5.000%         4,500,000         21,240,300         3/17,202         4,140         4,600,000         24,446         7,502,513         24,400         3/198           Series         5.000%         4,500,000         3/1,72028         May 1, Nor 1         18,840,000         3/1,7302         3/1,7302         4/1,7302         4/1,7302         4/1,7302         4/1,7302         4/1,7302         4/1,7302         4/1,7302         4/1,7302         4/1,7302         4/1,7302 </td <td>Series 5,500% 5,000,000 31/6/1993 11/12023 Jan 1, Jul 1 4835,000 214,162 0 4,620,818 285,1000 25/6/28 5,000,000 31/6/1993 11/12023 Jan 1, Jul 1 4835,000 214,162 0 4,620,818 285,925 Series 7,140% 1,500,000 32/3/1994 31/12024 Mar 1, Sep 1 1,500,000 21/6/28 0 1,2263,367 25/6/28 882,500 Series 8 5,000% 1,500,000 22/6/1997 61/2025 Mar 1, Sep 1 3,000,000 22/6/1997 61/2025 Mar 1, Sep 1 3,000,000 22/6/1997 61/2028 Feb 1, Aug 1 4,500,000 25/6,347 0 4,244,653 22,500 Series 8 5,000% 19,000,000 11/2028 Feb 1, Aug 1 4,500,000 25/6,347 0 4,244,653 22,500 Series 5,500% 15,000,000 31/12028 Mar 1, Sep 1 2,900,000 11/392 31/7507 0 17/902,233 942,000 Series 5,500% 15,000,000 61/22002 61/2</td> <td>Series 5,500% 5,000,000 3/18/1983 Series 7,140% 12,500,000 3/23/1984 Series 7,790% 10,000,000 3/23/1984 Series 7,790% 10,000,000 11/24/1989 Series 5,000% 19,000,000 11/24/1989 Series 5,000% 19,000,000 11/24/1988 Series 5,200% 15,000,000 6/12/2002 Series 5,200% 15,000,000 6/12/2002 Series 5,200% 15,000,000 6/12/2002 Series 5,200% 15,000,000 6/12/2002</td> <td></td> <td>de</td> <td>000,000,00</td> <td>247</td> <td><b>-</b> ;</td> <td>160,207,00</td> <td>005,788</td> <td>26,032</td> <td>2,052,532</td> <td></td>	Series 5,500% 5,000,000 31/6/1993 11/12023 Jan 1, Jul 1 4835,000 214,162 0 4,620,818 285,1000 25/6/28 5,000,000 31/6/1993 11/12023 Jan 1, Jul 1 4835,000 214,162 0 4,620,818 285,925 Series 7,140% 1,500,000 32/3/1994 31/12024 Mar 1, Sep 1 1,500,000 21/6/28 0 1,2263,367 25/6/28 882,500 Series 8 5,000% 1,500,000 22/6/1997 61/2025 Mar 1, Sep 1 3,000,000 22/6/1997 61/2025 Mar 1, Sep 1 3,000,000 22/6/1997 61/2028 Feb 1, Aug 1 4,500,000 25/6,347 0 4,244,653 22,500 Series 8 5,000% 19,000,000 11/2028 Feb 1, Aug 1 4,500,000 25/6,347 0 4,244,653 22,500 Series 5,500% 15,000,000 31/12028 Mar 1, Sep 1 2,900,000 11/392 31/7507 0 17/902,233 942,000 Series 5,500% 15,000,000 61/22002 61/2	Series 5,500% 5,000,000 3/18/1983 Series 7,140% 12,500,000 3/23/1984 Series 7,790% 10,000,000 3/23/1984 Series 7,790% 10,000,000 11/24/1989 Series 5,000% 19,000,000 11/24/1989 Series 5,000% 19,000,000 11/24/1988 Series 5,200% 15,000,000 6/12/2002 Series 5,200% 15,000,000 6/12/2002 Series 5,200% 15,000,000 6/12/2002 Series 5,200% 15,000,000 6/12/2002		de	000,000,00	247	<b>-</b> ;	160,207,00	005,788	26,032	2,052,532	
Series         5,500%         5,000,000         3/16/1993         1/1/2023         Jan 1, Jul 1         4,635,000         214,162         0         4,620,818         265,925         12,581           Series         7,100%         3/22/1994         3/1/2025         Mar 1, Sep 1         12,500,000         231,635         0         2,651,676         265,574         0         2,555           Series A         5,000%         4,500,000         2/26/1994         3/1/2025         Jun 1, Dec 1         8,000,000         79,484         0         7,951,516         237,400         2,559           Series B         5,000%         4,500,000         2/26/1994         2/26,516         2/26,516         2/26,516         2/26,500         3/790           Series B         5,000%         4,500,000         2/26/1994         1,400         1,500,233         2/26,000         3/790           Series B         5,000%         4/20,000         3/26/1994         0         7/26/23         2/26,000         1/26/23         2/26,000         1/24,000         3/26/20         1/26/20           Series B         5,000%         4/26/20         4/26/20         1/26/20         1/26/20         1/26/20         1/26/20         1/26/20         1/26/20         1/26/20	Series         5,500%         5,000,000         3/16/1893         1/17,0023         Jan 1, Jul 1         4,635,000         2/14/182         0         4,620,818         265,926           Series         7,140%         12,200,000         3/23/1894         3/17,0034         Mar 1, Sep 1         12,500,000         2/31,635         0         1,266,365         892,500           Series         7,790%         8,000,000         6/12/1997         8/17,0034         Mar 1, Sep 1         1,260,000         2/31,637         2/31,607         2/31,607         2/31,000           Series         7,790%         4,000         2/26/1898         1/17,10207         1/	Series 5.50% 5.000.000 3718/1993 Series 7.140% 12,500,000 3234/1994 Series 8.560% 3,000,000 1226/1994 Series 9.5000% 15,000,000 1226/1998 Series 9.5000% 15,000,000 17,241997 Series 9.5000% 15,000,000 17,241998 Series 9.5000% 15,000,000 17,241998 Series 9.5000% 15,000,000 17,241998 Series 9.5000% 5,000,000 17,241998 Series 9.5000% 5,000,000 17,241998 Series 9.5000,000 5,1000,000 17,22002 Series 9.5000,000 6,1275002 Series 9.5000,000 6,1275002		r Imr. i. uer	\$6,000,000	\$297,769	8	\$5,702,231	\$351,000	14,889	\$365,889	
Series         7.140%         12,500,000         3221/394         317,004         7.141%         0         12,501,009         27,140%         12,501,000         21,511,000         21,141%         0         12,611,000         2,511,000         12,511,000         2,511,000         2,511,000         2,511,000         2,511,000         2,511,000         2,511,000         2,511,000         3,712,000         <	Series         7,140%         12,500,000         323/1994         31/12025         Mart, Sept 1         4,030,000         23/1535         0         4,020,1818         265,925         356,925         357,400         356,925	Series 7.140% 12,500,000 3/23/1994 Series 8.260% 3,000,000 6/12/1997 Series A 5.000% 12,000,000 6/12/1997 Series B 5.000% 12,000,000 6/12/1997 Series B 5.000% 12,000,000 11/24/1998 Series 5.000% 12,000,000 11/24/1998 Series 5.200% 12,000,000 6/12/2002 Series 5.200% 15,000,000 6/12/2002 Series 5.200% 15,000,000 6/12/2002 Series 5.200% 15,000,000 6/12/2002 Sub-ictel	_	, mark			•					
Series         8.560%         3.000,000         57.1 535         0         2.56.5 35         88.550         8.71           Series         7.790%         3.000,000         61/2025         Mar. 1. Sep 1         3.000,000         48.43         0         2.961,516         2.57.400         2.596           Series A         7.790%         4.000,000         61/2025         Mar. 1. Sep 1         3.000,000         79.484         0         7.501,516         6.32.00         3.798           Series B         5.000%         4.500,000         27/2028         Feb 1. Aug 1         4.500,000         37.787         0         7.501,516         6.32.00         3.798           Series B         5.000%         7.5100,000         71/12028         May 1. Nor 1         18.840,000         37.787         0         7.502,233         942,000         4.182           Series B         5.000,000         41/12002         Apr 1. Oct 1         15.800,000         7.74,442         0         7.74,000         4.9416         1.830           Series B         5.500%         15.000,000         41/12002         Apr 1. Oct 1         15.800,000         7.74,442         0         7.74,400         2.74,400         2.74,400         2.74,400         2.74,400         2.74,400	Series 8.500% 3.000 000 6172/1997 8172034 Mart i. Sep 1 2.500,000 231,635 0 12.268,355 892,500 Series 8.500,000 6172/1997 8172037 Jun't, Der 1 8,000,000 79,444 0 7,501,516 623,200 Series B. 5,000% 19,000 000 11/24/1997 8172037 Jun't, Der 1 8,000,000 79,444 0 7,501,516 623,200 Series B. 5,000% 19,000 000 11/24/1998 111/22028 May 1, Nor 1 18,840,000 387,777 0 1,500,233 942,000 Series S. 5,000% 19,000,000 11/24/1998 111/22028 May 1, Nor 1 18,840,000 387,777 0 1,1902,233 942,000 Series S. 5,000% 19,000,000 11/24/1998 111/22028 May 1, Nor 1 18,840,000 11/68,613 0 17,902,233 942,000 Series S. 5,000% 19,000,000 11/24/1992 May 1, Nor 1 15,000,000 11/68,613 0 17,902,233 942,000 Series S. 5,000% 19,000,000 11/24/1992 May 1, Nor 1 15,000,000 11/68,613 0 17,902,233 942,000 Series S. 5,000% 19,000,000 11/22,613 0 11,202,613 11,100 1 1 15,000,000 11/68,613 0 11,502,613 1 11,100 1 1 1 15,000,000 11,100,100 1 11,100,100 1 11,100,100	Series 8 6.500% 1,200,000 1,2217994 2,500,000 5,500,000		100	4,635,000	714,162	ь	4,620.818	265,925	12,981	278.906	
Series A 5000,000 6/12/1997 6/1/2025 Mart , Sep 1 3,000,000 48,433 0 2,951,567 257,400 2,596 Series A 5,000,000 6/12/1997 6/1/2028 Feb 1, Aug 1 4,500,000 255,347 0 7,940,653 255,000 11,832 Series B 5,000% 19,000,000 11/24/1998 11/12/2028 Feb 1, Aug 1 4,500,000 11/24/1998 11/12/2028 11,832 Series B 5,000% 226,000 000 11/24/1998 11/12/2028 Mart , Sep 1 29,000,000 11/24/1998 11/12/202 4/17/202 4/17/202 11/1395 0 11/29/203 11/200 11/395 11/2028 11/200 11/395 0 11/395 0 11/202 11/200 11/395 11/2028 Series B 5,000% 100 11/24/1998 11/12/202 4/17/202 4/17/202 11/1395 0 11/395 0 55,986,605 3,164,000 11/249 11/395 Series B 5,000% 100 11/24/1992 11/12/202 6/17/202 4/17/202 11/1395 0 55,986,605 3,164,000 11/249 11/395 Series B 5,000% 100 11/24/1992 11/12/202 6/17/202 11/1392 0 55,986,605 3,164,000 11/249 11/395 Series B 5,000% 100 11/24/1992 11/12/202 6/17/202 4/17/392 11/1395 0 55,986,605 3,164,000 11/249 11/2	Series 7.500% 3.000,000 61/21/1997 61/2025 Mart i. Sept 1 3.000,000 79,443 0 2.541.567 257,400 Series 7.500% 3.000,000 61/21/1997 61/2027 Jun t. Dec 1 8.000,000 79,444 0 7.520,516 623.200 75,444 0 7.520,516 623.200 75,445 0 75,445 0 75,445 0 75,445 0 75,045 1 75,000 0 75,445 1 75,000,000 75,445 1 75,000,0	Series 7.790% 3.000,000 6/12/1997 Series A 5.000% 15/0000 0 1/12/1998 Series B 5.000% 15/0000 0 1/12/1998 Series 5.000% 15/0000 0 1/12/1998 Series 5.000% 16/000 0 6/12/2000 Series 5.200% 5.600% 6/12/2000 Series 5.200% 5.600% 6/12/2000 Series 5.200% 6/12/2000 Series 5.200% 6/12/2000 Series 5.200% 6/12/2000		Mar 1, Sep 1	12,500,000	231,635	0	12,268,355	892,500	8.37	900 871	
Series 6 5,000% 4 5,000 00 11/24/1998 61/2027 Jun 1, Dec 1 8,000,000 255,347 0 7,240,516 623,200 13,799 Series 5 5,000% 4 5,000 00 11/24/1998 11/1/2028 May 1, Nor 1 18,840,000 357,547 0 17,902,233 942,000 11,832 Series 5 5,000% 00 11/24/1998 11/1/2028 May 1, Nor 1 18,840,000 357,777 0 17,902,233 942,000 41,990 Series 5,000% 00 5/1/2000 3/1/2020 Mar 1, Sep 7 29,000 00 11,899,633 0 17,943 0 17,902,337 17,1000 49,416 17,1000 5/1/2000 5/1/2000 5/1/2000 11,345 0 17,443 0 17,225,347 0 17,902,337 17,1000 49,416 17,1000 5/1/200	Series 6 5.000% 61/2/1997 6200.000 61/2/1997 621/2027 Jun 1, Dec 1 8.000.000 79,484 0 7.920,516 623,200 541/200 541/200 00 2265,199 271/2028 Feb 1, Aug 1 4,500,000 759,484 0 7.920,516 623,200 541/200 00 11/24/1999 11/17/2028 Feb 1, Aug 1 4,500,000 75,537 0 4,444,653 225,000 541/202 541/200 397,787 0 17,902,233 942,000 541/200 31/2030 41/1202 41/1702 Mar 1, Sep 1 29,000,000 11/395 0 27,630,397 1,711,000 541/200 56,000,000 61/22/200 6	Series 1.7.90% 8,000,000 6/12/1998 5eries 2.5.000% 19,000,000 1726/1998 5eries 2.5.000% 19,000,000 1726/1998 5eries 5.000% 19,000,000 1724/1998 5eries 5.200% 15,000,000 6/12/2000 5eries 5.200% 5eries 5.200% 5eries 5.200% 6/12/2000 6/12/2002 5eries 5.200% 15,000,000 6/12/2002 5eries 5.000,000 6/12/2002 5eries 5.000,000 6/12/2002 5eries 5.000,000 6/12/2002 5eries 6.000,000 6/12/2002 5eries 6.000,00		Mar 1. Sep 1	3,000,000	48,433	0	2.951.567	257,400	2.595	259 995	
Series A         5,000%         4,500,000         225,347         0         4,244,653         225,000         1,1322           Series B         5,000%         19,000,000         11/2/10208         11/1/10208         4/1/10208         4/1/10208         4/1/10209 <td< td=""><td>Series 5.000% 4,500.000 12/26/1998 11/1/2028 Feb 1, Aug 1 4,500.000 255,347 0 4,244,653 225,000 54/244,653 225,000 54/244,653 225,000 54/244,653 225,000 54/244,653 225,000 54/244,653 225,000 54/246,653 225,000 54/246,653 225,000 54/246,653 225,000 54/246,653 225,000 54/24,653 225,0</td><td>Series A 5.000% 4.500,000 2.225/1998 Series B 5.000% 29,000,000 11/24/1998 Series S.900% 29,000,000 5/1/2000 Series S.500% 15,000,000 6/1/2000 Series S.500% 15,000,000 6/1/2000 Series S.500% 15,000,000 6/1/2000 Series S.500% 15,000,000 6/1/2000</td><td></td><td>Jun 1, Dec 1</td><td>8,000,000</td><td>79.484</td><td>0</td><td>7 920 516</td><td>623 200</td><td>007.5</td><td>000 000</td><td></td></td<>	Series 5.000% 4,500.000 12/26/1998 11/1/2028 Feb 1, Aug 1 4,500.000 255,347 0 4,244,653 225,000 54/244,653 225,000 54/244,653 225,000 54/244,653 225,000 54/244,653 225,000 54/244,653 225,000 54/246,653 225,000 54/246,653 225,000 54/246,653 225,000 54/246,653 225,000 54/24,653 225,0	Series A 5.000% 4.500,000 2.225/1998 Series B 5.000% 29,000,000 11/24/1998 Series S.900% 29,000,000 5/1/2000 Series S.500% 15,000,000 6/1/2000 Series S.500% 15,000,000 6/1/2000 Series S.500% 15,000,000 6/1/2000 Series S.500% 15,000,000 6/1/2000		Jun 1, Dec 1	8,000,000	79.484	0	7 920 516	623 200	007.5	000 000	
Series B         5,000%         19,000 000         11/24/199B         11/12028         May 1, Nor 1         18,840,000         937,787         0         17,902,233         942,000         41,990           Series S         5,900%         15,900,000         5/12000         3/1200         3/1200         41,100         49,416         17,100         40,000         17,100         40,000         17,100         40,000         17,100         40,000         17,100         40,000         17,100         40,000         17,100	Series B 5,000% 19,000,000 11/24/1998 11/1/12028 May 1, Nov 1 (8,840,000 937,767 0 17,902,233 942,000 5eries 5,200% 29,000,000 5/1/2000 4/1/2002 4/1/1932 April 0.01 1 15,000,000 11/28,000 0 27,830,397 1,711,000 5eries 5,200% 15,000,000 6/1/2002 4/1/1932 April 0.01 1 15,000,000 11,385 0 1,742,000 11,385 0 1,742,000 3,164,000 5eries 5,200% 10,000,000 11,385 0 1,742,000 3,164,000 5eries 5,200% 10,000,000 11,385 0 1,387,935 1,744,000 5eries 5,200% 10,000,000 11,385 0 1,387,935 1,744,000 5eries 5,200% 10,5377 5/16,187,535 1,744,000 5eries 5,200% 10,000,000 11,385 0 1,387,935 1,744,000 5eries 5,200% 10,5377 5/16,187,535 1,744,000 5/16,187,535 1,744,000 5/16,187,535 1,744,000 5/16,187,535 1,744	Series B 5,000% 19,000,000 11,1241998 Series 5,900% 29,000,000 51/12000 Series 5,200% 15,000,000 51/12000 Series 5,200% 15,000,000 61/12/2002 Series Associated with pending dabt issuance		Feb 1, Aug 1	4 500 000	755 347	• •	C 244 CAC A	200.250	ָה בּיל יי	650 070	
Series 5.900% 29,000,000 5/1/2000 3/1/2030 Mari, Sept 29,000,000 1,459,603 0 27,830,397 1711,000 49,416 15,000,000 4/1/2002 4/1/1/2002 4/1/1/2002 4/1/1/2002 4/1/2002	Series 5.900% 29,000,000 5/1/2000 3/1/2000 Mart, Sep 1 29,000,000 1,169,603 0 17,10,000 1,10,000	Series 5.900% 29,000,000 5/1/2000 Series 5.200% 15,000,000 4/1/2002 Series 5.500% 15,000,000 6/1/2/2002 Sub-total Associated with pending diabt issuance		May 1 Nov 1	18 840 000	700 Peo	•	4,44,000	20,00	720	230 B32	
Series 5.200% 15.000,000 4/1/2002 Art 1.041 15.000,000 1/109,604 0 14.228.59 17.171,000 49.416 17.2005 Series 5.800% 15.000,000 4/1/2002 Br12/2007 Jun 12 56.000,000 11.392 0 55.988,605 3,164,000 17.400 17.409 3 Series 5.800% 10.000 17.409 0 14.228.898 3.164,000 17.400 17.400 3 Series 5.800% 10.000 17.400 17.400 3 Series 5.800% 10.000 17.400 3 Series 5.800% 10.000%	Senies 5,200% 15,000,000 4/17202 4/17302 4/17302 59P) 24,000,000 774,342 0 27,63397 17,11,000 5enes 5,600% 6/122002 6/122007 Jun 12 56,000,000 774,342 0 55,986,503 780,000 5enes 5,600% 6/122002 6/122007 Jun 12 56,000,000 774,342 0 55,986,503 3,164,000 5enes 5,600,000 6/122002 6/122007 Jun 12 56,000,000 774,342 0 55,986,503 3,164,000 5enes 5,600,000	Series 5.200% 15.000,000 4/12002 Series 5.60% 56.000,000 6/12/2002 Sub-ictal Associated with pending debt issuance		, to 1	000,000	10.	>	1,302,233	342,000	41,990	055'686	
Series 5.650% 56,000,000 6/12/2002 5/12/2007 Jun 12 56,000,000 774,342 0 14,225,589 780,000 31,336 5.600,000 12,430 1.1395 0 55,988,605 3,164,000 12,430 1.2,430 3.00,401al Associated with pending debt issuance	Series 5.650% 56,000,000 6/12/2002 6/12/2007 Jun 12 56,000,000 11,395 0 14,225.659 780,000 58,000,000 6/12/2002 6/12/2007 Jun 12 56,000,000 11,395 0 56,986.65 3,164,000 5.00-icial Associated with pending debt issuance	Series 5.650% 56.000, 000, 000 6/12/2002 Sub-total		Mar Coep	29,000,000	1,169,503	0	27,830,397	1711,000	49,416	1,760,416	
Science Associated with pending debt issuance 6/12/2002 8/12/2007 Jun 12 56,000,000 11,395 0 55,986,605 3,164,000 12,430 12,430 3	Associated with pending debt issuance 5/12/2007 5/10/2/2007 Jun 12 56,000,000 11,355 0 55,988,605 3,164,000 500-total 5/2007 58,910,805 51,367,992 5274,015,377 516,197,535	Sub-icial Associated with pending debt issuance		Apr 1. Oct 1	15,000,000	774,342	0	14,225,658	780,000	31.536	811.535	
Sub-icial Assuciated with pending debt issuance 5.05-icial 5.05 51,367,992 \$274,015,377 \$16,197,535 \$5595,839	Sub-tatal Sub-tatal wirr pending debt issuance 50b-tatal Sub-tatal	Sub-total		Ju 12	56,000,000	11,396	0	55,988,605	3,164,000	12.430	3.176.430	
\$284,245,000 \$8,910,805 \$1,367,992 \$274,015,377 \$16,197,535 \$596,839	\$284.245.000 \$8.910,805 \$1,387,992 \$274,015,377 \$16,197,535					49,174				•	1	
CONTROL OF THE STATE OF THE STA	TOO LEST TO THE TOTAL TO THE TOTAL T	33			\$284,245,000	\$8.910.805	\$1.367.992	5274 015 377	212 107 235	0000	440 204 274	
33		4.00						112 2 2 2	500, 123	800 DEEP	910,134,016	
		-										

Missourl American Water Company Embedded Cost of Preferred Stock June 30, 2006

Issue	Rate	Dates		Dallar Amount Outstanding at 06/30/2006	Sinking Fund Paymen Date	Premium or	Unamortized Preferred		Annual	Annual Preferred	Total	Sinking	Embadded
₹	( <u>8</u> )	(၁)	<u>ê</u>	(E)	(F)	1	(i) (H)	(1)	(r)	(K)	Annual Cost	Fund Amt*	S
Series	9.180% 5.875%	5.875% Jan f, Apr 1, Jul 1, Oct 1		\$2,500,000 144,000	0 1	OS O	833,855 0	\$2,466,145 144,000	\$229,500 8,460	\$1,268	\$230,768 8,460	12,000	
Total				\$2,644,000		80	\$33,855	\$2,510,145	\$237,960	\$1,268	\$239,228	\$12,000	
Embedded o	Embedded cost of long-term dep Sinking fund paid Oct 1 each year	Embedded cost of long-term debt (L. Divided by t) Sinking fund paid Oct 1 each year											9.17%

S0091-R1 MQ.xls 6-06

83500 GLO17BS BALSHT American Water Works Company Missouri American Water-Co 17 Total Company (USGAAP) Balance Sheet For the Period Ending 06/30/2006

02/06/01 09:54 54 S0090-R1

Missouri-American Water Co.

MISSOR I THE TEST HELD TO	
Description	Current. Year
ASSETS 1 Utility Plant 2 Construction work in progress 3 Accomplated depreciation 4 Itility plant acquisition adjustment 5 Other utility plant adjustments	\$\frac{1.089.536.325}{14.166.825}\$\frac{29.740.382}{10.122.915}\$
6 Sub-total Utility Plant	821 627,684
7 Non-Utility property 8 Other investments	75,464
Corrent Assets 10 Cash and cash equivalents 11 Temporary investments 12 Customer accounts receivable 13 Allowance for uncollectible accounts 14 Unbilled revenues 15 FIT refund due from assoc companies 16 Miscellameous receivables 17 Materials and supplies 19 Other	2 767 093 11 465 228 776 164 17 796 658 889 032 2 917 202 2 479 390
20 Sub-total	40,667 873
22 Deferred debits 23 Debt and preferred stock 24 Expense of rate proceeding 25 Prelim survey & invest charges 26 Reo Asset income tax recovery 27 Other	10.312 651 219 959 10.868 25.448 436 15.552 118
29 Sub-total	51.554 034
30 Intal Assets	913.265.055
32 CAPITAL AND CLABILITIES 33 Common Stock 34 Paid in capital 35 Retained Earnings 36 Unearned Compensation 37 Reacquired C/S & Accum Comp Inc	95, 994, 075 2, 764, 716 124, 202, 842
38 Total common equity	222,961,633
39 Preferred stock 40 Long term debt	286 889 000
4) Istal capitalization	509,850 633
42 Current Habilities 43 Bank debt 44 Current portion of LTO 45 Accounts Payable 46 Taxes accrued 47 Interest accrued 48 Customer deposits 49 Dividends declared 51 Other	49.424.657 12.000 4.114.937 10.622.566 3.831.344 259 11.741.653
52 Sub-total	79.747.418
54 Deferred credits 55 Customer adv. for construction 56 Deferred income taxes 57 Deferred investment tax credits 58 Reg.liab-inc tax.refund thru rates 59 Other 60 Sub-total	62 882 323 94 689 771 4 272 389 3 618 675 25 357 201 190 819 759
62 Contributions in aid of construction	₹ 913,265,055
Total capital and liabilities	* 913,205,005

# UNAUDITED#

American Water Works Capital Corp Embedded Cost of Long-Term Debt June 30, 2006

Coupon Amount Issue   Malurity   Payment Amount   Payment Amount   Payment Amount   Payment Amount   Payment Amount   Payment   Payment Amount   Payment Amount   Payment Amount   Payment   Payment Amount   Payment   Payment		Debt		Organisa			Interset	Panelinal	Locitomen	Londondiana					
Type   Carry   Carry	9	61:33	0000	den om o	1	Manager			O I GILL OF THE CO.	מוומוומוומוומו			Auuna	1012	
Part   Radia   Radia   Late   Date   Date	֓֞֝֜֝֜֜֝֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֡֓֓֓֓֓֡֓֓֡֓֓֡֓֡֓	255	10000	Jingalik.	975	Matchity	Fayment	Amount	Debt	(Discount) or	Carrying	interest	Debt	Annual	Embedded
Serior Note	2	adki	Rate	issued	Date	Date	Date(s)	At 06/30/06	Expense	Premium	Value		Expense	Cost	Cost
Serrior Note         4,750%         \$112,1200B         Jun 30, Dec 30         \$100,000,000         \$6         \$170,000,000         \$6,400,00	-	€	<u>@</u>	<u></u>	ê	மு	Œ	(9)	Œ	6	5	ξ)	Ð	(W)	2
Sentor Note         4,000%         \$100,000,000         127/12008         Jun 30, Dec 30         \$100,000,000         \$113,000,000	~									:			į		
Sentior Note         4.000%         \$100,000,000         31/12/2006         Jun 30, Dec 30         \$100,000,000         \$10,000,000         \$13,000,000	က														
Sentor Note         4.000%         \$100,000,000         12/1/2008         Jun 30, Dec 30         \$100,000,000         \$6,397,500         \$34,000,000         \$5,397,500         \$35,000,000         \$35,000,000         \$35,000,000         \$35,000,000         \$35,245         \$35,000,000         \$	4														
Bond         4.750%         \$113,000,000         3/1/2014         Jun 30, Dec 30         \$13,000,000         \$1,000,000 </td <td>ß</td> <td>Sentor Note</td> <td>4,000%</td> <td>\$100,000,000</td> <td></td> <td>12/1/2008</td> <td>Jun 30, Dec 30</td> <td>\$100,000,000</td> <td></td> <td>Ş</td> <td>\$100 000 000</td> <td>000 000 03</td> <td></td> <td>000 000 76</td> <td></td>	ß	Sentor Note	4,000%	\$100,000,000		12/1/2008	Jun 30, Dec 30	\$100,000,000		Ş	\$100 000 000	000 000 03		000 000 76	
Bond         5.800%         \$10,000,000         31/12034         Jun 30,000,000         52,474         129,947,526         7,345,000         57,245           Bond         5.800%         \$10,000,000         \$10,000,000         \$247,297         \$10,000,000 </td <td>φ</td> <td>Bond</td> <td>4.750%</td> <td>\$113,000,000</td> <td></td> <td>3/1/2014</td> <td>06 290 De 20</td> <td>113,000,000</td> <td></td> <td>3</td> <td>000 000 000</td> <td>4,000,000</td> <td></td> <td>מסי מסי לי</td> <td></td>	φ	Bond	4.750%	\$113,000,000		3/1/2014	06 290 De 20	113,000,000		3	000 000 000	4,000,000		מסי מסי לי	
Bond         5.650%         \$130,000,000         671,22007         Jun 12         100,000,000         52,474         120,947,526         7,345,000         57,245           Bond         4,320%         \$130,000,000         9/30/2014         Mar 31, Sep 30         25,000,000         27,003         34,972,397         7,345,000         57,245           Bond         5,590%         \$30,000,000         11/12/2006         May 12, Nov 12         40,000,000         7,223         39,92,207         2,260,000         17,108           Bond         5,590%         \$50,300,000         61/12/2007         Jun 12         40,000,000         7,223         39,92,207         2,260,000         17,108           Bond         5,590%         \$50,300,000         61/12/2007         Jun 12         40,000,000         7,48,425         6,34,97,300         17,108           Bond         5,590%         \$50,300,000         81,12/200         Var         16,700,000         7,48,425         6,94,97         2,617,700         23,119           Bond         5,590%         \$11,000,000         81,120,000         7,44,200         7,44,200         7,74,737         6,64,70         2,617           Bond         3,560%         \$11,000,000         7,41,737         6,64,70         7,	2	Bond	5.800%	\$10,000,000		3/1/2034	1 1 30 Dog 20	000000		>	000,000,01	0,000,100,0		one ver'e	
Bond         3,500%         \$134,000         \$1,200         \$1,000         \$1,200         \$1,000         \$1,200         \$1,000         \$1,200         \$1,000         \$1,200         \$1,000         \$1,200         \$1,000         \$1,200         \$1,000         \$1,000         \$1,000         \$1,000         \$1,000         \$1,000         \$1,000         \$1,000         \$1,000         \$1,000         \$1,000         \$1,000         \$2,000<				200,000		2003	od: 30. Dec 30	000,000,0			000.000.01	280,000		580,000	
Bond         4.920%         \$75,000,000         1,200,000         1,200,000         1,200,000         1,200,000         1,200,000         1,200,000         1,200,000         1,108	0		3.550%	000,000,051%		6/12/2007	Jun 12	130,000,000	52,474		129,947,526	7,345,000	57,245	7,402,245	
Bond         £.050%         \$35,000,000         \$1717,2004	מט	Bond	4.920%	\$25,000,000		9/30/2014	Mar 31, Sep 30	25,000,000			25,000,000	1,230,000		1,230,000	
Bond         5.370%         \$407,300,000         11/12/2006         May 12, Nov 12         407,300,000         7,923         93,922,077         2,260,000         8,643           Bond         5,580%         \$40,000,000         61/12/2007         Jun 12         40,000,000         7,923         39,922,077         2,260,000         8,643           Bond         5,580%         \$50,300,000         91/30,200         651,104         40,500,000         75,000,000	우	Bond	6.050%	\$35,000,000		12/1/2033	Jun 1, Dec 1	35,000,000	27,003		34 972 997	2 117 500	1 108	2 118 608	
Bond         5.650%         \$40,000,000         7,923         39,92,077         2,260,000         8,643           Bond         5,590%         \$40,000,000         653,104         40,600,000         7,923         39,92,077         2,260,000         8,643           Bond         5,590%         \$140,000,000         75,000,000         75,000,000         76,646,896         2,667,700         23,119           Bond         3,650%         \$16,700,000         7173/2006         Var         16,700,000         746,425         15,695,375         699,570         2,857           Bond         3,650%         \$17,850,000         Var         16,700,000         744,235         0         17,615,727         665,175         2,857           Bond         3,650%         \$17,850,000         Var         16,700,000         744,737         0         17,615,727         665,175         2,857           Bond         3,650%         \$17,820         Var         17,850,000         744,737         0         17,616,727         665,175         2,857           Bond         3,850%         10,600,000         74,4737         0         17,616,727         665,176         28,217           Bond         4,920%         23,220         14,4737	7	Bond	5.370%	\$407,300,000		11/12/2006	May 12, Nov 12	407,300,000			407 300 000	21 872 010	-	21.872.050	
Bond         5,900%         \$50,300,000         9/30/2024         Mar 31, Sep 30         65,300,000         653,104         49,646,896         2,907,700         2,149           Bond         5,430%         \$16,000,000         3/18/2015         Mar 31, Sep 30         75,000,000         76,000,000         4,072,500         23,119           Bond         3,650%         \$15,700         3/18/2015         Var         18,200,000         328,203         0         17,615,727         665,176         23,119           Bond         3,550%         \$17,850,000         Var         18,250,000         328,203         0         17,615,727         665,175         26,376         23,418           Bond         3,550%         \$17,850,000         Var         17,550,000         324,273         0         17,615,727         665,175         26,378           Bond         6,870%         \$17,000,000         Var         10,000,000         714,737         0         139,285,263         9,618,000         150,478           Bond         4,920%         90,000,000         Var         10,600,000         231,674         0         17,615,27         665,175         25,255           Bond         4,920%         90,000,000         11,670         0	12	Bond	5.650%	\$40,000,000		6/12/2007	Jun 12	40,000,000	7 973		39 992 877	2.250.000	9 844	2 258 643	
Bond         5.430%         \$75,000,000         3182015         Mar 31, Sep 30         75,000,000         76,425         75,000,000         4,725,00         20,113           Bond         3.650%         \$16,700,000         \$16,700,000         746,425         15,953,575         609,550         29,857           Bond         3.560%         \$16,700,000         77,950,000         328,203         0         17,921,797         649,700         26,985           Bond         8.560%         \$17,920,000         8/4,2006         324,273         0         17,615,727         649,700         26,985           Bond         8.560%         \$10,000         7/13/2006         Var         17,950,000         714,737         0         17,615,727         649,700         26,985           Bond         8.660%         \$10,635,000         7/14,737         0         174,737         0         176,747         649,700         156,478           Bond         3.850%         \$10,635,000         7/14,737         0         174,737         0         174,737         649,700         156,478           Bond         3.850%         \$10,635,000         7/14,737         0         7/14,737         0         174,737         0         174,737	5	Bond	5,900%	\$50,300,000		9/30/2034	Mar 31 Sen 30	50 300 000	853 104		308 373 07	2007,000	, ,	2,500,040	
Bond         3.660%         \$ 17.200         A.792.500         A.792.700         A.792.7	14	Pood	2000	000 000 000		1 200		200,000	, ,		19,040,040	7,307,100	81.'07	2,980,818	
Bond         3.569%         \$16,700,000         746,425         15,935,575         609,550         29,857           Bond         3.569%         \$18,200,000         71/3/2006         Var         16,700,000         746,4737         0         17,615,727         669,176         29,857           Bond         6,870%         \$18,250,000         31,29/201         Mar 29, Sep 29         140,000,000         714,737         0         17,615,727         655,175         26,976           Bond         6,870%         \$140,000,000         714,737         0         17,615,727         655,175         26,977           Bond         3,660%         \$223,325,000         231,674         0         17,615,727         655,175         26,977           Bond         4,920%         900,000,000         17/18/2006         Nor         10,635,000         231,674         1,667         18,988           Bond         4,920%         10,000,000         11/16/2006         Nor         148,500,000         9,640         148,490,360         7,365,000         22,525           Bond         4,920%         148,500,000         11/16/2006         Nor         148,500,000         9,640         148,490,360         7,365,000         22,527,748,560         116,193,978	<u> </u>	2	0.420%	273,000,000		3/18/2015	Mar 31, Sep 30	75,000,000			75,000,000	4,072,500		4,072,500	
Bond         3.560%         \$18,250,000         7/13/2006         Var         18,250,000         328,203         0         17,921,797         649,700         26,976           Bond         6.870%         \$17,550,000         34,273         0         17,615,727         655,175         28,217           Bond         6.870%         \$27,400,000         31/29/201         Nar         17,950,000         334,273         0         17,615,727         655,175         28,217           Bond         3.660%         \$27,400,000         Nar         12,350,000         231,674         20,303,326         853,695         853,695         89,618,000         1560,478         167,678         167,718         167,718         167,718         167,718         167,718         17,678         17,6	5	Poug	3.650%	\$16,700,000		8/4/2006	Var	16,700,000	746,425		15,953,575	609,550	29.857	639.407	
Bond         3.650%         \$17,616,727         6.65,175         26,217         26	9	Bond	3.560%	\$18,250,000		7/13/2006	Var	18,250,000	328,203	0	17,921,797	649,700	26.976	676 676	
Bond         6.870% \$140,000,000         3728/2011         Mar 29, Sep 29         140,000,000         714,737         0         139,285,263         9,618,000         150,478           Bond         3.600%         \$23,325,000         231,674         23,035,000         231,674         23,035,326         838,695         898           Bond         4.920%         900,000,000         116,200         25,857         10,609,143         409,448         1,167           Bond         4.920%         900,000,000         Nov 6         148,500,000         90,40         148,490,360         7,306,200         225,524           Sub-total         4.920%         900,000,000         90,000,000         90,50         148,490,360         7,306,200         225,524           Sub-total         4.920%         148,500,000         52,260,960,000         95,40         148,490,360         7,306,200         226,224           Sub-total         \$2,260,960,000         \$3,211,440         \$0         \$2,267,748,560         \$116,193,978         \$586,577	17	Bond	3.650%	\$17,950,000		8/4/2006	Var	17,950,000	334,273	0	17,615,727	655.175	28.217	681 392	
Bond         3.690%         \$23,325,000         \$44/2006         Var         23,325,000         231,674         23,093,326         835,695         8,968           Bond         3.850%         10,635,000         Var         10,635,000         25,857         10,609,143         409,448         1,167           Bond         4,920%         148,500,000         11/6/2006         Nov 6         900,000,000         90.128         899,919,872         44,280,000         222,624           Sub-lotal         4.920%         148,500,000         11/6/2006         Nov 6         900,000,000         9,640         148,490,380         7,306,200         22,627           Sub-lotal         \$2,260,960,000         \$3,211,440         \$0         \$2,257,748,560         \$116,193,978         \$585,577	9	Bond	6.870%	\$140,000,000		3/29/2011	Mar 29, Sep 29	140,000,000	714,737	0	139 285 263	9 618 000	150 478	9 768 478	
Bond         3.850%         10,635,000         7/13/2006         Var         10,635,000         25,857         10,603,143         408,448         1,167           Bond         4,920%         400,000         11/6/2006         80,129         89,919,872         44,280,000         225,524           Bond         4,920%         148,500,000         11/6/2006         Nov 6         900,000,000         9,640         148,490,350         7,306,200         22,522           Sub-total         \$2,260,960,000         \$3,211,440         \$0         \$2,267,748,560         \$116,193,978         \$586,577	19	Bond	3.660%	\$23,325,000		8/4/2006	Var	23,325,000	231 674		23 093 326	853.695	889.8	862.663	
Bond         4.920%         900,000,000         71/6/2006         Nov 6         900,000,000         80;128         889,919,872         44,260,000         22,524           Bond         4.920%         148,500,000         11/6/2006         9.640         148,490,350         7,306,200         29,275           Sub-total         \$2,267,748,560         \$116,193,978         \$586,577           Embedded cost of long-term debt (M Divided by J)         This is a second of long-term debt (M Divided by J)	8	Bond	3.850%	10,635,000		7/13/2006	Var	10,635,000	25 857		10 609 143	409,44B	1 167	440 645	
Bond 4.920% 148,500,000 11/6/2006 Nov 6 148,500,000 9.540 148,490,360 7,306,200 29,275 Sub-total 52,287,748,560 5116,193,978 5565,577 Embedded cost of long-term debt (M Divided by J)	7	Bond	4.920%	900,000,006		11/6/2006	Nov 6	900,000,000	80 128		899 919 879	000 080 00	222 624	44 500 504	
Sub-lotai 144 49 50 \$2,257,748,560 \$116,193,978 \$565,577 Embedded cost of long-term debt (M Divided by J)	22	Bond	4.920%	148 500 000		11/8/2008	G VOY	440 100 000			100000	000,000,11	* 20° 73°	44,002,024	
S0.280,960,000 \$3,211,440 \$0 \$2,287,748,560 \$116,193,978 \$585,577 Embedded cost of long-term debt (M Divided by J)	5	Sub both	}			00000	ı	140,000,000	3,040		148,490,350	7,306,200	29,275	7,335,475	
Embedded cost of long-term debt (M Divided by J)	3	Sub-iolai					1	\$2,260,960,000	\$3,211,440	20	\$2,257,748,560	\$116,193,978	\$585,577	\$116,779,555	
	7						ı								
	25														
	90	- Charles	201 30 1200 1	2 44 44 44 44		_									
	3	ביינים	D 1000 1	ig-term deor (WL)	Divided by .	5									5.17%

American Water Works Capital Corp Embedded Cost of Preferred Stock June 30, 2006

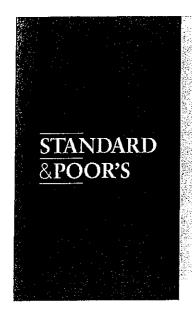
		Dividend		Dollar Amount			Unamortized			Annual		Sinking	
Issue	Issue Rate	Payment Dates		Outstanding at 06/30/06	Outstanding Sinking Fund P at 06/30/06 Payment Date	remium or Discount	ಭ	Net Proceeds	Dividends	Preferred Stock Expense	Total	Fund	Embedded
€	(B)	()	<u>e</u>	(E)	(F)	<u>(</u> 9)	£	(j)	ĵ	<b>(</b> X)	(T) (X)	(M)	<u>(</u>
No Prefer	No Preferred Stock Outstanding	tanding											
ļ													
100				\$0 \$		OS.	SO	\$0	0\$	20	80	SO	
Embe	ided cost of pre	Embedded cost of preferred stock (L Divided by I)	vided by	=				-					ו מיינו <b>י</b>

S0091-R2 subs.xis AWCC

No. S0102

### DATA INFORMATION REQUEST Missouri American Water Company CASE NO. W R-2007-0216

• •	Oon Petry I/31/07		
Please indicate the amount Capital Corporation (AWCC) issued.	of financing Missouri-American Water Com ) since January 1, 2004. Please break this	pany received fron down by equity and	n American Water through American Water d debt financing and when this financing was
Requested By: C	David Murray, MoPSC, - <u>david.murray@psc</u>	<u>:.mo.gov</u> - 573-751	-9160
Information Provided:			
American Water Capital Cor Company. American Water	poration is the primary source of long-term is the source of Missouri American Water (	debt and short-ten Company's commo	m debt for Missouri American Water n equity.
Since January 1, 2004 no ac American Water Capital Corp	dditional long-term debt borrowings have be p.	en entered in to b	etween Missouri-American Water and
Missouri-American Water ma December 31, 2003 were:	aintains a short-term line of credit with Ame	rican Water Capita	al Corp. Short-term debt balances since
<ul> <li>December 31, 2003</li> <li>December 31, 2004</li> <li>December 31, 2005</li> <li>December 31, 2006</li> </ul>	\$ \$15,129,000 5 \$19,310,000		
Missouri-American Water ha January 1, 2004 through Dec	s not received an equity contribution from Acember 31, 2006.	American Water W	orks Company, Inc. for the period
Hyperlink:		Date Response P	rovided:
Signed By:	·	Prepared By:	Lou Walters



August 1, 2003

### American Water Capital Corp.

Credit Analyst:

Dimitri Nikas, New York (1) 212-438-7807

### Table Of Contents

Major Rating Factors

Rationale

Outlook

**Business Description** 

Rating Methodology

**Business Profile** 

Financial Profile

Financial Policy: Aggressive

### **Corporate Credit Rating**

A/Negative/A-1

### Business profile.

Above average

### Financial Policy.

Aggressive

### **Debt Maturities.**

2003 \$199 mil 2004 \$58 mil

2005 \$62 mil. 2006 \$1.072 bil

2007 \$84 9 mil.

### Bank Lines/Liquid Assets:

The company has a 364-day \$500 million credit facility maturing on July 31, 2003, which is used as back-up for the company's \$500 million commercial paper program. As of March 31, 2003, approximately \$169 million were outstanding under the commercial paper program. Given this level of liquidity, upcoming debt maturities should not pose a liquidity problem.

### Outstanding Rating(s)

### American Water Capital Corp.

Sr unsecd debt

Local currency

A-

CP

Local currency

A-1

### **Corporate Credit Rating History**

 June 19, 2000
 A 

 Sept. 21, 2000
 A-/A-2

 July 15, 2003
 A/A-1

### **Company Contact**

### Major Rating Factors

### Strengths.

- · Regulatory environments are generally supportive of credit quality.
- Regulatory and operating diversity with operations in over 20 states.
- Attractive service territories with mostly residential and small commercial customers.
- Low operating risk water production and distribution operations.
- Strong competitive position due to high barriers to entry.

### Weaknesses:

Involvement in nonregulated contract management operations increases business risk to some extent.

### Rationale

The ratings on American Water Capital Corp. (AWCC), a wholly owned subsidiary of American Water Works Co. Inc., reflect the strong support arrangement with parent American Water Works and, in turn, the strong parental support stemming from ownership of American Water Works by the German multi-utility RWE AG. AWCC acts as the funding vehicle for American Water Works' regulated water utility companies.

In determining the ratings on AWCC, Standard & Poor's considers the stand-alone credit profile of American Water Works and then notches up the stand-alone rating to reflect the material level of parental support from RWE and the core nature of American Water Works' regulated water operations to the RWE water division. However, Standard & Poor's does not equalize the ratings on the two companies. While the operations of American Water Works are core to the RWE group, the stand-alone credit profile of American Water Works is weaker than that of the consolidated credit profile of RWE. The outlook is negative, reflecting Standard & Poor's presumption that the credit quality of AWCC will be dictated by RWE, and movements in ratings could be in the same direction. Nevertheless, movement in ratings will be evaluated periodically to ensure that the ratings accurately reflect Standard & Poor's assessment of the level of support from RWE to American Water Works.

AWCC's stand-alone credit profile reflects parent American Water Works' strong business position, which is characterized by regulatory diversity and operations in generally supportive regulatory environments; a steadily growing customer base that is largely residential and commercial; geographic diversity with operations in more than 20 states; high-quality operations that comply with all the latest water production standards promulgated by the EPA; and a strong competitive position by virtue of the high barriers to entry encountered by new entrants. These strengths are tempered mainly by American Water Works' involvement in nonregulated, contract-management water business, which carries significantly more risk relative to the regulated water operations. While currently the unregulated ventures are not material contributors to revenues and cash flows, as such ventures increase in size and scope, they could influence American Water Works' business risk profile. Combined with a financial profile that is relatively weak, Standard & Poor's estimates that on a stand-alone basis, AWCC could be rated at the upper end of the 'BBB' rating category.

American Water Works is the largest water utility holding company in the U.S. with 2.8 million customers; it operates in 2.3 states. It is expected to contribute about 40% of RWE's water division revenues and EBITDA. About 80% of revenues and 75% of sales come from residential and commercial customers, providing a stable customer base with predictable water-usage patterns. The geographic diversity tempers the effect of adverse weather patterns on the company's cash flow and cushions the company from unfavorable rate decisions in any particular jurisdiction. On average, the regulatory environment is viewed as supportive because many states afford recovery of construction expenses with minimal delay; provide for the implementation of single-tariff pricing, reducing the complexity of multi-tariff rate proceedings; and provide regular rate increases.

American Water Works' financial profile is relatively weak for the current rating. Debt leverage has improved dramatically after the merger with RWE was completed, dropping to under 50% from just under 70% at year-end 2002. Funds from operations (FFO) to interest coverage is expected to continue to be under 3x over the intermediate term, while FFO to average total debt is expected to be just over 10% in the same time period. Capital spending

100000000

needs will only be partly internally funded with the balance funded through debt issuances in the capital markets or through intercompany loans with RWE.

### Liquidity.

AWCC has a 364-day \$500 million credit facility maturing in July 2003, which is used as backup for the company's \$500 million commercial paper program. At March 31, 2003, about \$200 million was outstanding under the commercial paper program. Given this level of liquidity, upcoming debt maturities of \$69 million in 2003, \$41 million in 2004, and \$59 million in 2005 should not pose a problem. Nevertheless, Standard & Poor's expects that RWE will continue to provide support in the form of equity infusions and intercompany loans, alleviating any liquidity constraints.

### Outlook

The negative outlook on AWCC reflects the outlook on its ultimate parent RWE and the likelihood that if the ratings on RWE are lowered, then the ratings on AWCC could be lowered as well. The negative outlook on RWE reflects the very limited headroom available to the company at the existing rating level. Any debt-funded acquisitions, a change in the company's strategy of disposing of its noncore activities over the medium term, or the introduction of a regulator in Germany would put pressure on the rating.

### **Business Description**

AWCC is the financing subsidiary of American Water Works, the largest U.S water company with regulated utility operations serving about 2.9 million customers in 23 states. American Water Works was purchased by RWE AG in January 2003 for \$4.6 billion. American Water Works is expected to contribute about 40% of RWE's water division revenues and EBITDA.

### Rating Methodology

In determining the ratings of AWCC, Standard & Poor's considers the stand-alone credit profile of American Water Works and then notches up the stand-alone rating to reflect the material level of parental support from RWE as well as the core nature of American Water Works' regulated water operations to the RWE water division.

However, Standard & Poor's does not equalize the ratings on RWE and American Water Works. Although the operations of American Water Works are core to the RWE group, American Water Works' stand-alone credit profile is weaker than RWE's consolidated credit profile.

There is a support agreement between American Water Works and AWCC, which links the two entities, but American Water Works does not guarantee debt issued by AWCC. As a result of the current arrangement, the credit quality of AWCC is the same as that of American Water Works. In turn, the credit quality of American Water Works reflects the consolidated credit profiles of its operating subsidiaries.

The outlook on AWCC reflects Standard & Poor's presumption that the AWCC's credit quality will be dictated by RWE, and movements in ratings could be in the same direction. Nevertheless, movement in ratings will be evaluated periodically, to ensure that the ratings accurately reflect Standard & Poor's assessment of the level of support from RWE to American Water Works.

### **Business Profile**

American Water Works' regulated utility business operates under a diverse regulatory environment with operations in 2.3 states. Standard & Poor's views the regulatory environment as supportive of credit quality because each regulatory jurisdiction in which the regulated subsidiaries operate provides for some combination of the following policies:

- Use of a forward-looking test year, which results in rates reflective of future costs;
- Intermim-period recovery of interest and depreciation expense for major construction projects until new rates reflect the cost of the project;
- Rate recovery for utility-plant returns before a plant goes into service, instead of capitalizing an allowance for funds used during construction;
- Cost recovery for distribution system infrastructure replacements without needing to file a full rate proceeding;
   and
- Single tariff pricing, which is easier to implement, reduces the complexity of rate proceedings, and spreads fixed costs over a larger customer base.

During the 16-month merger approval process with RWE, requests for rate increases were postponed. Accordingly, in 2004 American Water Works' regulated subsidiaries will be filing requests for rate increases to recover capital expenditures already in place. Where these rate increases are substantial, the regulated subsidiaries may face some resistance from regulators.

The customer base is largely residential (approximately 58% of revenues, 51% of sales) and commercial (approximately 21% of revenues, 24% of sales), providing for significant stability in the revenues and predictable water usage patterns. There is no material customer concentration. The consistency of the customer base has remained relatively stable over time, despite the rapid growth. The large degree of fragmentation present in the water utility industry, combined with the substantial capital needs of many smaller water companies to meet increasingly stringent water quality standards, affords numerous opportunities for consolidation. American Water Works has been aggressively acquiring private and municipal water systems, leading to an above average customer growth rate.

Standard & Poor's views the regulated water operations as having low operating risk, thereby providing support to credit quality. Furthermore, the American Water Works' regulated utility subsidiaries are fully compliant with all material federal and local standards for water production, mitigating any concerns of noncompliance.

Approximately 40% of the company's capital spending budget is targeted toward updating and improving its distribution system and include extensions to serve new areas as well as upgrades of existing systems.

The nonregulated business can also have low operating risk, as these ventures are in the same line of business. However, the risk in these ventures is overbidding for a contract and not earning an adequate return, or earning a return over a disproportionately long period of time. Nevertheless, capital spending needs for nonregulated operations continue to be modest at less than 4% of total capital spending.

American Water Works has a strong competitive position stemming from its extensive presence in the water utility industry and the high quality of service provided. The company acts as a consolidator by acquiring both large and small companies. Barriers to entry are high in the water industry because a new entrant must have not only the

4.50 (150) 2

capital to compete against a company as large as American Water Works, but also must be able to demonstrate a good historical track record

### Financial Profile

American Water Works had an aggressive financial policy evidenced by liberal use of debt to fund growth in the past few years. As a result, at year-end 2002, debt leverage increased to about 69% of total capital although the measure dropped to 48% in 2003.

### Financial Policy: Aggressive

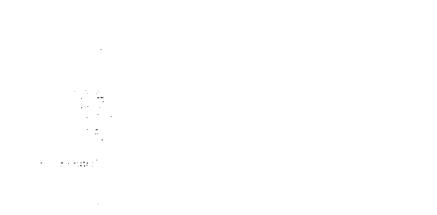
### Profitability/cash flow protection.

American Water Works' cash flow protection measures weakened substantial by year-end 2002, as debt leverage increased substantially and the company postponed filing for necessary rate increases. As a result, FFO to interest coverage reduced to less than 2.5x, while FFO to total debt reduced to less than 10%. Furthermore, internally generated cash funded only about 50% of total capital spending needs. Subsequent to the acquisition by RWE, American Water Works' cash flow protection measures are expected to improve marginally, in part reflecting the implementation of needed rate increases and organic growth. Nevertheless, internally generated cash is expected to continue to be inadequate to fully fund capital expenditures in future years, requiring further external funding and placing pressure on cash flow protection measures. As a result, FFO to interest coverage is expected to reach 3x, and FFO to average total debt should reach 11% over the intermediate term.

### Capital structure/financial flexibility.

Debt leverage has steadily increased in recent years, reflecting the incremental use of debt to fund acquisitions and, at year-end 2002, debt leverage was almost 69%. However, subsequent to the merger with RWE, debt leverage has improved dramatically, with total debt to total capital dropping to about 48% in 2003. Although American Water Works' equity increased as a result of the transaction, the absolute level of debt increased further, continuing to place pressure on the financial profile. Furthermore, debt leverage is expected to continue to rise as free cash flow remains insufficient to fund capital spending needs.

American Water Works has strong financial flexibility mainly from RWE's parental support, which Standard & Poor's assumes will provide funding for American Water Works' short-term debt needs. Furthermore, the level of capital expenditures poses a challenge because the bulk of the spending (over 40%) is for transmission and distribution projects, including expansion, implying that such capital expenditures may not be delayed or postponed.



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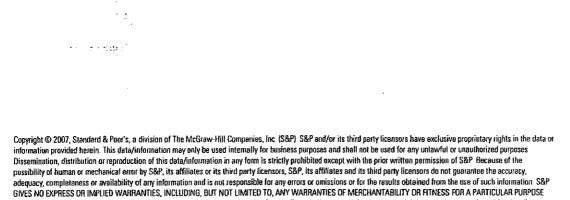
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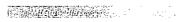
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### Missouri American Water Company. Capital Structure Based upon Total Capital for MoPSC Staff Witness Murray's Four Comparable Water Companies, the Proxy Group of Six AUS Utility Reports Water Companies and the Proxy Group of Four Value Line (Std. Ed.) Water Companies for the Years 2002 through 2006

						5 YEAR
	2006	2005	2004	2003	2002	AVERAGE
American States Water Company						
Long-Term Debt	45.95 %	48 03 %	43.56 %	46 21 %	49.61 %	46.69 %
Short-Term Debt	5.48	4 82	8.55	11 22	7 10	7.43
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	48.57	47.15	47.79	42.57	43.29	45.87
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Aqua America, Inc.						
Long-Term Debt	4B.53 %	48.68 %	50.03 %	49.35 %	50.36 %	49 39 %
Short-Term Debt	5.88	7.47	5.10	6.47	9.39	6.86
Preferred Stock	0.09	0.08	60.0	0.06	0.06	0.07
Common Equity	45 <u>.50</u>	43.77	44,79	44.12	40.19	43.67
Total Capital	100.00 %	100.00 %	100,00 %	100.00 %	<u>100,00</u> %	100.00 %
Arlesian Resources Corp.						
Long-Term Debt	56.30 %	60.30 %	55.85 %	54.79 %	53.82 %	56 21 %
Short-Term Debt	6.03	2.08	7.38	9.39	3.24	5.62
Preferred Stock	0.00	0.00	0.00	0.07	0.17	0.05
Common Equity	<u>37.67</u>	<u>37.62</u>	<u>36.77</u>	<u>35.75</u>	42.77	<u>38.12</u>
Total Capital	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100,00</u> %
California Water Services Group			40.00.07	54.77.0/	54.05.N	40 DZ 11
Long-Term Debt	44.58 %	48.07 %	48.66 %	51.77 %	51.25 %	48.87 %
Short-Term Debt	0.00	0.00	0.00	1 22	7.42	1.73
Preferred Stock	0.50	0.61	0.61	0.66	0.71	0.62 48,79
Common Equity	<u>54.92</u>	<u>51.32</u>	50.73	46.35	40.62	
Total Capital	<u>100.00</u> %	<u>100,00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100,00</u> %	<u>100,00</u> %
Middlesex Water Company	49.98 %	54 75 %	51.36 %	50.57 %	47.29 %	50 79 %
Long-Term Debt	49.96 % 0.00	168	4.86	6.42	9.47	4 49
Short-Term Debt	1.49	166	179	2.09	2.18	1.84
Preferred Stock			41.99	40.92	41.06	42.88
Common Equity	48.53	<u>41.91</u> 100.00 %	100 <u>.00</u> %	100.00 %	100.00 %	100.00 %
Total Capital	<u>100.00</u> %	100.00 %	100.00 %	100.00 //	100.00 %	100.00 78
SJW Corp.						
Long-Term Debt	40.24 %	42.63 %	43 77 %	45.64 %	39.98 %	42.45 %
Short-Term Debt	3 80	0.00	0.00	0 00	4.16	1 59
Preferred Stock	0 0 1	0.02	0.04	0.05	0.07	0.04
Common Equity	<u>55.95</u>	<u>57.35</u>	<u>56,19</u>	<u>54.31</u>	<u>55.79</u>	<u>55.92</u>
Total Capital	<u>100.00</u> %	100.00 %	<u>100.00</u> %	<u>100,00</u> %	100,00 %	<u>100.00</u> %
Southwest Water Company	40.05.00	40.07.0/	40.50.00	40.50.0/	57.07 %	48.92 %
Long-Term Debt	43 85 %	46 67 %	48.53 %	48.50 %		
Short-Term Debt	0.00	0.00	0.00	0.00	0 00	0.00
Preferred Stock	0.15	0.17	0 28	0.85	0.74	0.44
Common Equity	<u>56.00</u>	<u>53,16</u>	<u>51.19</u>	<u>50,65</u>	42,19	<u>50.64</u>
Total Capital	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %
York Water Company	40.00.0/	47 24 W	E1 04 0/	44 40 94	4E 00 P/	46.90 %
Long-Term Debt	48 82 %	47.34 %	51.94 %	41 40 % 9.07	45.00 %	46.90 % 3.90
Short-Term Debt	0.00	6.65	0.00	0.00	3.77 0.00	0.00
Preferred Stock	0.00	0.00	0.00			49.20
Common Equity	51.18	46.01	48.06	49,53	51.23	100.00 %
Total Capital	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	100.00 %

### Missouri American Water Company Capital Structure Based upon Total Capital for MoPSC Staff Witness Murray's Four Comparable Water Companies, the Proxy Group of Six AUS Utility Reports Water Companies and the Proxy Group of Four Value Line (Std. Ed.) Water Companies for the Years 2002 through 2006

	2006	2005	2004	2003	2002	5 YEAR AVERAGE
MoPSC Staff Witness Murray's Four Comparable Water Companies Long-Term Debt Short-Term Debt Preferred Stock Common Equity Total Capital	47.26 %	49.88 %	48.43 %	49.48 %	49.63 %	48.94 %
	2.84	3 49	4.63	6.33	8.35	5.13
	0.52	0.59	0.62	0.70	0.73	0.63
	49.38	46.04	46.32	43.49	41.29	45.30
	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Proxy Group of Six  AUS Water Companies  Long-Term Debt Short-Term Debt Preferred Stock Common Equity Total Capital	47.40 %	49.18 %	48 98 %	48.19 %	48.34 %	48.42 %
	3.53	3.50	3 51	6 23	5.84	4.52
	0.10	0 12	0 12	0.14	0.17	0.13
	48.97	<u>47.20</u>	47.39	45.44	45.65	46.93
	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Proxy Group of Four Value Line (Std. Ed.) Water Companies Long-Term Debt Short-Term Debt Preferred Stock Common Equity Total Capital	45 72 % 2 84 0.19 <u>51.25</u> 100.00 %	47.86 % 3.07 0.22 48.85 100.00 %	47.72 % 3.41 0.25 48.62 100.00 %	48.96 % 4.73 0.39 45.92 100.00 %	52.07 % 5.98 0.38 41.57 100.00 %	48.47 % 4.01 0.29 <u>47.24</u> 100.00 %

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

[18-May-2007] Summary: American Water Works Co. Inc.

Page 1 of 2



RESEARCH

Summary:

### American Water Works Co. Inc.

**Publication date:** 

Primary Credit Analyst:

Kenneth L Farer, New York (1) 212-438-1679; kenneth\_farer@standardandpoors.com

Credit Rating: A-/Watch Neg/A-2

### Rationale

The ratings on American Water Works Co. Inc. and American Water Capital Corp. (A-/Watch Neg/A-2) reflect the stand-alone credit quality of American Water Works. American Water Capital is a wholly owned subsidiary of American Water Works, which serves as the funding vehicle for American Water Works' regulated water utility subsidiaries.

The ratings on American Water Works and American Water Capital are on CreditWatch with negative implications and will remain on CreditWatch until the completion of the sale of American Water Works by parent RWE AG (A+/Negative/A-1), which is expected in 2007. The CreditWatch listing reflects continued uncertainty surrounding the extensive regulatory process associated with the sale, the need for an updated business plan, and completion of significant debt and equity offerings. As part of the sale process, the company has received approval from more than half the 13 states and completed its \$900 million private placement offering in December 2006.

American Water Works' stand-alone business risk profile is '2' (excellent). (Utility business profiles are categorized from '1' (excellent) to '10' (vulnerable)). The business profile stems from insulation from competition, geographically diverse and largely residential markets, a supportive regulatory environment, and the relatively low operating risk of managing groundwater and water treatment facilities. Uncertainty associated with American Water Works' IPO in 2007, increasingly stringent water quality standards, and the company's reliance on acquisitions to provide growth partly offset its strengths.

American Water Works' stand-alone financial risk profile is intermediate and includes management's projected post-IPO debt-to-capital ratio of 45% to 55%. We will reassess the financial risk profile when additional information is available concerning the company's post-IPO business plan and capital structure.

Historical earnings and margins are stable, supported by healthy markets and regulatory recovery of operating and capital costs, although increased operating and capital expenses can lag regulatory recovery. For the past five years, funds from operations (FFO) to total debt has been about 10% and FFO interest coverage was in the 1.5x to 2.5x area. Given the business risk profile of '2', American Water Works' cash flow metrics are somewhat weak for the 'A-' rating.

In RWE's investor presentation related to the sale of its water businesses, the company stated that its North American Water segment, which includes some operations outside of American Water Works, plans to spend \$3.6 billion on capital expenditures from 2005 to 2009, compared with about \$500 million per year recently. American Water Works' increased capital spending is needed to upgrade aging water systems, accommodate population and economic growth, and comply with environmental regulations. RWE projects negative free cash flow and external financing to fund the higher capital spending. Over the intermediate term, continued customer growth and regulatory rate increases could improve credit measures. However, improvements could be hindered if future regulatory rate increases do not keep pace with the company's increased capital spending.

### Short-term credit factors

The 'A-2' short-term rating on American Water Works and American Water Capital reflects:

Adequate consolidated liquidity;

[18-May-2007] Summary: American Water Works Co. Inc.

Page 2 of 2

- Stable cash flows from regulated subsidiaries;
- American Water Capital's \$800 million revolving credit facility, which matures on Sept. 15, 2011 (excluding extensions); and
- · Manageable debt maturities over the next few years.

American Water Works has maintained adequate cash balances, typically exceeding \$50 million, although future levels could differ after the sale by RWE. Uses of American Water Capital's \$800 million revolving credit facility, which matures on Sept. 15, 2011, are targeted for backup to the company's \$700 million commercial paper program and LOCs, as needed. Financial covenants in the revolving credit facility include a maximum debt to capital (with adjustments) of 70% and restrictions on liens, distributions, debt incurred at American Water Works, and asset sales. The change of control provision is more restrictive than most revolving credit agreements, as a change of control is defined as one entity owning 25% or more of the post-IPO outstanding common stock or certain majority changes to the membership of the board of directors.

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[18-May-2007] Summary: American Water Capital Corp.

Page 1 of 2



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Summary:

### American Water Capital Corp.

18-May-2007 **Publication date:** 

Kenneth L Farer, New York (1) 212-438-1679; **Primary Credit Analyst:** kenneth\_farer@standardandpoors.com

Credit Rating: A-/Watch Neg/A-2

### Rationale

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The ratings on American Water Works and American Water Capital are on CreditWatch with negative implications and will remain on CreditWatch until the completion of the sale of American Water Works by parent RWE AG (A+/Negative/A-1), which is expected in 2007. The CreditWatch listing reflects continued uncertainty surrounding the extensive regulatory process associated with the sale, the need for an updated business plan, and completion of significant debt and equity offerings. As part of the sale process, the company has received approval from more than half the 13 states and completed its \$900 million private placement offering in December 2006.

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American Water Works' stand-alone financial risk profile is intermediate and includes management's projected post-IPO debt-to-capital ratio of 45% to 55%. We will reassess the financial risk profile when additional information is available concerning the company's post-IPO business plan and capital structure.

Historical earnings and margins are stable, supported by healthy markets and regulatory recovery of operating and capital costs, although increased operating and capital expenses can lag regulatory recovery. For the past five years, funds from operations (FFO) to total debt has been about 10% and FFO interest coverage was in the 1.5x to 2.5x area. Given the business risk profile of '2', American Water Works' cash flow metrics are somewhat weak for the 'A-' rating.

In RWE's investor presentation related to the sale of its water businesses, the company stated that its North American Water segment, which includes some operations outside of American Water Works, plans to spend \$3.6 billion on capital expenditures from 2005 to 2009, compared with about \$500 million per year recently. American Water Works' increased capital spending is needed to upgrade aging water systems, accommodate population and economic growth, and comply with environmental regulations. RWE projects negative free cash flow and external financing to fund the higher capital spending. Over the intermediate term, continued customer growth and regulatory rate increases could improve credit measures. However, improvements could be hindered if future regulatory rate increases do not keep pace with the company's increased capital spending.

### Short-term credit factors

The 'A-2' short-term rating on American Water Works and American Water Capital reflects:

Adequate consolidated liquidity;

[18-May-2007] Summary: American Water Capital Corp.

Page 2 of 2

- Stable cash flows from regulated subsidiaries;
- American Water Capital's \$800 million revolving credit facility, which matures on Sept. 15, 2011 (excluding extensions); and
- Manageable debt maturities over the next few years.

American Water Works has maintained adequate cash balances, typically exceeding \$50 million, although future levels could differ after the sale by RWE. Uses of American Water Capital's \$800 million revolving credit facility, which matures on Sept. 15, 2011, are targeted for backup to the company's \$700 million commercial paper program and LOCs, as needed. Financial covenants in the revolving credit facility include a maximum debt to capital (with adjustments) of 70% and restrictions on liens, distributions, debt incurred at American Water Works, and asset sales. The change of control provision is more restrictive than most revolving credit agreements, as a change of control is defined as one entity owning 25% or more of the post-IPO outstanding common stock or certain majority changes to the membership of the board of directors.

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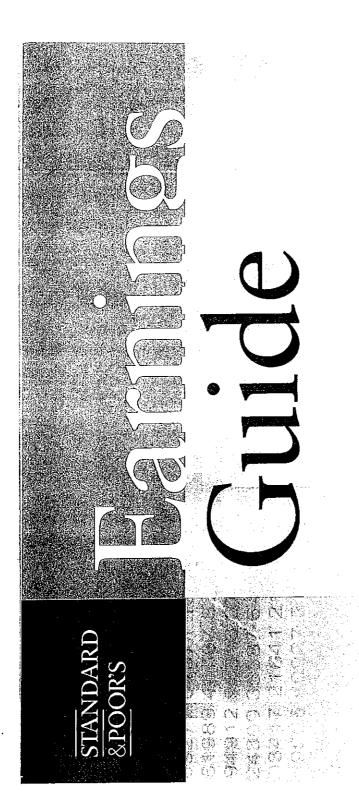
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### Missouri-American Water Company Historical & Projected Growth Rates for Mr. Murray's Four Comparable Water Utility Companies

### Corrected to Exclude Negative Growth Rates and S&P's Forecasted Growth in EPS

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Company Name	Historical Growth Rate (DPS, EPS, & BVPS) (1)	Projected 5- Year Growth I/B/E/S (Mean) (2)	Projected 3-5 Year EPS Growth (Value Line) (1)	Average Projected Growth (3)	Average Historical & Projected Growth
American States Water Company Aqua America Inc. California Water Services Group Middlesex Water Company Average	2.21% (1) 8.42% 1.92% (1) 3.13% 3.92%	4.50% 10.00% 7.00% 8.00% 7.38%	9.00% 7.50% 6.50% NA 7.67%	6.75% 8.75% 6.75% 8.00% 7.56%	4.48% 8.59% 4.34% 5.57% 5.75%
			Range o	f Growth Rate	5.75% - 6.75%
			Proposed Divi	dend Yield (4)	2.90%
			Estimated Cost of Co	ommon Equity	8.65% - 9.65%
		Adjustmer	nt to Reflect an A- Cr	edit Rating (5)	0.10%
		Adjusted	Estimated Cost of Co	ommon Equity	8.75% - 9.75%
				Midpoint	9,25%

- Notes: (1) From Mr. Murray's Schedule 13-3, average of 10-Year Average EPS, DPS & BVPS growth rate and 5-Year Average DPS, EPS & BVPS growth rate (excluding negative EPS growth rates of 2.50% and 0.50% for 2010-2012 for American States Water Company and California Water
  - (2) From Mr. Murray's Schedule 14.
  - (3) Does not include Projected 5-Year EPS Growth (S&P) from Mr. Murray's Schedule 14 because the source of S&P's growth rates is I/B/E/S, as shown on page 2 of this Schedule.
  - (4) From Mr. Murray's Schedule 16.
  - (5) From page 33 of Mr. Murray's direct testimony.



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# HOW TO USE THE EARNINGS GUIDE

It is necessary to carefully read the following instructions and those on Pages 1 and 2 to interpret the abbreviations and the data contained in the Earnings Guide.

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	тие сошрану.
Next EPS Rept Date	DATE OF NEXT EPS REPORT is an estimated date of your leport by your expected quartery is an entity of the port by your party that is a party of the port by the party of the port by the party of the pa
₽Æ	P/E RATIO is derived by dividing current price by the estimated new year earnings. P/E ratios are shown for values of 1 thru 99. It an estimate is negative, a 'd' is presented.
Month End Price	PRICE is the test sale or bid for the month indicated.
Cash Flow (\$/Shr)	CASH FLOW (given for industrial companies only) is net income (before extraordinary stems and discontinued operations and after preferred dividends) plus depreciation, operations and amortization. It is reported for the last actual fiscal period.
Net Tangible Book (\$/Shr)	BOOK VALUE is the tangible book value per common share after intangibles (goodwill, debt discount, pid liquidating value) have been deducted.
Annual Revs. (\$Mil.)	SALES REVENUES are as reported by the corporation in its last Annual Report in millions of dollars.
5–Yr Proj EPS Growth Rate–%	HTWOHED FIVE-YEAR FUTURE EARNINGS GROWNH 1819 BATE % is the annualized compounded growth 1819 projected for the next five years. The 1819 is based on the test scitual reported annual earnings. A company which has teported annual earnings may show a high last reported provided for the earnings may show a high projected growth 1819 due to its small base.
Street Estimates	STREET ESTIMATES: The mean is the everage EPS of all contributors; the highest and lowest estimate is also given to give the use as sense of the estimate's range. The number of contributors indicates how many enaity as are tollowing the issue. Directional arrows are used to signal when a dramatic change in the annual estimate has cocurred. See Page 1 for additional information.
Actual EPS	ACTUAL EPS is the last fiscal earnings reported. See Page 1 for additional information.
Fiscal	FISCAL is the month in which the corporation's year ands.  Details of stock splits and stock dividends, effected during the past live years are reported by footnotes which carry numerals corresponding to those attached to the fiscal.  Adjustments have been made for all stock dividends.
Common Stock Rank	bnuot ans znolifinitab griking 2:8009 QNA QRAUDAT2 S ags9 no
Name of issue	NAME OF ISSUE is not the exact corporate title of the company. Also, because of space limitation, the occasional use of abbreviations has been necessary.

STOCK SPLITS & DIVIDENDS are indicated by superior numbers after the fiscal column. Details appear in foolnotes which carry numerical symbols corresponding to those in the column. Adjustments to earnings, book value, and cash flow have been made for all stock splits and stock dividends. Vol. 17, NO. 6 Published

### EARNINGS GUIDE

Date revised through the last business day of prior month

### EARNINGS GUIDE INTRODUCTION

The Standard & Poor's Earnings Guide gives investors the Wall Street consensus of earnings estimates. This information, previously available only to professional money managers, reports Wall Street's earnings expectations on over 5,500 publicly traded stocks. The Guide provides high, low and mean estimates as supplied by I/BE/S international, fro. Additionally, the number of contributors is provided to indicate how many enalysas are following each issue. Professional money managers rely on this information in their stock selections. The estimates in the Guide were compiled from over 2,300 financial enalysis, representing more than 200 individual prokinage.

Other relevant items of investment use, such as book value, cash flow, estimated five-vear projected samings growth rate, and annual revenuer are included. This data further assists investors in selecting stocks that meet their involvidual investment criteria. Finally, estimates are very flund sensitive. While prior Guides may be used for research, or to determine trends, the rapidly changing market mandates continuous product updating. This publication will gradide up-to-date market data in an easy to use format.

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### UNIFORM FOOTNOTE EXPLANATIONS

To provide for consistency and eliminate repetition, tems recurring frequently that domand focinote explanation have been designated with spacific symbols, which are explained on titls page. WHEN A SET OF EARNINGS ARE FOR NEXTYEAR ((Isca) (2005) the symbol ‡ will be placed before the name of the issue. For these issues the isst enrual is 2005. The next two estimates are for 2006 and 2007, and the PIE is based on the 2006 estimate.

EARNINGS PER SHARE are presented on a "Olluted" basis (indicated with a footnote "v") as available by company, excluding extraordinary litems. This policy crange from did "Firmary exentings to smithest earnings reported after Decamber 15, 1937 (FASB 128). Net asset values are shown for mulual funds. Foreign issues traded ADR are in dollars, convented at prevailing exchange rate. Specific footnotes used in earnings columns:

When a company has a prior year's earnings (fiscal 2003) the symbol • will be used. For these issues, the last annual would be 2003. The estimates are for 2004 and 2005, and the P/E is based on the 2004 estimate.

 Next year earnings and P/E
 — Full diluted earnings
 — Partial year
 — Deficit
 — Conforty of cutgin
 — Full of the manual △ — Exctudes extraordinary income
△ — Includes extraordinary income
☐ — Excludes extraordinary charge
■ — Includes extraordinary charge
■ — Primary enringfundudes
f — Primary enringfundudes Dilktive control of the Before tax loss carry forward # — Combined various classes # — Prior year earnings and P/E

.....Inside Covers Rapid Growth Stocks TABLE OF CONTENTS

Earnings and Dividend Ranking Definitions and Data Screen Use ..... Earnings Guide Introduction and Uniform Footnote Definitions ....... How to use.

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.... Pages 8 · 126 ..Pages 4-7

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### Missouri-American Water Company Capital Asset Pricing Model (CAPM) Cost-Of-Common-Equity Estimates for Mr. Murray's Four Comparable Water Utility Companies Corrected

to Reflect a Prospective Risk-Free Rate and the Appropriate Historical Equity Risk Premium

<u>1</u>	2	3	<u>4</u>	<u>5</u>

Company Name	Risk-Free Rate (1)	Company's Beta (2)	Market Risk Premium (1926 - 2006) (3)	Beta Adjusted Market Risk Premium (4)	Cost of Common Equity (5)
American States Water Company	5.30%	0.80	7.10%	5.68%	10.98%
Aqua America, Inc.	5.30%	0.90	7.10%	6.39%	11.69%
California Water Services Group	5.30%	0.90	7.10%	6.39%	11.69%
Middlesex Water Company	5.30%	0.85	7.10%	6.04%	11.34%
Average	5.30%	0.86	7.10%	6.13%	11.43%

- Notes: (1) Derived in note 2 on page 3 of Schedule PMA-28.
  - (2) From Mr. Murray's Schedule 17.
  - (3) Derived in note 1 on page 3 of Schedule PMA-28.

  - (4) Column 2 \* Column 3.(5) Column 1 + Column 4.

10.41%

### Missouri-American Water Company

Capital Asset Pricing Model (CAPM) Cost-Of-Common-Equity Estimates for Mr. Murray's Four Comparable Water Utility Companies Corrected to Reflect a Prospective Risk-Free Rate and the Average Historical and Forecasted Market Equity Risk Premium

1	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
	Traditio	nal Capital Asset Pr	icing Model	··
Risk-Free Rate (1)	Company's Beta (2)	Market Risk Premium (3)	Beta Adjusted Market Risk Premium (4)	Cost of Common Equity (5)
5.30% 5.30%	0.80 0.90	5.80% 5.80%	4.64% 5.22%	9.94% 10.52%
5.30%	0.85	5.80%	4.93%	10.52% 10.23%
5.30%	0.86	5.80%	5.00%	10.30%
	Empirio	cal Capital Asset Pric	sing Model	
Risk-Free Rate (1)	Company's Beta (2)	Market Risk Premium (3)	Beta Adjusted Market Risk Premium (6)	Cost of Common Equity (5)
5.30%	0.80	5.80%	4.93%	10.23%
5.30% 5.30% 5.30%	0.90 0.90 0.85	5.80% 5.80% 5.80%	5.37% 5.37% 5.15%	10.67% 10.67% 10.45%
	Risk-Free Rate (1) 5.30% 5.30% 5.30% 5.30% 5.30%  5.30%  5.30% 5.30% 5.30% 5.30%	Risk-Free Company's Beta (2)  5.30%	Risk-Free   Company's   Market Risk   Premium (3)	Risk-Free   Company's   Market Risk   Premium (3)   Premium (4)

Average of Traditional and Empirical CAPM

- Notes: (1) From note 2 on page 3 of Schedule PMA-28.
  - (2) From Mr. Murray's Schedule 16.
  - (3) Derived in note 1 on page 3 of Schedule PMA-28.
  - (4) Column 2 \* Column 3.
  - (5) Column 1 + Column 4.
  - (6) The empirical CAPM is applied using the formula found in note 4 on page 3 of Schedule PMA-28.

Stocks, Bonds, Bills, and Inflation

Market Results for 1926–2006

**2007 Yearbook** Valuation Edition



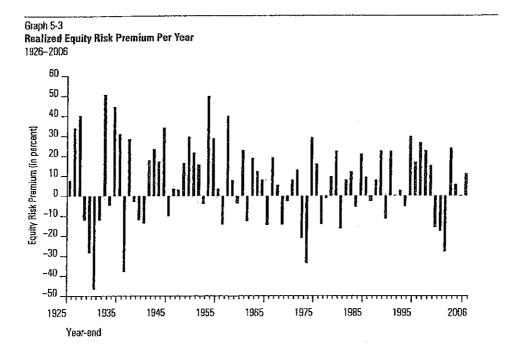
For example, if bond yields rise unexpectedly, investors can receive a higher coupon payment from a newly issued bond than from the purchase of an outstanding bond with the former lower-coupon payment. The outstanding lower-coupon bond will thus fail to attract buyers, and its price will decrease, causing 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.

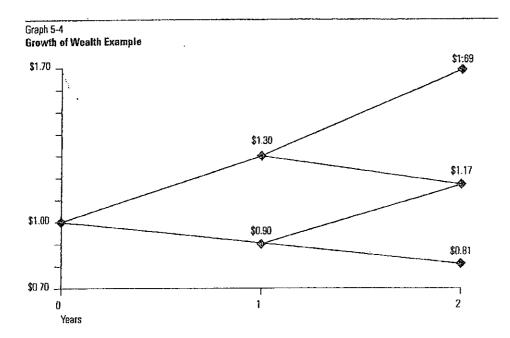
### Arithmetic versus Geometric Means

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 SEP 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.



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.



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:

$$[(1+0.30)\times(1-0.10)]^{8}-1=0.082$$

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:

$$(0.25 \times \$1.69) = \$0.4225$$
  
+  $(0.50 \times \$1.17) = \$0.5850$   
+  $(0.25 \times \$0.81) = \$0.2025$   
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:

$$1 \times (1 + 0.082)^2 = 117$$

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. 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.

<sup>3</sup> 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 MacKinlar. "Stock Market Prices Do Not Follow Random Walks: Evidence from a Simple Specification Test," The Review of Financial Studies, Spring 1988, pp. 4x-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. lbbotson, Roger G., and Scott L. Lummer "The Behavior of Equity and Debt Risk Premiums: Comment," The Journal of Portfolio Management, Summer 1994, pp. 98-200. 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	Corre	latio	ΠS
1926-2006					

Series	Serial Correlation	Interpretation
Large Company Stock Total Returns	0.03	Random
Equity Risk Premium	0 64	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 -2.8 percent equity risk premium. This look at historical equity risk premium reveals no observable pattern.

Table 5 Long-H 1926-2	lorizon E	quity Risl	k Premiur	n by Dec	ade					
1920s*	1930s	1940s	1950s	1960s	1 <del>9</del> 70s	1980s	1990s	2000s**	1997-2006	_
17 6%	2.3%	8.0%	17 9%	4 2%	0.3%	7 9%	12 1%	-2.8%	4.5%	

<sup>\*</sup>Based on the period 1926-1929

<sup>\*\*</sup>Based on the period 2000–2006

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. 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. 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 81-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.

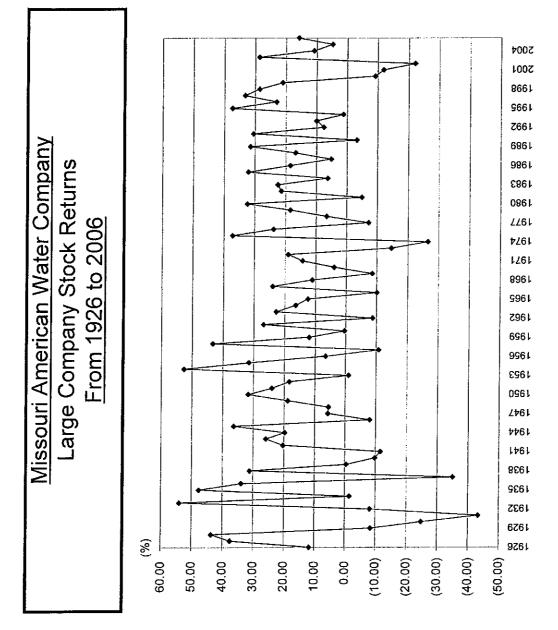
### A Look at the Historical Results

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 2006 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
1926–2006

Period Length	Period Dates	Large Company Stock Arithmetic Mean Total Return	Long-Horizon Equity Risk Premium
B1 years	1926-2006	12.3%	71%
70 years	1937-2006	12.3%	67%
60 years	1947-2006	13 2%	71%
50 years	1957-2006	11 9%	5 2%
40 years	1967-2006	12 3%	4 8%
30 years	1977-2006	13.6%	5.B%
20 years	1987-2006	13 0%	6 4%
15 years	1992-2006	12 0%	60%
10 years	1997-2006	10 0%	4 5%
5 years	2002-2006	7.6%	2 7%

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 2006, starting with 1926. In other words, the first value on the graph represents the average realized equity risk premium over the period 1926-2006. The next value on the graph represents the average realized equity risk premium over the period 1927-2006, and so on, with the last value representing the average over the most recent five years, 2002-2006. 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.



Source of Information:

Stocks, Bonds, Bills and Inflation - Valuation Edition 2007 Yearbook,
Morningstar, Inc., Chicago, Il

# Total Returns on Large Company Stocks Missouri American Water Company 1926 to 2006

						2006				
					J	2004				
						1988	2003	1997		
				1990	2005	1986	1999	1995		
				1981	1994	1979	1998	1991		
Large Company Stocks	mpany	Stock	انا	1977	1993	1972	1996	1989		
				1969	1992	1971	1983	1985		
				1962	1987	1968	1982	1980		
				1953	1984	1965	1976	1975		
			2001	1946	1978	1964	1967	1955		
			2000	1940	1970	1959	1963	1950		
			1973	1939	1960	1952	1961	1945		
		2002	1966	1934	1956	1949	1951	1938	1958	
		1974	1957	1932	1948	1944	1943	1936	1935	1954
1931	1937	1930	1941	1929	1947	1926	1942	1927	1928	1933
-50% -4(	40% -3	-30%	-20% -10%	%0 %0		10% 20	20% 30	30% 40%	% 20%	%09 %

Arithmetic Mean:  $r_A = \sum_{t=1}^{n} r_t / n$ 

Valuation Edition 2007 Yearbook,

Source: Stocks, Bonds, Bills, and Inflation -

pp. 30-31, Morningstar, Inc., Chicago, IL

# Total Returns on Large Company Stocks Missouri American Water Company 1926 to 2006

Large Company Stocks

2006

30% -20% -10% 0% 10% 20% 30% 40% 50% Geometric Mean:  $\mathbf{r}_G = \left[\begin{array}{ccc} \mathbf{V}_n \ / \ \mathbf{V}_0 \end{array}\right]_n^{1/n} - 1$ 

1926

%09

Source: Stocks, Bonds, Bills, and Inflation –
Valuation Edition 2007 Yearbook,
pp. 30-31, Morningstar, Inc., Chicago, IL

#### Missouri American Water Company

Derivation of the Range of Rate of Return on Common Equity on Missouri American Water Company's Actual Book Common Equity at April 30, 2007 Implicit in MoPSC Witness Murray's Recommended Range of Overall Rate of Return

MoPSC Witness Murray's Recommended Range of Overall Rate of Return

Type of Capital	Ratios (1)	Cost Rate (1)	Weighted Cost Rate (1)	Before- Income Tax Weighted Cost Rate (2)
Common Stock Equity	28.18%	8.60% - 9.60%	2.42% - 2.70%	3.97% - 4.43%
Preferred Stock	19.18%	5 90%	1.13%	1.85%
Long-Term Debt	46.36%	5.25%	2.43%	2.43%
Short-Term Debt	6.28%	4 40%	0.28%	0.28%
Total	100.00%		6.27% - 6.55% *	8.53% - 8.99%

Derivation of the Range of Rate of Return on the Company's Requested Common Equity Ratio Implicit in MoPSC Witness

Murray's Recommended Range of Overall Rate of Return

Type of Capital	Ratios (3)	Cost Rate	Weighted Cost Rate	Before- Income Tax Weighted Cost Rate (2)
Common Equity	47.81%	6.97% - 7.55% (4)	3.33% - 3.61% (5)	5.46% - 5.92% (6)
Preferred Stock	0.44%	9.17% (3)	0.04%	0.07%
Long-Term Debt	44.50%	5.87% (3)	2.61%	2.61%
Short-Term Debt	7.26%	5.39% (3)	0.39%	0.39%
Total	100.00%_*		6.37% - 6.65%	<u>8.53% - 8.99%</u> (7)

\* Does not add due to rounding.

#### Notes

- (1) From MoPSC Witness Murray's Schedule 20.
- (2) Based upon a company-provided combined Federal and state income tax rate of 39%.
- (3) From Schedule JMJ-5.
- (4) Common equity cost rate range implicit in MoPSC Witness Murray's recommended before-income tax overall rate of return range of 8.53% 8.99% when applied to the Company's capital structure ratios at May 31, 2007, the true-up period. The common equity cost rate range of 6.97% 7.55% is derived by dividing the range of weighted cost rate of common equity of 3.33% 3.61% (derived in note 5 below) by the Company's May 31, 2007 common equity ratio of 47.81%. 6.97% = (3.33% + 47.81%) and 7.55% = (3.61% + 47.81%).
- (5) Range of weighted cost rate of common equity derived by multiplying the range before-income tax weighted cost rate of common equity of 5.46% 5.92% (derived in note 6 below) by (1 39%). 3.33% = (5.46% \* (1 39%)) = 5.46% \* 61% = 3.33% and 3.61% = (5.92% \* (1 39%)) = 5.92% \* 61% = 3.61%.
- (6) Range of before-income tax weighted cost rate of common equity derived by subtracting the sum of the before-income tax weighted cost rates of preferred stock ( 0.07% ), long-term debt ( 2.61% ) and short-term debt ( 0.39% ) from MoPSC Witness Murray's recommended range before-income tax overall rate of return of 8.53% - 8.99%. 5.46% = 8.53% - 0.07% - 2.61% - 0.39% and 5.92% = 8.99% -0.07% - 2.61% - 0.39%.

Yield on

#### Missouri American Water Company Authorized Relums on Commun Equity and Common Equity Ratios for Electric and Gas Distribution Companies from January 2005 through June 2007

Moody's A Rated Public Authorized Authorized Common Utility Bonds Type of Spread Common Equity Date Company Utility State Equity Ratio (1) 6-Jan-05 South Carolina Efectric & Gas Electric SC 10 70 50 31 5.97 4 73 28-Jan-05 18-Feb-05 Aquila Networks-WPK Puget Sound Energy Electric KS 10 50 33 63 WA 4 38 Electric 10.30 43.00 5 92 10.30 43 00 47 80 5 92 5 78 4 38 Puget Sound Energy PacifiCorp Empire District Electric 18-Feb-05 Gas (2) (2) (2)(4)(7) 4 72 5 22 25-Feb-05 10-Mar-05 Flectric MO NY MI XX VY 11 00 10 30 49.14 48.00 5 78 561 561 4 69 5 39 Consolidated Edison of New York 24-Mar-05 Electric 29-Mar-05 31-Mar-05 SEMCO Energy Gas
Texas- New Mexico Power Gas Electric 11 00 10 25 40.00 55 53 (2)(6) 5 61 5 61 464 4 39 4-Apr-05 7-Apr-05 Central Vermont Public Service Arizona Public Service Etactric AZ OH MI 10.25 10.60 11.00 45 00 (5) (2) 561 464 Vectren Energy Delivery of Ohlo Michigan Consolidated Gas 4 99 5 17 13-Apr-05 28-Apr-05 17-May-05 561 Gas (3) 39 31 5 83 Gas IL, LA 10 00 53 09 48 73 4 17 4 42 5 11 (2) (2) 5 83 Gas Amereni P
Entergy Louisiana
Savannah Electric and Power
Allantic City Electric
Jersey Central Power & Light
Public Service New Hampshire
Canter Point Energy Minnegasco Amereni P 5 83 5 64 18-May-05 25-May-05 26-May-05 1-Jun-05 Electric 10 75 9 75 9 75 (2) (2)(6) (2)(6) Electric GANJINH MIN GALW WIX MIX AR OIL OK IA COLOR 46 22 46 00 5 64 5 64 5 64 Electric Electric 9 63 Electric 3 99 8-Jun-05 5 64 5 64 4 54 5 26 50 27 (2)(3)8-Jun-05 10-Jun-05 Gas CanterPoint Energy Minneg Atlanta Gas Light Entergy Gulf States Wisconsin Power and Light Wisconsin Power and Light Gas Gas 10 90 (2)(8) (2) 10 50 11 50 47 52 61 75 5 53 5 53 4 97 6-Jul-05 19-Jul-05 19-Jul-05 Plactric 11.50 11.75 61 75 25 00 (5) 5 53 5 97 6 35 5 40 Cap Rock Energy 5-Aug-05 11-Aug-05 Electric 10.40 10 13 9.45 Northern States Power AEP Texas Central 5.40 Gas 50 24 (2)(3)4 73 3 94 4 50 5 40 5 51 15-Aug-05 19-Sep-05 28-Sep-05 30-Sep-05 Electric 40 00 CenterPoint Energy Arkansas Gas 3180 Gas PacifiCorp Northern Illinois Gas Electric 10.00 47.50 5.50 56 37 46 76 49 35 50 75 10.51 5 50 5 50 5 01 Gas Oklahoma Natural Gas Interstate Power & Light South Carolina Electric & Gas Arkenses Western Gas (2) (2)(3) (2) 4-Oct-05 14-Oct-05 4 40 4 90 Gas 10 40 10 25 9 70 10 00 9 70 5.50 5 52 5 52 4 73 4 18 31-Oct-05 Gas 2-Nov-05 30-Nov-05 Gas Gas AR MA AR WI OK CA CA CA CA 33 03 53 95 41 04 5 79 5 79 4 21 3 91 Bay State Gas 9-Dec-05 12-Dec-05 Arkansas Oklahoma Gas Madison Gas and Electric Gas 11 00 11 00 Electric 56 65 5 79 5 21 5 79 5 79 5 21 4 98 Madison Gas and Electric OGE Electric Service Pacific Gas and Electric 12-Dec-05 Gas 55 69 Etectric 10.75 11 35 11 60 52 00 48 00 52 00 5 79 5 79 Electric 5 56 18-Dec-05 581 16-Dec-05 16-Dec-05 Southern California Edison Electric Pacific Gas and Electric Gas Gas 11.35 5 79 5 56 49 00 49 00 47 53 491 491 441 5 79 5 79 San Diego Gas & Electric San Diego Gas & Electric Cincinnall Gas & Electric 15-Dec-05 15-Dec-05 21-Dec-05 10 70 Electric OH WA MD 10 29 10 40 11 00 5 88 Electric  $\{2\}\{6\}$ 5 88 5 88 5 88 5 88 5 88 40 00 48 40 4 52 5 12 Avista Corp Baltimore Gas & Electric Avista Corp Wisconsin Public Service Electric 21-Dec-05 21-Dec-05 Gas 10 40 11 00 Gas 40 00 (2) 4 52 WA WI MI WI KY 21-Dec-05 5 12 5 27 22-Dec-05 22-Dec-05 Electric Consumers Energy
Wisconsin Public Service 36 31 Flectric 11.15 59 73 54 45 44 59 5 88 5 88 5 88 5 12 4 32 1100 Gas 22-Dec-05 22-Dec-05 28-Dec-05 Union Light, Heat & Power Wester Energy North 10 20 Gas KS KN WW W CT CO A 14 MN W 10 00 10 00 Electric 4 12 5 88 5 88 4 12 4 12 5 12 Kansas Gas and Electric Electric 28-Dec-05 Southern Connecticut Gas Northern States Power 10 00 51 28 (2) 28-Dec-05 Gas 11 00 11 00 53 66 53 68 5 8B 5 8B Gas 5-Jan-06 5-Jan-06 5 12 5 40 5 40 3 95 Northern States Power Electric 25-Jan-06 Wisconsin Electric Power Gas 11 20 11 20 56 24 5 80 50 20 48 00 55 49 5.60 5.60 25-Jan-06 Wisconsin Gas (4)(6)(9) 27-Jan-06 3-Feb-06 United Illuminating Electric 9 75 10 50 9 50 10 40 Public Service of Colorado Gas 5 BO 4 70 40 00 (5) 51 39 3 75 4 65 4 64 5.75 23-Feb-06 1-Mar-06 3-Mar-06 Southwest Gas Gas Е  $\{2\}(3)$ 5 75 5 75 Aquila Interstate Power and Light Gas Electric Electric 10 39 49 10 4 38 6 08 46 00 17-Apr-06 18-Apr-06 PacifiCorp MidAmerican Energy 10 20 Electric Electric 5 82 IA DE 11.90 (12)5 9B 5 9B 47 72 (6) 4 02 25-Apr-06 28-Apr-06 26-Apr-06 Delmarya Power & Light 4 62 Sierra Pacific Power Sierra Pacific Power Etectric ΝV 10 60 40 76 NV 10 60 10 40 40.76 5 98 4 11 4 33 3 78 6 29 6 42 48 00 (6) (2) (2) ME ME 25-May-06 27-Jun-06 LA Gas Service/Trans LA Gas Gas Upper Peninsula Power Maine Public Service Electric Electric 47 12 10.75 (2)(6) (2)(4)(7) (2)(6)(7) (2)(7) 10 20 50 00 6 42 6 40 6-Jul-06 45 00 3 20 3 20 24-Jul-06 Central Hudson Gas & Electric Electric NY 9 60 Gas Electric NY W 6 40 Central Hudson Gas & Electric 9 60 45 00 24-Jul-06 6 4D 4 10 26-Jul-06 AFP Wast Virginia 42 86 28-Jul-06 Componwealth Edison Electric IL 10 05 (7)(9)9 55 41 60 6 37 3 18 New York State Electric & Gas 23-Aug-08 (3)(10) 4 17 MN 10 54 1-Sep-06 Northern States Power Electric

Yield on

#### Missouri American Water Company Authorized Returns on Common Equity and Common Equity Ratios for Electric and Gas Distribution Companies from January 2005 through June 2007

							Yield on Moody's A	
				Authorized	Authorized		Rated Public	
		Type of		Return on	Соптол		Utility Bonds	
Date	Сотрапу	Utility	State	Common Equity	Equity Ratio	_	(1)	Spread
14-Sep-06	PacifiCorp	Electric	OR	10 00	50 00	(2)(9)	6 37	3 63
20-Sep-06	Kinder Morgan	Gas	w	11 00	43 56	(2)(9)	6 37	4 63
26-Sep-06	Chesapaaka Utilities	Gas	MÐ	10 75	53 00	(2)	6 20	4 55
6-Oct-05	Unitif Energy Systems	Electric	NH	9 6 7	43 10	(2)(4)(7)	6 20	3 47
20-Oct-08	Orange & Rockland Utilities	Gas	NY	9 80	48 00	(2)(4)(5)	6 20	3 60
2-Nov-06	CenterPoint Energy Minnesota Gas	Gas	MN	971	46 14	(3)	6 00	371
9-Nov-06	Public Service Electric & Gas	Gas	ИJ	10 00	47 40	(2)	6 00	4 00
21-Nov-08	Central Hinois Light	Electric	IL	10.12	45 57	(7)	5 98	4 14
21-Nov-06	Central Illinois Public Service	Electric	IL	10.08	48 92	(7)	5 98	4 10
21-Nov-06	Illinios Power	Electric	IL,	10 08	51 56	(7)	5 98	4 10
21-Nov-08	Consumers Energy	Gas	MI	11 00	35 06 *	(3)	5 9B	5 02
1-Dec-08	Pacificorp	Electric	UT	10 25		(2)(4)	5 98	4 27
1-Dec-06	Public Service of Colorado	Electric	CO	10 50	60 00	(2)	5 9B	4 52
7-Dec-06	Central Vermont Public Service	Efectric	Λt	10 75	55 57	(2)	5 98	4 77
21-Dec-06	Empire District Electric	Electric	MO	10 90	49 74		5 80	5 10
21-Dec-08	Kansas City Power & Light	Electric	MO	11 25	53 69		5 80	5 45
22-Dec-06	Green Mountain Power	Electric	VT	10 25	52 76	(2)	5 80	4 45
5-Jan-07	OGE Electric Service	Electric	AR	10 00	32 33 *	(2)	5 80	4 20
5-Jan-07	Puget Sound Energy	Electric	WA	10 40	44 00		5 80	4 60
5-Jan-07	Puget Sound Energy	Gas	WA	10 40	44.00		5.80	4 60
9-Jan-07	SEMCO Energy Gas	Gas	MI	11 00	42 94 *	(2)	5 80	5 20
11-Jan-07	Metropolitan Edison	Electric	PA	10 10	49.00	(7)	5 80	4 30
11-Jan-07	Pennysiyania Electric	Electric	PA	10 10	49.00	(7)	5 80	4 30
11-Jan-07	Wisconsin Public Service	Electric	W	10 90	57 46		5 80	5 10
11-Jan-07	Wisconsin Public Service	Gas	W	10 90	57 4 <b>6</b>		5.B0	5 10
12-Jan-07	Portland General Electric	Etectric	OR	10 10	50 00 (5)		5 80	4 30
19-Jan-07	Wisconsin Power and Light	Electric	W	10 80	54 13		5 80	5 00
19-Jan-07	Wisonsin Power and Light	Gas	W	10 80	54 13		5 80	5 00
26-Jan-07	Fitchburg Gas & Electric	Gas	MA	10 00	**	(2)(4)	581	4 19
8-Feb-07	PPL Gas	Gas	PA	10 40	51 79 (5)		581	4 59
14-Mar-07	Connecticut Natural Gas	Gas	CT	10 10	53 60	(2)	5 96	4 14
20-Mar-07	Defmarva Power & Light	Gas	DE	10 25	46 90	(2)(3)	5 96	4 29
22-Mar-07	Rockland Electric	Electric	NJ	9 97	46 50	(2)(6)	5 90	4 07
22-Mar-07	Southern Union	Gas	MO	10 50	36 06		5 90	4 60
29-Mar-07	Atmos Energy	Gas	ΤX	10 00	47 90 (5)		5 90	4 10
15-May-07	Appalachian Power	Etectric	VA	10 00	41 11 *		5 85	4 15
17-May-07	Aquila Networks-MPS	Electric	MO	10 25	48 17		5 85	4 40
17-May-07	Aquila Networks-L&P	Electric	MO	10 25	4B 17		5 85	4 40
22-May-07	Monongahela Pow /Potomac Ed	Electric	w	10 50	46 07		5 97	4 53
22-May-07	Union Electric	Electric	MO	10 20	52 22		5 97	4 23 4 73
23-May-07	Nevada Power	Electric	NV	10 70	47 29	(0110)	5 97	370
25-May-07	Public Service of New Hampshire	Electric	ЙH	9 67	47 66	(2)(6)	5 97 5 97	4 13
5-Jun-07	Cascade Natural Gas	Gas	OR	10 10	45 00	(2)		478
13-Jun-07	Northern Stales Power	Gas	ND	10 75	51 59 32 19 *	(2)	5 97 5 97	3 93
15-Jun-07	Entergy Arkansas	Efectric	AR	9 90		(2)	5 97	4 28
18-Jun-07	Public Service of Colorado	Gas	co	10 25	60 17	(2)	599	4 51
22-Jun-07	Appalachian Pow Wheeling Pow	Electric	w	10 50	42 8B 54 50	(2)(14)	5 99 5 99	476
28-Jun-07	Arizona Public Service	Electric	AZ CT	10 75	50 30	m	599	4 t1
29-Jun-07	Yankee Gas Services	Gas	NM.	10 10 9.53	48.00	(2)	5,99	3.54
29-Jun-07	Public Service of New Mexico	Gas	NM	9.53	48.00		5,89	3.54
	Average - All Cases			10.42 %	47.92 %		5.86 %	4.55 %
	Average - Litigaled Cases			10.51 %	47.89 %		5.84 %	4.67 %

Prospective Yield on A Rated Public Utility Bonds

Common Equity and the yield on 10-year U S Treasury Notes for Litigated Cases

4.67

6 60 %

Indicated Common Equity Cost Rate

11.27 %

(1) Actual A rated yield represents the yield of the previous month if the order was issued on or after the 21st of each month, or the yield of two months prior if the order was issued on or before the 20th of each month. For example, the yield for 4/17/06 is the A rated Public Utility yield for February 2008 and the yield for 4/26/06 is the A rated Public Utility yield for March 2008.

(2) Order followed full or partial stipulation settlement by the parties Decision particulars not necessarily precedent- setting or specifically interfire rate Implemented prior to the issuance of final order, normally under bond and subject to refund.

(3) Interfire rate Implemented prior to the issuance of final order, normally under bond and subject to refund.

(4) Rate change applicable to electric distribution rates only.

(5) Rate change applicable to electric transmission and distribution rates only.

(6) Rate change applicable to electric transmission and distribution rates only.

(7) The stipulation requires the company to freeze rates for five years, and over this time period, to credit its pipelina replacement program a total of \$25 million and senior cilizen rates \$7.5 million.

(9) Indicated rate increase to be phased-in over four years, with a 8.88% ROR authorized for 2008, 6.69% for 2007, 7.09% for 2008, and 7.48% for 2009.

(10) Rate increase declined to \$1.14.9 million effective 1/1/107.

(11) While the rate increase was voted 9/20/08 and became effective 10/1/06, a final order was not Issued until 12/4/08.

(12) ROE applies only to a proposed \$45m\W wind generation project.

(13) From page 1 of Schedule PMA-27.

(14) Return implicit in settlement. Notes:

Mergent Bond Record Monthly Update, May 2007, Vol. 74, No. 5

- Capital structure includes cost-free items or tax credit balances at the overall rate of refum

Major Rate Case Decisions - January 2005 - December 2005, Published by Regulatory Research Associates, Inc., An SNL Energy Company Regulatory Focus - Regulatory Study, Major Rate Case Decisions - January-March 2007, April 3 2007, Published by Regulatory Research Associates, Inc. An SNL Energy Company

Missour American Water Company
Derivation of Investment Risk Adjustment Based upon Ibbotson Associates' Size Premia for the Decile Portfolios of the NYSE/AMEX/NASDAQ

41	Spread from Applicable Size Premium (3)			1.04%										
			9	ε										
(C)	Applicable Size Premium (2)		2.49%	1.45%	Size Premium (Return in Excess of CAPM) (2)	-0.36%	0.65%	1.03%	1.45%	1.67%	1.62%	2.28%	2.70%	6.27%
<b>(</b> 2)	Applicable Decile of the NYSE/AMEX/ NASDAQ		8 - 9 (4)	5 (6)	Recent Average Market Capitalization ( millions )	\$57,064.564	12,003.408 5,689.062	3,394,680	2,358.087	1,623.908	1,146.604	801.171	452.122	131.433
<b>⊷</b> 1	13-Week Average Market Price Ending May 18, 2007 (1) ( millions ) (times larger)			4.4 × (8)	Recent Total Market Capitalization (8) ( millions )	\$9,586,846.750	2,148,609,950 1,126,434,240	624,621.080	492,840,110	428,711.640	333,661.890	284,415.720	298,400.730	229,218.310
	13-Week Average I		\$ 579.144	\$ 2,551.437	Number of Companes (8)	168	198	184	508	264	291	355	660	1744
		1	1	ı	Decile	1 - Largest	v 60	4.	n e	اص	_	<b></b>	o	10 - Smallest
	Š	Missoun American Water Company	MIEC Witness Gorman's Nine Company Gas Utility Comparable Group	MIEC Witness Gorman's Nine Company Gas Utility Comparable Group										
	Гпе Ио.	<del>, .</del> :	ď	6										

See page 2 for notes.

## Missouri American Water Company Derivation of Investment Risk Adjustment Based upon Ibbotson Associates' Size Premia for the Decile Portfolios of the NYSE

#### Notes:

- (1) From page 3 of this Schedule.
- (2) From page 13 of this Schedule.
- Line No. 1 Line No. 2 and Line No. 1 Line No. 3 of Columns 3 and 4, respectively. For example, the 1.04% in Column 5, Line No. 2 is derived as follows 1.04%% = 2.49% 1.45%.
- (4) With an estimated market capitalization of \$579.144 million (based upon MIEC Witness Gorman's nine company gas utility comparable group), Missouri American Water Company falls between the 8<sup>th</sup> the 9<sup>th</sup> deciles of the NYSE/AMEX/NASDAQ which have an average market capitalization of \$624.647 as can be gleaned from the information shown in the table on the bottom half of page 1 of this Schedule.
- (5) Average size premium applicable to the 8<sup>th</sup> and 9<sup>th</sup> deciles of the NYSE/AMEX/NASDAQ as can be gleaned from the information shown in the table on the bottom half of page 1 and on page 13 of this Schedule.
- (6) With an estimated market capitalization of \$2,551.437 million, MIEC Witness Gorman's nine company gas utility comparable group falls in the 5<sup>th</sup> decile of the NYSE/AMEX/NASDAQ which has an average market capitalization of \$2,358.087 million as shown in the table on the bottom half of page 1 of this Schedule.
- (7) Size premium applicable to the 5<sup>th</sup> decile of the NYSE/AMEX/NASDAQ as shown in the table on the bottom half of page 1 and on page 13 of this Schedule.
- (8) From page 6 of this Schedule.

# Missour, American Water Company Market Capitalization of Missour, American Water Company and MEC Witness, Gorman's Nine Company Gas Utility Comparable Group

ωl	Market Capitalization on June 11 2007 (3)	\$ 579.144 (6)			\$ 3,307,634	2,828.021	7,241,436	1,433.881	2,208.231	1,270.375	1,972,027	1,096.778	1,604,553	\$ 2,551,437
wI	Market-to-Book Ratio at June 11, 2007 (3)	196.3 % (5)			197.1 %	139.9	154.9	219.6	241.8	201.5	216.2	236.7	159.2	196.3 %
41	13-Week Average Market Prtce Ending May 18, 2007 (2)	NA			\$ 42.460	31.860	41.200	51.320	49.180	46.860	26.440	37,280	32,660	39.918
ന്ദ	Total Common Book Value Equity at March 31, 2007 (millions)	\$ 295.030 (4)			\$ 1,678.000	2,021.953	4,675,500	652.805	913.100	630.367	912,013	463.289	1,008.105	\$ 1,439,459
21	Book Value per Share at March 31, 2007 * (1)	ĄN			\$ 21,540	22.779	26.601	23.365	20.336	23.252	12.228	15.747	20.520	\$ 20.708
<del></del> 1	Common Stock Shares Outstanding at March 31, 2007 • (millions )	NA (4)			77.900	88.764	175.763	27.940	44.901	27.110	74.585	29.420	49.129	66.168
	Сотрапу	Missoun American Water Company	MIEC Witness Gorman's Nine Company Gas Utility Comparable Group	MIEC Witness Gorman's Nine Company Gas Utility Comparable Group	AGL Resources Inc.	Atmos Energy Corp.	KeySpan Corp.	New Jersey Resources Corp.	NICOR Inc.	Northwest Natural Gas Co.	Predmont Natural Gas Co., Inc.	South Jersey Industries, Inc.	WGL Holdings, Inc.	Average

Notes:

Column 3 / Column 1.
 From MIEC Witness Gorman's Appendix 8-5, page 2.
 Column 5 \* Column 3.
 Missoun American Water Company's proforma commote Missoun American Water Company's proforma commote Missoun American Water (5).

Missoun American Water Company's proforma common equity at April 30, 2007 from Schedule JMJ-1.

(5) The market-to-book ratio of Missoun American Water Company for the 13-weeks ending May 18, 2007 is assumed to be equal to the average market-to-book ratio for the 13-weeks ending May 18, 2007 of MIEC Witness Gorman's nine gas company utility companable group.
 (6) Missouri American Water Company's common stock if traded at a market-to-book ratio equal to the average market-to-book ratio for the 13-weeks ending May 18, 2007 of MIEC Witness Gorman's nine company gas utility companable group, 196.3% would result in a market capitalization for the 13-weeks ending May 18, 2007 of \$579.144 million. (\$579.144 = \$295.030 \* 196.3%).

(\*) As of March 31, 2007, except for Piedmont Natural Gas, which is at January 31, 2007.

Source of Information: Company Annual Forms 10-K and/or 10-Q

Stocks, Bonds, Bills, and Inflation

Market Results for 1926–2006

**2007 Yearbook** Valuation Edition



### Chapter 7

Firm Size and Return

#### The Firm Size Phenomenon

One of the most remarkable discoveries of modern finance is that of a relationship between firm size and return. The relationship cuts across the entire size spectrum but is most evident among smaller companies, which have higher returns on average than larger ones. Many studies have looked at the effect of firm size on return. In this chapter, the returns across the entire range of firm size are examined.

#### Construction of the Decile Portfolios

The portfolios used in this chapter are those created by the Center for Research in Security Prices (CRSP) at the University of Chicago's Graduate School of Business. CRSP has refined the methodology of creating size-based portfolios and has applied this methodology to the entire universe of NYSE/AMEX/NASDAQ-listed securities going back to 1926.

The New York Stock Exchange universe excludes closed-end mutual funds, preferred stocks, real estate investment trusts, foreign stocks, American Depository Receipts, unit investment trusts, and Americus Trusts. All companies on the NYSE are ranked by the combined market capitalization of their eligible equity securities. The companies are then split into 10 equally populated groups, or deciles. Eligible companies traded on the American Stock Exchange (AMEX) and the Nasdaq National Market (NASDAQ) are then assigned to the appropriate deciles according to their capitalization in relation to the NYSE breakpoints. The portfolios are rebalanced, using closing prices for the last trading day of March, June, September, and December. Securities added during the quarter are assigned to the appropriate portfolio when two consecutive month-end prices are available. If the final NYSE price of a security that becomes delisted is a month-end price, then that month's return is included in the quarterly return of the security's portfolio. When a month-end NYSE price is missing, the month-end value of the security is derived from merger terms, quotations on regional exchanges, and other sources. If a month-end value still is not determined, the last available daily price is used.

Base security returns are monthly holding period returns. All distributions are added to the monthend prices, and appropriate price adjustments are made to account for stock splits and dividends. The return on a portfolio for one month is calculated as the weighted average of the returns for its individual stocks. Annual portfolio returns are calculated by compounding the monthly portfolio returns.

#### Size of the Deciles

Table 7-1 reveals that the top three deciles of the NYSE/AMEX/NASDAQ account for most of the total market value of its stocks. Nearly two-thirds of the market value is represented by the first decile, which currently consists of 168 stocks, while the smallest decile accounts for just over one percent of the

<sup>1</sup> Rolf W. Banz was the first to document this phenomenon. See Banz, Rolf W. "The Relationship Between Returns and Market Value of Common Stocks," Journal of Financial Economics, Vol. 9, 1981, pp. 3-18.

market value. The data in the second column of Table 7-1 are averages across all 81 years. Of course, the proportion of market value represented by the various deciles varies from year to year.

Columns three and four give recent figures on the number of companies and their market capitalization, presenting a snapshot of the structure of the deciles near the end of 2006.

Table 7-1
Size-Decile Portfolios of the NYSE/AMEX/NASDAQ Size and Composition 1926 through September 30, 2006

Decile	Historical Average Percentage of Total Capitalization	Recent Number of Companies	Recent Decile Market Capitalization (in thousands)	Recent Percentage of Total Capitalization
1-largest	63.26%	168	\$9,586,846,750	61.64%
2	13 97%	179	2,148,609,950	13.81%
3	7 57%	198	1,126,434,240	7 24%
4	4.73%	184	624,621,080	4.02%
5	3.24%	209	492,84 <b>0</b> ,110	3.17%
6	2.38%	264	428,711,640	2.76%
7	1.74%	291	333,661,890	2 15%
8	1.29%	355	284,415,720	1 83%
9	1.00%	660	298,400,730	1 92%
1D-Smallest	0.82%	1,744	229,218,310	1.47%
Mid-Cap 3-5	15.54%	591	2,243,894,380	15.41%
Low-Cap 6-8	541%	910	1,046,789,110	7.19%
Micro-Cap 9-10	1.83%	2,404	527,619,100	3 62%

Source: © 200703 CRSP\* Center for Research in Security Prices Graduate School of Business, The University of Chicago Used with permission. All rights reserved www.crsp.uchicago.edu

Historical average percentage of total capitalization shows the average, over the last 81 years, of the decile market values as a percentage of the total NYSE/AMEX/NASDAQ calculated each month. Number of companies in deciles, recent market capitalization of deciles, and recent percentage of total capitalization are as of September 30, 2006.

Table 7-2 gives the current breakpoints that define the composition of the NYSE/AMEX/NASDAQ size deciles. The largest company and its market capitalization are presented for each decile. Table 7-3 shows the historical breakpoints for each of the three size groupings presented throughout this chapter. Mid-cap stocks are defined here as the aggregate of deciles 3-5. Based on the most recent data (Table 7-2), companies within this mid-cap range have market capitalizations at or below \$7,777,183,000 but greater than \$1,946,588,000. Low-cap stocks include deciles 6-8 and currently include all companies in the NYSE/AMEX/NASDAQ with market capitalizations at or below \$1,946,588,000 but greater than \$626,955,000. Micro-cap stocks include deciles 9-10 and include companies with market capitalizations at or below \$626,955,000. The market capitalization of the smallest company included in the micro-capitalization group is currently \$2,247,000.

Table 7-2
Size-Decile Portfolios of the NYSE/AMEX/NASDAO, Largest Company and Its Market Capitalization by Decile
September 30, 2006

Decile	Market Capitalization of Largest Company (in thousands)	Company Name
1-Largest	<b>\$</b> 371,187,368	Exxon Mobil Carp.
2	16,820,566	EOG Resources Inc.
3	7,777,183	Xcel Energy Inc.
4	4,085,184	First American Corp /CA
5	2,848,771	Scotts Miracle Gro Co.
6	1,946,588	DRS Technologies Inc
7	1,378,476	ESCO Technologies Inc.
В	976,624	Knoll Inc.
9	626,955	Bandag Inc.
10-Smallest	314,433	M & F Worldwide Corp

Source: Center for Research in Security Prices, University of Chicago

#### Presentation of the Decile Data

Summary statistics of annual returns of the 10 deciles over 1926~2006 are presented in Table 7-4. Note from this exhibit that both the average return and the total risk, or standard deviation of annual returns, tend to increase as one moves from the largest decile to the smallest. Furthermore, the serial correlations of returns are near zero for all but the smallest two deciles. Serial correlations and their significance will be discussed in detail later in this chapter.

Graph 7-1 depicts the growth of one dollar invested in each of three NYSE/AMEX/NASDAQ groups broken down into mid-cap, low-cap, and micro-cap stocks. The index value of the entire NYSE/AMEX/NASDAQ is also included. All returns presented are value-weighted based on the market capitalizations of the deciles contained in each subgroup. The sheer magnitude of the size effect in some years is noteworthy. While the largest stocks actually declined 9 percent in 1977, the smallest stocks rose more than 20 percent. A more extreme case occurred in the depression-recovery year of 1933, when the difference between the first and tenth decile returns was far more substantial, with the largest stocks rising 46 percent, and the smallest stocks rising 224 percent. This divergence in the performance of small and large company stocks is a common occurrence.

Table 7-3
Size-Decile Portfolios of the NYSE/AMEX/NASDAQ
Largest and Smallest Company by Size Group

from 1926 to 1965

	Capitali	zation of Largest (in thousands)	Company	Capitaliz	ation of Smalles (in thousands)	
Date (Sept 30)	Mid-Cap 3-5	Low-Cap 6-8	Micro-Cap 9-10	Mid-Cap 3-5	Low-Cap 6-8	Micro-Cap 9-10
1926	\$61,490	\$13,835	\$4,263	\$13,860	\$4,278	\$43
1927	\$65,078	\$14,522	\$4,450	\$14,664	\$4,496	\$65
1928	\$81,095	\$18,788	\$5,119	\$18,801	\$5,170	\$135
1929	\$103,054	\$24,300	\$5,850	\$24,328	\$5,862	\$118
1930	\$66,750	\$12,918	\$3,356	<b>\$</b> 13,050	\$3,359	\$30
1931	\$43,120	\$8,142	\$1,944	\$8,222	\$1,946	\$15
1932	\$12,667	\$2,208	\$468	\$2,223	\$469	\$19
1933	\$40,298	\$7,280	\$1,875	\$7,346	\$1,892	\$120
1934	\$38,019	\$6,638	\$1,691	\$6,669	\$1,722	\$69
1935	\$37,631	\$6,549	\$1,350	\$6,605	\$1,383	\$38
1936	\$46,980	\$11,526	\$2,800	\$11,563	\$2,801	\$98
1937	\$51,750	\$13,635	\$3,563	\$13,793	\$3,600	\$68
1938	\$36,102	\$8,372	\$2,195	\$8,400	\$2,200	\$60
1939	\$35,409	\$7,478	\$1,854	\$7,500	\$1,860	\$75
1940	\$30,930	\$8,007	\$1,872	\$8,130	\$1,929	\$51
1941	\$31,39B	\$B,336	\$2,087	\$8,357	\$2,100	\$72
1942	\$26,037	\$6,870	\$1,779	\$6,875	\$1,788	\$82
1943	\$42,721	\$11,403	\$3,847	\$11,475	\$3,903	\$395
1944	\$46,221	\$13,066	\$4,812	\$13,06B	\$4,820	\$309
1945	\$55,268	\$17,575	\$6,428	\$17.584	\$6,466	\$225
1946	\$77,784	\$24,192	\$10,149	\$24,199	\$10,168	\$829
1947	\$57,942	\$17,735	\$6,380	\$17,872	\$6,410	\$747
948	\$67,238	\$19,632	\$7,329	\$19,651	\$7,348	\$784
1949	\$56,082	\$14,549	\$5,108	\$14,577	\$5,112	\$379
1950	\$66,143	\$18,675	\$6,225	\$18,700	\$6,243	\$303
951	\$82,517	\$22,750	\$7,598	\$22,860	\$7,600	\$668
952	\$97,936	\$25,452	\$8,480	\$25,532	\$8,551	\$480
953	\$98,595	\$25,374	\$8,168	\$25,395	\$8,177	\$459
954	\$125,834	\$29,707	\$8,488	\$29,791	\$8,502	\$463
955	\$170,829	\$41,681	\$12,444	\$41,861	\$12,524	\$553
958	\$183,792	\$46,886	\$13,623	\$47,103	\$13,659	\$1,122
957	\$194,300	\$47,658	\$13,848	\$48,509	\$13,950	\$925
958	\$195,536	\$46,774	\$13,816	\$46,871	\$14,015	\$550
959	\$256,283	\$64,110	\$19,548	\$64,221	\$19,701	\$1,804
960	\$252,292	\$61,529	\$19,344	\$61,596	\$19,385	\$831
961	\$301,464	\$77,996	\$23,562	\$78,976	\$23,613	\$2,455
962	\$250,786	\$58,785	\$18,744	\$58,866	\$18,952	\$1,018
963	\$308,903	\$71,846	\$23,927	\$71,971	\$24,056	\$296
964	\$349,675	\$79,508	\$25,595	\$79,937	\$25,607	\$233
365	\$365,675	\$84,600	\$28,483	\$85,065	\$28,543	\$250

Source: Center for Research in Security Prices, University of Chicago.

Firm Size and Return

Table 7-3 (continued)
Size-Decile Portfolios of the NYSE/AMEX/NASDAQ
Largest and Smallest Company by Size Group

from 1966 to 2006

	Capital	ization of Largest (in thousands)	Company	Capitaliza	tion of Smalles (in thousands)	t Company
Date (Sept 30)	Mid-Cap 3-5	Low-Cap 6-8	Micro-Cap 9-10	Mid-Cap 3-5	Low-Cap 6-8	Micro-Cap 9-10
1966	\$403,137	\$99,960	\$34,884	\$100,107	\$34,956	<b>\$</b> 3B1
1967	\$459,438	\$118,988	<b>\$</b> 42,188	\$119,635	\$42,237	\$3B1
1968	\$531,306	\$150,893	\$60,543	\$151,260	\$60,719	\$592
1969	\$518,485	\$146,792	\$54,353	\$147,311	<b>\$</b> 54,503	\$2,119
1970	\$382,884	\$94,754	\$29,916	\$94,845	\$29,932	\$822
1971	\$551,690	\$147,426	\$45,570	\$147,810	\$45,571	\$865
1972	\$557,181	\$143,835	\$46,728	\$144,263	\$46,757	\$1,031
1973	\$431,354	\$96,699	\$29,352	\$96,710	\$29,430	\$561
1974	\$356,876	\$79,878	\$23,355	\$80,280	\$23,400	\$444
1975	\$477,054	\$102,313	\$30,353	\$103,283	\$30,394	\$540
1976	\$566,296	\$121,717	\$34,864	\$121,992	\$34,901	\$564
1977	\$584,577	\$139,196	\$40,700	\$139,620	\$40,765	\$513
1978	\$580,881	\$164,093	\$47,927	\$164,455	\$48,038	\$830
1979	\$665,019	\$177,378	\$51,197	\$177,769	\$51,274	\$948
1980	\$762,195	\$199,312	<b>\$</b> 50,496	\$199,315	\$50,544	\$549
1981	\$962,397	\$264,690	\$72,104	\$264,783	\$72,450	\$1,446
1982	\$770,517	\$210,301	\$55,336	\$210,630	<b>\$</b> 55,423	\$1,060
1983	\$1,209,911	\$353,889	\$104,382	\$356,238	\$104,588	\$2,025
1984	\$1,075,436	\$315,965	\$91,004	\$316,103	<b>\$</b> 91,195	\$2,093
1985	\$1,440,436	\$370,224	\$94,875	\$370,729	\$94,887	\$760
1986	\$1,857,621	\$449,015	\$110,617	\$449,462	\$110,953	\$706
1987	\$2,059,143	\$468,948	\$113,419	\$470,662	\$113,430	\$1,277
198B	\$1,957,926	\$421,340	\$94,449	<b>\$</b> 421,675	\$94,573	\$696
1989	\$2,145,947	\$480,975	\$100,285	\$483,623	\$100,3B4	\$96
1990	\$2,171,217	\$474,065	\$93,750	\$474,477	\$93,790	\$132
1991	\$2,129,863	\$457,958	\$87,586	\$458,853	\$87,733	\$278
1992	\$2,428,671	\$500,327	\$103,352	\$500,346	\$103,500	\$510
1993	\$2,705,192	\$603,588	\$137,105	\$607,449	\$137,137	\$602
1994	\$2,470,244	\$596,059	\$148,104	\$597,975	\$148,216	\$598
1995	\$2,789,938	\$647,210	\$155,386	\$647,253	\$155,532	\$89
1996	\$3,142,657	\$751,316	\$193,001	\$751,680	\$193,016	\$1,043
1997	\$3,484,440	\$813,923	\$228,900	\$814,355	\$229,058	\$585
1998	\$4,216,707	\$925,688	\$252,553	\$926,215	\$253,031	\$1,671
1999	\$4,251,741	\$875,309	\$220,397	\$875,582	\$220,456	\$1,502
2000	\$4,143,902	\$840,000	\$192,083	\$840,730	\$192,439	\$1,393
2001	\$5,156,315	\$1,108,224	\$265,734	\$1,108,969	\$265,736	\$443
2007	\$4,930,326	\$1,116,525	\$308,980	\$1,124,331	\$309,245	\$501
2002 2003	\$4,744,580	\$1,163,369	\$329,060	\$1,163,423	\$329,529	\$332
2003 2004	\$6,241,953	\$1,607,854	\$505,437	\$1,607,931	\$506,410	\$1,393
2005	\$7,187,244	\$1,728,888	\$586,393	\$1,729,364	\$587,243	\$1,079
2006	\$7,777,183	\$1,946,588	\$626,955	\$1,947,240	\$627,017	\$2,247

Source: Center for Research in Security Prices, University of Chicago

Table 7-4
Size-Decile Portfolios of the NYSE/AMEX/NASDAQ, Summary Statistics of Annual Returns
1926–2006

Decile	Geometric Mean	Arithmetic Mean	Standard Deviation	Serial Correlation
1-Largest	9.6	11.3	19.06	D.09
2	11.0	13.3	21.72	0.03
3	11.3	13 8	23.51	-0 02
4	11.3	14.3	25.78	-0 02
5	11.7	14.9	26.61	-0.02
6	11.8	15.3	27.67	0 04
7	11.7	15 6	29.80	0.01
8	11.9	16.6	33 27	0.04
9	12 1	17.5	36.31	0.05
10-Smallest	14.0	21 6	45.16	0.15
Mid-Cap, 3–5	11.4	14.2	24.59	-0.02
Low-Cap, 6~8	11.8	15 7	29.34	0.03
Micro-Cap, 9–10	12.8	18.8	38.92	0.08
NYSE/AMEX/NASDAQ fotal Value-Weighted Index	10 1	12.1	20.08	0 03

Source: Center for Research in Security Prices, University of Chicago

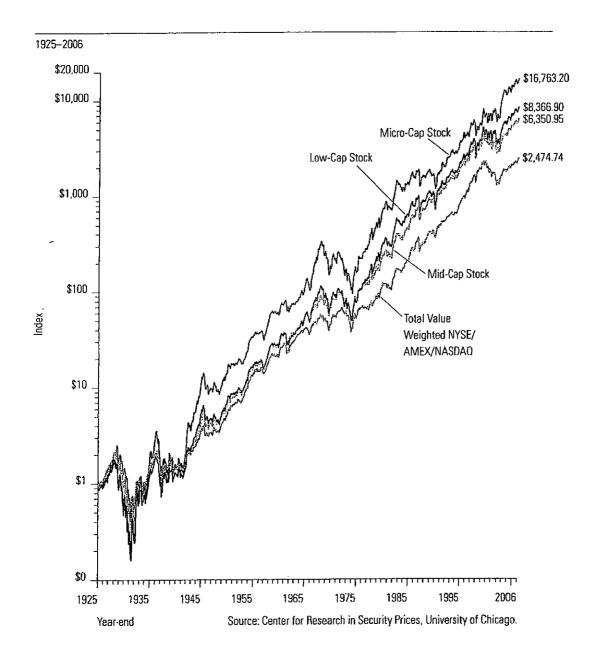
#### Aspects of the Firm Size Effect

The firm size phenomenon is remarkable in several ways. First, the greater risk of small stocks does not, in the context of the capital asset pricing model (CAPM), fully account for their higher returns over the long term. In the CAPM only systematic, or beta risk, is rewarded; small company stocks have had returns in excess of those implied by their betas.

Second, the calendar annual return differences between small and large companies are serially correlated. This suggests that past annual returns may be of some value in predicting future annual returns. Such serial correlation, or autocorrelation, is practically unknown in the market for large stocks and in most other equity markets but is evident in the size premia.

Third, the firm size effect is seasonal. For example, small company stocks outperformed large company stocks in the month of January in a large majority of the years. Such predictability is surprising and suspicious in light of modern capital market theory. These three aspects of the firm size effect—long-term returns in excess of systematic risk, serial correlation, and seasonality—will be analyzed thoroughly in the following sections.

Graph 7-1
Size-Decile Portfolios of the NYSE/AMEX/NASDAQ: Wealth Indices of Investments in Mid-, Low-, Micro- and Total Capitalization Stocks
Year-end 1925 = \$1.00



#### Long-Term Returns in Excess of Systematic Risk

The capital asset pricing model (CAPM) does not fully account for the higher returns of small company stocks. Table 7-5 shows the returns in excess of systematic risk over the past 81 years for each decile of the NYSE/AMEX/NASDAQ. Recall that the CAPM is expressed as follows:

$$k_i = r_i + (\beta_i \times ERP)$$

Table 7-5 uses the CAPM to estimate the return in excess of the riskless rate and compares this estimate to historical performance. According to the CAPM, the expected return on a security should consist of the riskless rate plus an additional return to compensate for the systematic risk of the security. The return in excess of the riskless rate is estimated in the context of the CAPM by multiplying the equity risk premium by  $\beta$  (beta). The equity risk premium is the return that compensates investors for taking on risk equal to the risk of the market as a whole (systematic risk). Beta measures the extent to which a security or portfolio is exposed to systematic risk. The beta of each decile indicates the degree to which the decile's return moves with that of the overall market.

A beta greater than one indicates that the security or portfolio has greater systematic risk than the market; according to the CAPM equation, investors are compensated for taking on this additional risk. Yet, Table 7-5 illustrates that the smaller deciles have had returns that are not fully explained by their higher betas. This return in excess of that predicted by CAPM increases as one moves from the largest companies in decile 1 to the smallest in decile 10. The excess return is especially pronounced for microcap stocks (deciles 9-10). This size-related phenomenon has prompted a revision to the CAPM, which includes a size premium. Chapter 4 presents this modified CAPM theory and its application in more detail.

This phenomenon can also be viewed graphically, as depicted in the Graph 7-2. The security market line is based on the pure CAPM without adjustment for the size premium. Based on the risk (or beta) of a security, the expected return lies on the security market line. However, the actual historic returns for the smaller deciles of the NYSE/AMEX/NASDAQ lie above the line, indicating that these deciles have had returns in excess of that which is appropriate for their systematic risk.

<sup>2</sup> The equity risk premium is estimated by the 81-year arithmetic mean return on large company stocks, 12.34 percent, less the 81-year arithmetic mean income-return component of 20-year government bonds as the historical riskless rate, in this case 5.21 percent. (It is appropriate, however, to match the maturity, or duration, of the riskless asset with the investment horizon.) See Chapter 5 for more detail on equity risk premium estimation.

<sup>3</sup> Historical betas were calculated using a simple regression of the monthly portfolio (decile) total returns in excess of the 30-day U.S. Treasury bill total returns versus the 5&P 500 total returns in excess of the 30-day U.S. Treasury bill, January 1926-December 2006. See Chapter 6 for more detail on beta estimation.

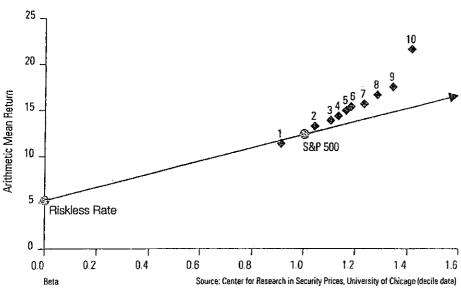
Table 7-5

Long-Term Returns in Excess of CAPM Estimation for Decile Portfolios of the NYSE/AMEX/NASDAQ
1926~2006

Decile	Beta*	Arithmetic Mean Return	Realized Return in Excess of Riskless Rate**	Estimated Return in Excess of Riskless Ratet	Size Premium (Return in Excess of CAPM)
1-Largest	0.91	11.35%	6 13%	6.49%	-0.36%
2	1.04	13.25%	8 04%	7.39%	0 65%
3	1.10	13.85%	8.64%	7.82%	0.81%
4	1.13	14.28%	9.07%	8.04%	1.03%
5	1 16	14.92%	9.71%	8.25%	1 45%
6	1 18	15.33%	10.11%	8.45%	1 67%
7	1.23	15.63%	10.42%	8.80%	1 62%
8	1.28	16.61%	11.39%	9.12%	2.28%
9	1.34	17.48%	12.27%	9 57%	2 70%
10-Smallest	1.41	21.57%	16.36%	10 09%	6.27%
Mid-Cap, 3-5	1 12	14.15%	8.94%	7 97%	0.97%
Low-Cap, 6-8	1.22	15 67%	10.46%	8.70%	1.76%
Micro-Cap, 9-10	1.36	18.77%	13.56%	9 68%	3 88%

<sup>\*</sup>Betas are estimated from monthly portfolio total returns in excess of the 30-day U.S. Treasury bill total return versus the S&P 500 total returns in excess of the 30-day U.S. Treasury bill, January 1926–December 2006.

Graph 7-2
Security Market Line versus Size-Decile Portfolios of the NYSE/AMEX/NASDAQ
1926–2006



<sup>\*\*</sup>Historical riskless rate is measured by the 81-year arithmetic mean income return component of 20-year government bonds (5.21 percent)

<sup>†</sup>Calculated in the context of the CAPM by multiplying the equity risk premium by beta. The equity risk premium is estimated by the arithmetic mean total return of the S&P 500 (12.34 percent) minus the arithmetic mean income return component of 20-year government bonds (5.21 percent) from 1926–2008

#### Further Analysis of the 10th Decile

The size premia presented thus far do a great deal to explain the return due solely to size in publicly traded companies. However, by splitting the 10th decile into two size groupings we can get a closer look at the smallest companies. This magnification of the smallest companies will demonstrate whether the company size to size premia relationship continues to hold true.

As previously discussed, the method for determining the size groupings for size premia analysis was to take the stocks traded on the NYSE and break them up into 10 deciles, after which stocks traded on the AMEX and NASDAQ were allocated into the same size groupings. This same methodology was used to split the 10th decile into two parts: 10a and 10b, with 10b being the smaller of the two. This is equivalent to breaking the stocks down into 20 size groupings, with portfolios 19 and 20 representing 10a and 10b.

Table 7-7 shows that the pattern continues; as companies get smaller their size premium increases. There is a noticeable increase in size premium from 10a to 10b, which can also be demonstrated visually in Graph 7-3. This can be useful in valuing companies that are extremely small. Table 7-6 presents the size, composition, and breakpoints of deciles 10a and 10b. First, the recent number of companies and total decile market capitalization are presented. Then the largest company and its market capitalization are presented.

Breaking the smallest decile down lowers the significance of the results compared to results for the 10th decile taken as a whole, however. The same holds true for comparing the 10th decile with the Micro-Cap aggregation of the 9th and 10th deciles. The more stocks included in a sample the more significance can be placed on the results. While this is not as much of a factor with the recent years of data, these size premia are constructed with data back to 1926. By breaking the 10th decile down into smaller components we have cut the number of stocks included in each grouping. The change over time of the number of stocks included in the 10th decile for the NYSE/AMEX/NASDAQ is presented in Table 7-8. With fewer stocks included in the analysis early on, there is a strong possibility that just a few stocks can dominate the returns for those early years.

While the number of companies included in the 10th decile for the early years of our analysis is low, it is not too low to still draw meaningful results even when broken down into subdivisions 10a and 10b. All things considered, size premia developed for deciles 10a and 10b are significant and can be used in cost of capital analysis. These size premia should greatly enhance the development of cost of capital analysis for very small companies.

Table 7-6
Size-Decile Portfolios 10a and 10b of the NYSE/AMEX/NASDAO,
Largest Company and Its Market Capitalization
September 30, 2006

Decile	Recent Number of Companies	Recent Decile Market Cepitelization (in thousands)	Market Capitalization of Largest Company (in thousands)	Company Name
10a	511	124,268,473	314,433	M & F Worldwide Corp.
10b	1,237	103,630,389	173,439	Great Lakes Bancorp Inc. New

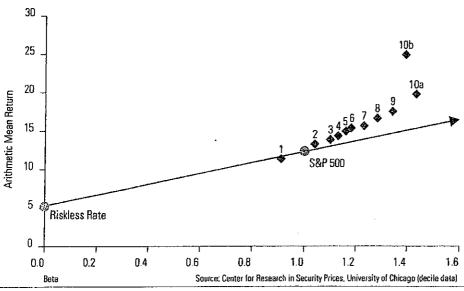
Note: These numbers may not aggregate to equal decile 10 figures. Source: Center for Research in Security Prices, University of Chicago

Table 7-7
Long-Term Returns in Excess of CAPM Estimation for Decile Portfolios of the NYSE/AMEX/NASDAQ, with 10th Decile Split
1926–2006

	Beta*	Arithmetic Mean Return	Realized Return in Excess of Riskless Rate**	Estimated Return in Excess of Riskless Rate†	Size Premium (Return in Excess of CAPM)
1-Largest	0 91	11 35%	6.13%	6.49%	-0.36%
2	1 04	13.25%	8 04%	7.39%	0 65%
3	1 10	13.85%	8.64%	7.82%	0.81%
4	1 13	14 28%	9 07%	8.04%	1.03%
5	1.16	14 92%	9.71%	8.26%	1 45%
8	1 18	15 33%	10 11%	8.45%	1.67%
7	1.23	15.63%	10 42%	8 80%	1.52%
0	1.28	16 61%	11.39%	9.12%	2 28%
9	1.34	17.48%	12 27%	9.57%	2.70%
10a	1 43	19.74%	14 53%	10.17%	4.35%
10b-Smallest	1.39	24.78%	19.57%	9.89%	9 68%
Mid-Cap, 3-5	1.12	14.15%	8.94%	7.97%	0 97%
Low-Cap, 6-8	1.22	15.67%	10 46%	8.70%	1 76%
Micro-Cap, 9-10	1.36	18.77%	13 56%	9.6B%	3.88%

<sup>\*</sup>Betas are estimated from monthly portfolio total returns in excess of the 30-day U.S. Treasury bill total return versus the S&P 500 total returns in excess of the 30-day U.S. Treasury bill, January 1926—December 2006.

Graph 7-3
Security Market Line versus Size-Decile Portfolios of the NYSE/AMEX/NASDAQ, with 10th Decile Split 1926-2006



<sup>\*\*</sup>Historical riskless rate is measured by the 81-year arithmetic mean income return component of 20-year government bonds (5.21 percent)

<sup>†</sup>Calculated in the context of the CAPM by multiplying the equity risk premium by beta. The equity risk premium is estimated by the arithmetic mean total return of the S&P 500 (12 34 percent) minus the arithmetic mean income return component of 20-year government bonds (5.21 percent) from 1926–2006

Table 7-8
Historical Number of Companies for NYSE/AMEX/NASDAQ Decile 10

Sept.	Number of Companies
1926	52*
1930	72
1940	78
1950	100
1980	109
1970	865
1980	685
1990	1,814
2000	1,927
2005	1,746
2006	1,744

<sup>\*</sup>The fewest number of companies was 49 in March, 1926

Source: Center for Research in Security Prices, University of Chicago.

#### Alternative Methods of Calculating the Size Premia

The size premia estimation method presented above makes several assumptions with respect to the market benchmark and the measurement of beta. The impact of these assumptions can best be examined by looking at some alternatives. In this section we will examine the impact on the size premia of using a different market benchmark for estimating the equity risk premia and beta. We will also examine the effect on the size premia study of using sum beta or an annual beta.

#### Changing the Market Benchmark

In the original size premia study, the S&P 500 is used as the market benchmark in the calculation of the realized historical equity risk premium and of each size group's beta. The NYSE total value-weighted index is a common alternative market benchmark used to calculate beta. Table 7-9 uses this market benchmark in the calculation of beta. In order to isolate the size effect, we require an equity risk premium based on a large company stock benchmark. The NYSE deciles 1-2 large company index offers a mutually exclusive set of portfolios for the analysis of the smaller company groups: mid-cap deciles 3-5, low-cap deciles 6-8, and micro-cap deciles 9-10. The size premia analyses using these benchmarks are summarized in Table 7-9 and depicted graphically in Graph 7-4.

For the entire period analyzed, 1926–2006, the betas obtained using the NYSE total value-weighted index are higher than those obtained using the S&P 500. Since smaller companies had higher betas using the NYSE benchmark, one would expect the size premia to shrink. However, as was illustrated in Chapter 5, the equity risk premium calculated using the NYSE deciles 1–2 benchmark results in a value of 6.41, as opposed to 7.13 when using the S&P 500. The effect of the higher betas and lower equity risk premium cancel each other out, and the resulting size premia in Table 7-9 are slightly higher than those resulting from the original study.

4 Sum beta is the method of beta estimation described in Chapter 6 that was developed to better account for the lagged reaction of small stocks to market movements. The sum beta methodology was developed for the same reason that the size premia were developed; small company betas were too small to account for all of their excess returns.

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

Line <u>No.</u>		MIEC Witness Gorman's Eight Company Water Utility Comparable Group	MIEC Witness Gorman's Nine Company Gas Utility Comparable Group
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	6.1 %	6.1 %
2	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds	0.5 (2)	0.5 (2)
3	Adjusted Prospective Yield on A Rated Public Utility Bonds	66 %	66 %
4	Adjustment to Reflect Bond Rating Difference of Proxy Group	0.0 (3)	0.1 (4)
5	Adjusted Prospective Bond Yield	6 6	6.7
6	Equity Risk Premium (5)	4.3	4.4
7	Risk Premium Derived Common Equity Cost Rate	10.9 %	11.1 %

#### Notes:

- (1) Derived in Note (3) on page 4 of this Schedule
- (2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0.53%, rounded to 0.5% from note 6 below.
- (3) No adjustment necessary as the average Moody's bond rating of the proxy group is A2 as shown on page 2 of this Schedule.
- (4) One-third the average spread between Moody's A and Baa rated public utility bond yields of 25 basis points to reflect the proxy group's average Moody's bond rating of A3 as shown on page 2 of this Schedule ((1/3 X 0 25% = 0.083%, rounded to 0.1% (from note 6 below)
- (5) From page 3 of this Schedule

Average

5,41%

(6) Comparison of Interest Rate Trends for the Three Months for the Three Months Ended May 2007

0.25%

			Mo	ody's	
				Spread	
	Corporate			A (Pub. UIII.)	Baa (Pub.
	Bonds	Public Ut	lity Bonds	over Aaa	Util.) over A
lonths	Aaa Rated	A Rated	Baa Rated	(Corp.)	(Pub. Util.)
arch-07	5 30%	5 85%	6 10%		
April-07	5 47%	5 97%	6.24%		
May-07	5 47%	5 99%	6 23%		

6.19%

0.53%

Source of Information: Mergent Bond Record, June 2007, Vol. 75, No. 7

5.94%

#### Missouri American Water Company Comparison of Bond Ratings and Business Profile for MIEC Witness Gorman's Eight Company Water Utility Comparable Group and MIEC Witness Gorman's Nine Company Gas Utility Comparable Group

		lune 2007 Moody's ond Rating	<del></del>	Standard	2007 I & Poor's Rating		Standard & Poor's Business Position / Profile (2)
	Bond	Numerical	Bond	Numerical	Credit	Numerical	
MIEC Witness Gorman's Eight Company Water Utility Comparable Group	Rating	Weighling (1)	Rating	Weighling (1)	Rating	Weighling (1)	
American States Water Co (3)	A2	6	Α-	7	Α-	7	3.0
Aqua America, Inc. (4)	NR		AA-	4	A+	5	2.0
California Water Service Group (5)	A2	6	NR		A+	5	3.0
Connecticut Water Services, Inc. (6)	NR	• •	AAA	1	Α	6	2.0
Middlesex Water Company	NR		Α	6	A-	7	3.0
SJW Corporation (7)	NR	**	NR		NR		
Southwest Water Company (8)	NR	• •	NR		NR		
York Water Company	NR .	••	<b>A</b> -	7	A-	7	2.0
Average	<u>A2</u>	6.0	<u>A+</u>	5.0	Α	6.2	2.5
MIEC Witness Gorman's Nine Company Gas Utility Comparable Group							
AGL Resources Inc. (9)	A3	7	A-	7	Α-	7	3.0
Atmos Energy Corporation (10)	Baa3	10	888	9	BBB	9	3.0
KeySpan Corp. (11)	A2	6	A+	5	A+/A	5.5	1.5
New Jersey Resources Corp. (12)	Aa3	4	AA-	4	A+	5	2.0
NICOR, Inc. (13)	A1	5	AA	3	AA	3	20
Northwest Natural Gas Company	A2	6	AA-	4	AA-	4	1.0
Piedmont Natural Gas Company, Inc.	A3	7	Α	6	Α	6	20
South Jersey Industries, Inc. (14)	Baa1	8	Α	6	BBB+	8	20
WGL Holdings, Inc. (15)	A2	6	AA-	4	AA-	4	2.0
Average	A3	6.6	<u>A+</u>	5.3	A	5.7	2.1

Notes: (1) From page 3 of PMA-11.

- From Standard & Poor's U.S. Issuer Ranking: U.S. Utility and Power Companies, Strongest to Weakest, June 22, 2007 Ratings and business profile are those of Golden State Water Company
- Ratings and business profile are those of Aqua Pennsylvania, Inc.
- Ratings and business profile are those of California Water Service Company Ratings and business profile are those of Connecticut Water Company.
- Ratings and business position are those of San Jose Water Company.
- Ratings and business position are a composite of those of Homsby Bend Utility Co., New Mexico Utilities, Inc., Suburban Water Systems, and Windermere Utility Co.
- Moody's ratings are those of Atlanta Gas Light Co. S&P's ratings and business profile are a composite of those of Atlanta Gas Light Co. and Pivotal Utility Holdings (formerly NUI Utilities).
- (10) Moody's rallings and S&P's business profile are those of Atmos Energy Corporation S&P's ratings are a composite of those of Almos Energy Corporation and United Cities Gas Company dba Atmos Energy Corporation.
- (11) Moody's ratings and S&P's business profile are those of Atmos Energy Corporation. S&P's ratings are a composite of those of Boston Gas, Colonial Gas, EnergyNorth Natural Gas, Essex County Gas, KeySpan Energy Delivery Long Island and of Boston Gas, Colonial Gas, EnergyNorth Natural Gas, Essex County Gas, KeySpan Energy Delivery New York.

  (12) Ralings and business profile are those of New Jersey Natural Gas Company.

  (13) Ratings and business profile are those of NICOR Gas Company.

  (14) Ratings and business profile are those of South Jersey Natural Gas Company.

  (15) Ratings and business profile are those of Washington Gas Light Company.

# Missouri American Water Company Judgment of Equity Risk Premium for MIEC Witness Gorman's Eight Company Water Utility Comparable Group and MIEC Witness Gorman's Nine Company Gas Utility Comparable Group

Line No.		MIEC Witness Gorman's Eight Company Water Utility Comparable Group	MIEC Witness Gorman's Nine Company Gas Utility Comparable Group
1.	Calculated equity risk premium based on the total market using the beta approach (1)	4.1 %	4.4 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	4.4	4.4
3.	Average equity risk premium	4.3 %	4.4 %

- Notes: (1) From page 4 of this Schedule. (2) From page 8 of Schedule PMA-11.

#### Missouri American Water Company Derivation of Equity Risk Premium Based on the Total Market Approach Using the Beta for

MIEC Witness Gorman's Eight Company Water Utility Comparable Group and MIEC Witness Gorman's Nine Company Gas Utility Comparable Group

Line <u>No.</u>		MIEC Witness Gorman's Eight Company Water Utility Comparable Group	MIEC Witness Gorman's Nine Company Gas Utility Comparable Group
1	Arithmetic mean total return rate on the Standard & Poor's 500 Composite Index - 1926-2006 (1)	12 3 %	12 3 %
2.	Arithmetic mean yield on Aaa and Aa Corporate Bonds 1926-2006 (2)	(6.1)	(6.1)
<b>3</b> .	Historical Equity Risk Premium	6.2 %	6.2 %
4	Forecasted 3-5 year Total Annual Market Return (3)	9.8 %	9.8 %
5	Prospective Yield an Aaa Rated Corporate Bonds (4)	(6.1)	(6.1)
6.	Forecasted Equity Risk Premium	3.7 %	3.7 %
7.	Average of Historical and Forecasted Equity Risk Premium (5)	50%	5.0 %
8.	Adjusted Value Line Beta (6)	0,81_	0.87
9	. Beta Adjusted Equity Risk Premium	<u>4.1</u> %	4.4 %

- Notes: (1) From Stocks, Bonds, Bills and Inflation market Results for 1926-2006 2007 Yearbook Valuation Edition, Morninstar, Inc., Chicago, IL, 2007
  - (2) From Moody's Industrial Manual and Mergent Bond Record Monthly Update
  - (3) From 3 of Schedule PMA-28.
  - (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 July 1, 2007 (see page 4 of Schedule PMA-28). The estimates are detailed below

Third Quarter 2007	5.9 %
Fourth Quarter 2007	6.0
First Quarter 2008	6.1
Second Quarter 2008	6.1
Third Quarter 2008	6.1
Fourth Quarter 2008	6.2
Average	6.1 %

- (5) Average of the Historical Equity Risk Premium of 6 2% from Line No 3 and the Forecasted Equity Risk Premium of 3 7% from Line No 6 ((6 2% + 3.7%) / 2 = 4 95%, rounded to 5 0%
- (6) From page 5 of this Schedule

## Missouri American Water Company Value Line Adjusted Betas for MIEC Witness Gorman's Eight Company Water Utility Comparable Group and MIEC Witness Goman's Nine Company Gas Utility Comparable Group

	Value Line Adjusted Beta
MIEC Witness Gorman's Eight Company Water Utility Comparable Group	
American States Water Co.	0.80
Aqua America, Inc.	0.90
California Water Service Group	0.90
Connecticut Water Services, Inc.	0.90
Middlesex Water Company	0.85
SJW Corporation	0.70
Southwest Water Company	0.90
York Water Company	0.55
Average	0.81
MIEC Witness Gorman's Nine Company Gas Utility Comparable Group	
AGL Resources Inc.	0.95
Atmos Energy Corporation	0.80
KeySpan Corp.	0.85
New Jersey Resources Corp.	0.80
NICOR, Inc.	1.30
Northwest Natural Gas Company	0.75
Piedmont Natural Gas Company, Inc.	0.80
South Jersey Industries, Inc.	0.70
WGL Holdings, Inc.	0.85
Average	0.87

Source of Information:

Value Line Investment Survey, June 15, 2007 and April 27, 2007

Standard Edition and Small and Mid-Cap Edition

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9.15 1.78		9 27 1.67	10 43 1.68	11.03	11.37	11.44	2.04	2.26	2.20	2 53	254	2.08	2.23	2.64	2.90	3.10	3.25		ow" per :		
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8.8 .56	10.5 .64	13.4 .79	12.8 .84	11.6 78	.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.47	Valve estin	Line	Relative			, ا
7.0%	6.3%	5.3%	5.8%	6.7%	5.8%	5,5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5% _	.3.6%	.3.1%	2.4%			Avg Ann Revenue		610	-
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ARKE	T CAP: \$	625 mill	on (Smai			9.2%	9.4%	10.1%	9.3%	10.1% 3.6%	9.5%	5.6% NMF	6.6%	8.5% 2.8%	8.1%	8.5% 3.5%		Return or Retained			4
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19 54	.20 .60	.21 .47	.21	52	48	.58	82	90	1.16	1.09	1 20	1.32	1.54	1.84	2.05	2.10	2,15	Cap'l Sp	ending pe	rsh	2.30
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41.42	51.20 12.5	59.40 14.4	59.77 13.5	63.74 12.0	15.6	17.8	225	21.2	18.2	23 6	23 6	24.5	25.1	31.8	34.7	Bold Og	eres are	Avg Ann	1 P/E Rati	0	23.0
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7.2%	6.8% N STP11	S.9%	6.0% s of 12/3	6.2%	4.5%	136.2	1510	257.3	275.5	307 3	322.0	367.2	442.0	495.B	533.5	580	630	Revenue			750
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Pensio	n Assets	-12/05 \$1	26 5 mill. Ob	lig. \$178	.3 mill.	44.8% 427.2	46.6% 496 6	46.7% 782.7	47.8% 901 1	47.7% 990 4	45.8% 1078.2	48.6% 1355 7	50.0% 1497.3	48.0% 1690.4	49.2% 1873 3	49.0% 1970	48.0% 2110	Common Total Cap			49.5% 2550
Pfd Sto	ck None	422.226	690 share			534.5	609.8	1135.4	1251.4	1368.1	1490.8	1824.3	2059.8	2280.0	2506.0	2700		Net Plant	(\$mill)		3500
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2¢; '01, 2¢, '02, 5¢, '03, 4¢ Excl. gain from reinvestment plan available (5% discount).

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SAFET	INESS	5 Lowered &	11/06	High: Low:	21.9 16.3	29.6 18.6	33.8 20 B	32 0 22 6	31.4 21.5		26 9 20 5	31.4 23.7		42 1 31 2	45 8 32.8	44 6 35.5				Price	
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Cal- endar	QUAR 1Q	ZQ 2Q	IVIDENDS 3Q	4Q	Full Year	Total Debt \$82	2.6 mi9.	Due in 5 Yrs.	\$5.3 mill.	Address: 93	West Mai	n Street,	Clinton, CT	' 06413. Tel.:
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Hld's{00		1462	1253	13	18				of Cap1)	6.66%	10.97%	-4.83%	-6.21%	3.39%
007 Value	Une Pub	ishing, Inc.	. All rights re	served, I	Factual I	naterial is obtaine	d from sources b	eleved to be res	able and is pro-	doed without warra non-commercial, in	nties of any kind.	To subse	ribe call 1.	800-833-0046.

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PERFORMANCE 4 Below	LEG	GENDS		35% 14.475.	١.		İ	والألال		
Technical 3 Average	[] Rel l	Mos Mov Avg Price Strangth	el-1777	بسيسالين	<del> </del>	<del>[  :•:</del>	1111444	**************************************	<del>                                     </del>	1B
SAFETY 3 Average	3-for-2 spi 4-for-3 spi	it 1/02 it 11/03 indicales recession	<del></del>			1				13
BETA 85 (1 00 = Market)	States and	PERCAIES TELESSORT			Ţ . <b>'</b>	<del>-</del>	<del> </del>	ļ		8
DEIA DO (100 money		ļ · ·			ļ	<u> </u>	,,,,,,		ļ	5
Financial Strength B+	]- <u>'</u>	1							•••••••	3
1				71, 45						
1			ĺ	NEDERIKA NEGERIKA						
Price Growth Persistence 60		<del> </del>		2/40/19		<u> </u>				600
Earnings Predictability 70		81.11.11.11	11111111111	68 00 622 - 26 00 653	n III.		<del></del>			VOL. (Ihous )
O VALUE LINE PUBLISHING, INC.	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007/2008
SALES PER SH	4.39	5.35	5.39	5.87	5.98	6.12	6.25	6.44	6.16	
"CASH FLOW" PER SH	1 02	1.19	.99 .51	1.18 .66	1.20	1.15	1.28 .73	1.33 .71	1.33 .82	.86 <sup>A,B</sup> /.88 <sup>□</sup>
EARNINGS PER SH DIV'DS DECL'D PER SH	.58	.60	.61	.62	.63	.65	.66	.67	.68	
CAP'L SPENDING PER SH	2.68 6.80	2.33 6.95	1.32 6.98	1.25 7.11	1.59 7.39	1.87 7.60	2.54 8.38	2.18 8,60	2.31 9.82	
BOOK VALUE PER SH COMMON SHS OUTST'G (MILL)	9.82	10.00	10.11	10.17	10.36	10.48	11.36	11.5B	13.17	
AVG ANN'L P/E RATIO	15.2	17.6	28.7	24.6	23.5 1.28	30.0 1.71	26.4 1.39	27.4 1.45	22.7 1.23	22.0/21.5
RELATIVE P/E RATIO AVG ANN'L DIV'D YIELD	.79 5.4%	1.00 4.4%	1.87 4.2%	1.26 3.8%	3.7%	3.5%	3.4%	3.5%	3.7%	·
SALES (\$MILL)	43.1	53.5	54.5	59.6	61.9	64.1	71.0	74.6	81.1	Bold figures
OPERATING MARGIN DEPRECIATION (\$MILL)	37.0% 3.8	33.9% 4.3	32.2% 4.9	47.2% 5.3	47,1% 5.0	44.0%	44.4% 6.4	44.4% 7.2	47.4% 7.8	are consensus earnings
NET PROFIT (\$MILL)	6.5	7.9	5.3	7.0	7.8	6.6	8.4	8.5	10.0	estimates
INCOME TAX RATE NET PROFIT MARGIN	31.5% 15.1%	28.8% 14.7%	33.1% 9.7%	34.8% 11.7%	33.3% 12.5%	32.8% 10.3%	31.1% 11.9%	27.6% 11.4%	33.4% 12.4%	and, using the recent prices,
WORKING CAP'L (\$MILL)	14.6	6.8	d2.7	d.9	d9.3	d13.3	d11.B	d4.5	2.8	P/E ratios.
LONG-TERM DEBT (\$MILL)	78.0	82.3	81.1	88.1	87.5	97.4	115.3	128.2 103.6	130.7 133.3	
SHR. EQUITY (\$MILL) RETURN ON TOTAL CAP'L	71.7 5.7%	74.6	74.7 4.9%	76.4 5.6%	60,5 6.0%	83.7 5.0%	99.2 5.1%	5.0%	5.1%	and supporting
RETURN ON SHR. EQUITY	9.1%	10.6%	7.1%	9.1%	9.6%	7.9%	8.5%	8.2%	7.5%	
RETAINED TO COM EQ ALL DIVIDS TO NET PROF	1.8% 81%	2.5% 78%	NMF 121%	.5% 94%	1.3% 87%	NMF 106%	.9%	.5% 94%	1.2% 84%	•
AND, of analysis changing earn est in la	st 14 days: 0 u	.p, 0 down, солѕе	nsus 5-year ean	ings growth 8 0				Based upon on	e enelyst's estim	əfe
ANNUAL RATES		ASSETS (\$mi	II.) 200	4 2005	12/31/06		INDUS	STRY: Wat	er Utility	1
of change (per share) 5 Yrs. Sates 2.5%	1 Yr. -4.5%	Cash Assels	. 4	D 3.0	58	DISCINECE	h Middler	ov Woter	Company	ngages in the
"Cash Flow" 3.5%	0.5%	Receivables inventory (Avg		2 1.3	12.6 1.3					utility systems
Earnings 3.5% Dividends 2.0%	15.5% 1,5%	Other Current Assets		9 <u>.9</u> 0 17.0	20.9	in New Je	rsey and l	Delaware,	as well as	s a regulated
Book Value 5.0%	14.5%	j		0 ,,,,						ontract opera- ance program
Fiscal QUARTERLY SALES (\$n Year 1Q 2Q 3Q	ill.) Full 40 Year	Property, Plan & Equip, at			376.8	through its	nonregulate	ed subsidia	ry, Utility S	Service Affili-
Year 1Q 2Q 3Q 12/31/04 15.9 17.8 19.8	17.5 71.0	Accum Depred	fation 52. 262.		59.7 317.1	ates, Inc. Th	ie company	's water ut	ility system	treats, stores,
12/31/05 167 18.4 20.8	18.7 74.6	Other	26.	<u> 19.4</u>	32.3					ial, industrial,   al contract, it
12/31/06 18.2 21.0 22.6 12/31/07	19.3 81.1	Tolal Assets	305.	5 324.4	370.3	also provide	s water tre	atment and	pumping s	ervices to the
Fiscal EARNINGS PER SHAR	E Full	LIABILITIES (: Accts Payable	imili.) 6.1	) 6.0	55	Township of	f East Bruns	wick. Mid	dlesex Wate	r's other New
Year 1Q 2Q 3Q	4Q Year	Debt Due	12	5.9	2.5	Jersey subsi	diaries offe	r water an	d wastewat	er services to npany's Dela-
12/31/03 .11 .17 .22 12/31/04 .09 16 .29	.11 .61 .19 .73	Other Current Llab	9.		10.1 18 1	ware subsidi	iaries, Tidev	water Utilit	ies, Inc.; So	uthern Shores
12/31/05 12 16 26	.17 71		2.	<u>-</u>		Water Comp	oany, LLC;	and Tidew	ater Enviro	onmental Ser-
12/31/06 .15 .25 .28 12/31/07 .14 .24 .30	.14 .82	LONG-TERM (	EBT AND FO	JITY						omers in New   3 employees.
Cal- QUARTERLY DIVIDENDS I	PAID Full	as of 12/31/				Chairman: J	. Richard	Tompkins.	Inc.; NJ. A	ddress: 1500
endar 1Q 2Q 3Q	4Q Year	Total Debt \$13		ve in 5 Yrs. \$	13.5 mB1.	Ronson Roa	d, P.O. Box	1500, Isel	in, NJ 0883	0. Tel.: (732)
2004 165 .165 .165	168 .66	LT Debt \$130.3 Including Cap.				634-1500. Ii	iternet: http	://www.mi	ddlesex wat	er.com.
2005 168 16B 16B 2006 17 17 17	17   67   173   68	Leases, Uncap			of Cap1)				0.7	
2007 173		Pension Liabil			in 105		A,	pril 27, 20	0/	
INSTITUTIONAL DECISION			•		ŀ	TOTAL SHA	REHOLDE	R RETURN	-tus nos—-': "	n or of 2/24 minor
2Q'05 3Q'06 to Buy 15 17	4Q'06 21	Pfd Stock \$4 0 r	N.P.I	Pfd Div'd Pald (1%	of Cap1)					n as of 3/31/2007
	4.4				ſ	3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs,
to Seil 20 22 Hid's(000) 1771 1544	14 2182	Common Stock	13,16B,081 share		of Cap'l)	-1.82%	-3 47%	-0.24%	-2.04%	24.04%

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SJW COR	P. NYSE	s.jw			RE	CENT 39	.26 TRA		RELATIVE 1.6	1 DIV'D 1	.5% <b>Y</b>	LUE INE
RANK		1	11.92 8.08	20.17 9.54	20.33 15.83	17.83 11.58	15. 12	07 14.9 67 12.5	5 19.64 7 14.60	27.80 16.07	45.33 21.16	43 00 High 33.55 Low
PERFORMANCE	3 Average			SENDS	1000					ļ		45
Technical	3 Average	-	- Rel I	ios Mov Avg Price Strength	<u> </u>					ļ		30
SAFETY	3 Average	¥ 2-1	or I spl or 1 spli	13/06		V 27	<del> </del> -		<del> </del>		411411	22 5
1	1.00 = Marke	Ļ.—	rueu area	indicates recession	,	1.00	 <del>  </del>		العلسلال	,		13
1	, go - jilano	" 山		1111		12.00		<u> </u>			• ••	9
Financial Strength	B++			Ţ.,,		14-4-6-48 14-2-6-6						5
Price Stability	75			T		ALCONO.		<u> </u>				4
Price Growth Persis						1255 EF2	<b> </b>		ļ	<del> </del>	<del>                                     </del>	<del>   3</del>
1		<u> </u>				ALC: DESC	<u> </u>				<del>                                     </del>	600 VOL
Earnings Predictable			<u> </u>	والدروما بالما		1 SC 800			البسللالية			2007/200B
O VALUE LINE PUB	LISHING, IN	C. 1	998	1999	2000	2001	7.97	2003 8.20	9.14	2005 9.86	2006 10.35	200712006
SALES PER SH "CASH FLOW" PER	SH		5.5B 1.26	6.40 1.43	6.74 1.23	7.45 1.49	1.55		1.89	2 21	2.38	
EARNINGS PER SH			.76	.87	.58	.77	78	1	.87	1.12 .53	1.19 .57	1.41 A.B/1.49 C
CAP'L SPENDING PI		+-	.39 1.81	1.77	.41 1.89	.43 2.63	2.06		2.31	2.83	3 87	
BOOK VALUE PER S	H		7.53	7.88	7.90	8.17 18.27	8.40 18.27	9.11 18,27	10.11	10.72 18.27	12.48 18.28	
AVG ANN'L P/E RAT			9.01 3.1	18.27 15.5	18.27 33.1	18.5	17.3	15.4	19.6	19.7	23.5	27.8/26.3
RELATIVE PÆ RATIO	)	1	68	.88 3.0%	2.15 2.1%	.95 3.0%	.94 3,4%		1.04 3.0%	1.04 2.4%	1.27 2.0%	
AVG ANN'L DIV'D YII SALES (\$MILL)	ELD		3.9% 6.0	117.0	123.2	136.1	145.7	149.7	166.9	180.1	189.2	Bold figures
OPERATING MARGIN			6.0%	33.2% 10.2	30.2% 11.9	64.4% 13.2	63.7% 14.0	56.0%	56.4% 18.5	55.9% 19.7	57,0% 21.3	are consensus earnings
DEPRECIATION (\$MI NET PROFIT (\$MILL)		1	9.6 4.4	15.9	10.7	14.0	14.2.	e 16.7	16.0	20,7	22.2	estimates
INCOME TAX RATE			0.2%	35.9% 13.6%	41.0% 8.7%	34.5% 10.3%	40.4%		42.1% 9.6%	41.6% 11.5%	40.8% 11.7%	and, using the recent prices,
NET PROFIT MARGIT WORKING CAP'L (\$A			3.6% 9.4	d3.0	d11.4	d3.8	d4.9	12.0	13.0	10.8	22.2	P/E ratios.
LONG-TERM DEBT (	-		0.0 3.2	90.0 143.9	90.0 144.3	110.0 149.4	110.0 153.5	139.6 166.4	143.6 184.7	145.3 195.9	163.6 228.2	
SHR. EQUITY (\$MILL) RETURN ON TOTAL			3.2 7.4%	8.2%	5.9%	6:7%	6.9%	6.9%	6.5%	7.6%	7.0%	
RETURN ON SHR. EC			0.1% 4.9%	11.0% 5.9%	7.4%	9.4%	9.3%		8.7% 3.6%	10.6% 5.6%	9.7% 5.2%	
RETAINED TO COME ALL DIV'DS TO NET I	PROF	52%	6	46%	70%	56%	59%	53%	58%	47%	46%	
ANo. of analysis changing	g earn. est kr	last 14 c	days; O L	p, 0 down, conse	nsus 5-yeer cam	lngs growth 10.	0% per year.	BBased upon one				limale
	AL RATES			ASSETS (\$mi			12/31/06	Į	INDU	STRY: Wat	er Utility	
of change (per share) Sales	7 5%		1 Yr 5 0%	Cash Assets Receivables	10. 14		3.8 20.9					ding company
"Cash Flow" Earnings	9.5% 7.5%		7.5% 6.0%	Inventory Other	2.	6 .6 3 <u>3.3</u>	.9 33.9					and Company, TX Water, Inc.
Dividends Book Value	5.5% 7.0%		6.5% 6.5%	Current Assets	-		59.5					listributes, and
	LY SALES (	im[II.]	Full	Property, Plan	١							customers in
Year 1Q 20	3 Q	4Q	Year	& Equip, at Accum Depred	iation 190	1 210.2	776.2 234.5					, Saratoga, the Santa Clara,
12/31/04 31.1 45. 12/31/05 33.3 44.		37.9 43.5	186.9 180.1	Net Property Other	456. 67.		541.7 104.7	California.	SJWC also	provides n	onregulated	water-related
<b>12/31/06</b> 33.7 47.		44.5	189.2	Total Assets	552	2 587.7	705.9	services, in	icluding wa	ter system	operations,	billings, and and operates
12/31/07	C DED CHA		F11	LIABILITIES (				parking fac	cilities in Sa	in Jose, Ca	lifornia, as	well as owns
Fiscal EARNING Year 10 20		4Q .	Full Year	Accts Payable Debt Due		3 3	7.3 16.0	commercia	l buildings a	nd other un	developed	land primarily
12/31/03 18 .24		.16	91	Other Current Liab		2 <u>15,5</u> 20.9	<u>13.9</u> 37.2					perties in the a 70% limited
12/31/04 .09 .27 12/31/05 15 31		.21 .13	.87 1.12	CHARACTERS	13.	. 20.0	V	partnership	interest in	444 West	Santa Clar	a Street, L.P.
12/31/06 14 35 12/31/07 .20 .37		.22	1.19	LONG-TERM (	DEBT AND EOL	JITY						ditioning and s. Chairman:
Cal- QUARTERLY			Full	as of 12/31/	106			Drew Gibs	on. Inc.: Ca	<ul> <li>A. Address</li> </ul>	: 374 Wes	l Santa Clara
endar 1Q 2Q		4Q	Year	Total Debt \$17 LT Debt \$163.6		ue in 5 Yrs. S.	21.7 mill.		Jose, CA 95 sjwater.com		(408) 279-7	800. Internet:
2004 128 126 2005 134 134		.128 134	.51 .54	Including Cap	Leases None	14294	pí Cap'i)	aup.//www	oj waiti.CUIII	•		A.Z
2006 141 .141		.141	.56	Leases, Uncap	italized Annua		50411		A	pril 27, 20	07	
2007 151	IAL DECICIO	Me.	닉	Pension Liabi!	ity \$263 mII is	'06 vs \$13.2 m	ill in '05 ├	TOTAL CU		<del></del>	~	
AOITUTITENI 20'08			3.09	Pfd Stock None		PId DIV'd P	ald None	TOTAL SH	AREHOLDE			on as of 3/31/2007
to Buy 31	34		33	Common Stock	18,281,769 shar			3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
to Sell 27 Hid's (000) 6941	24 7001		22 141				of Cap'l)	4.84%	36.48%	53.69%	151.41%	241.70%
2007 Value Line Pub5shing.		acound	Enclus) r	natarial it nikaingo	from sources be	Sever to be relia	able and is ov	ovided without wern	enties of any kind.	-	.9	800-833-0046

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S) Next earnings report due early May. (i) Includes inlangibles in 2005: \$36.0 million.	THEFT					-	Q-sww	<u>c   '</u>	RECENT			o 29.	Medi	ian: 19.0	RELATIV PIE RAT	0 1.0	I	1.1	/0	LINE	Dela-	. De
TECHNICAL   3   Development   Technical			_	<u> </u>	ow:	2.0	2.6	3.5	36	8.3 5 1	6.9	76						}				
2019-17-17-17-17-17-17-17-17-17-17-17-17-17-			_		= 25 6vi	rus Ox Divid ided by Ir	ends p sh Heresi Rai	. [_	ļ	ļ	JANE 1			ļ	<del> </del>	ļ	ļ	<u> </u>	ļ		<u> </u>	+:
### 12   19   19   19   19   19   19   19				6-10	(∙5 SD)	XI 12/95	e Strength	' <u> </u>	<u> </u>		<del></del>											‡
Section   1971   1972   1973   1974   1975   1974   1975   1974   1975   1974	201		Ann'i '	3-10 Total 5-10	≀-2 spi ≀- spi	it 10/99 it 6/01			Ĭ		\$000 1852			-lar-3	ļ	<u> </u>	<u> </u>					: -
Section   1975	High	18 (	+25%) 8		r-3 spli ions: N aded a	li 1/04 ło ansa indic	ales reces	sion	3-1	07-2	lor-4	<u> </u>		11,774,71	<u>                                     </u>	<u>լ, Ռ</u> ուդ	<u>   </u>			<u> </u>		
Section   Property   15   15   15   15   15   15   15   1				%				-		,			معملا إرسا		111			-	-			
18   14   10   10   10   10   10   10   10	Виу	0 0 1	00000	0			<del>                                     </del>	1 1		<del>[]  ]  </del> [					ļ	ļ.,			1			1
Section   Property   15   15   15   15   15   15   15   1	\$60	0 1 2	1 1 2 0 0				Himi		11 ···			<u> </u>	*****		·	۲۰۰۰	-		% TO			r
### 1985 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2005 2007 2006 2007 2007		\$03608	307006 40		rcent	15 m		· ·	·		Jin)					<b>                                     </b>	ļ	ļ	1 17			ŀ
991 1992 1993 (994) 4995 1996 (1997) 1998 (1999) 2000 2001 2002 2003 2004 2005 2006 2007 2008 (1907) 2008 (1908) 2001 2001 2001 2001 2001 2001 2001 200	o Buy o Sell	32	20	40 sha	ares	10 -	L1602	Dis it.	100 (101	111		1111	11.111.111			HHHm .			3 y <sub>7</sub>	16 2	429	F
28					95	1996				2000			2003	2004	2005	2006	2007				JB., INC.	
20   15   56   68   72   15   21   25   31   38   42   39   44   23   34   44   58   Earnings parts An Section 1												I									ih	1
18	02	19	08	09	12	.15	.21	.25	31	3B	.42	39	44	23	34	.40			Earnings	persh ^		
241   242   231   231   245   249   245   270   345   344   344   344   345   427   430   817   848   589   7.66   848   860   866   860																						
No.	2.41	2.42	2.31 2	31 2	.45	2.40	2.52	2.70	3.05	3.44												3
### #### #### #### #### #### #### #### ####														51.6	35.5	34 8	Bold fig	ins are	Avg Ann	I P/E Rati	0	
The control of the																	Value es (in	Line ates				2
26   34   42   54   52   60   72   45   73   94   720   140   NetPoil [Smill]   100 bit \$1266 mile   100 bit \$12					<u></u>	3.4 //						_					240		Revenue	s (\$mill)		
April   Apri	tal De	Ы \$130 (	0 m/lit. Due in	15 Yrs \$4		niii																35
Sizes   Display   Sizes   Si						Cap7)	41.0%	38.5%	39.0%	31.076				11.0%	9.5%	12.5%	11.5%	12.0%	AFUDC 9	to Net P		12
d slock 435 mill Pid Div'd 5024 mill.  d slock 435 mill Pid Div'd 5024 mill.  d slock 435 mill Pid Div'd 5024 mill.  mmon Slock 23,802,000 shs.  ARKET CAP; \$350 million (small Cap)  1.71, 7.82, 7.38				l rentals :	66.7 m	nili.																43 56
ARKET CAP: \$350 million (Small Cap)  ARKET CAP:					ıbt	ŀ	62.2	68.5	73.9	95.0	1130	142.8	152 B	242.0	2629	295.1	340	380	Total Cap	ital (\$mil		
REFERY POSITION 2004 2005 123100.  RECONDISION 2004 2005 2005 2005 2005 2005 2005 2005					mai.	j															p'l	5.
REPERT POSITION 2004 2005 123100 45% 50% 70% 72% 72% 72% 53% 53% 53% 53% 53% 53% 53% 53% 53% 53			1.11.00		_	ı	8.0%	9.5%	10.3%	11 1%	15.4%	9.7%	9.0%	3.6%	5.0%							7.
Say   19   20   20   20   20   20   20   20   2						31/06										2.6%	3.0%	3.0%	Retained	to Com E	q	3
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Price Stability	60		†		1.11.00	<u> </u>					
Price Growth Persistence	50		<u> </u>		<u>Maila</u>		<del>-  </del>		1	<del> </del>	-
Earnings Predictability	85		<del>                                     </del>	ļ	Call WAI	<del>                                     </del>	1111111111		<del>╽╎╏╏╻</del>	11111111111	(4)
O VALUE LINE PUBLISHIN	G INC	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007/2008
REVENUES PER SH	G, IIVC.	1330	1000	2000	2.05	2.05	2,17	2.18	2.58	2.56	
"CASH FLOW" PER SH	ŀ	_		-	.59	.57	.65	.65	.79	.77	
EARNINGS PER SH		-	-	] -	.43	.40	47	.49	.56 .42	.58 .45	.63 <sup>A.B</sup> /.69 <sup>C</sup>
DIV'D DECL'D PER SH CAP'L SPENDING PER SH	}			<del></del>	.34	.35	1.07	2.50	1.69	1.85	
BOOK VALUE PER SH					3.79	3.90	4.06	4.65	4.85	5.84	
COMMON SHS OUTST'G (N	HLL)	-	=		9.46 17.9	9.55 26.9	9,63 24.5	10.33	10.40 26.3	11.20 31.2	28.3/25.8
AVG ANN'L PÆ RATIO RELATIVE PÆ RATIO	ſ	_		_	.92	1.47	1 40	1.36	1.39	1.68	
AVG ANN'L DIV'D YIELD					4.3%	3.3%	3.2%	3.1%	2.9%	2.5%	<u></u>
REVENUES (\$MILL)	İ	-		18.5 3.8	19.4 4.0	19.6 3.8	20.9 4.4	22 5 4.8	26.8 5.8	28.7 6.1	Bold figures are consensu
NET PROFIT (\$MILL) INCOME TAX RATE		<u>-</u>		35.7%	35.8%	34.9%	34.8%	36.7%	. 36.7%	34.4%	earnings
AFUDC % TO NET PROFIF					2,2%	3.7%		40.50		7.2%	estimates
LONG-TERM DEBT RATIO COMMON EQUITY RATIO			_	50.2% 49.8%	47.7% 52.3%	46.7% 53.3%	43.4% 56.6%	42.5% 57.5%	44.1% 55.9%	48.3% 51.7%	and, using the recent prices
TOTAL CAPITAL (\$MILL)		٠,		65.2	68.6	69.9	69.0	83.6	90.3	126.5	P/E ratios.
VET PLANT (\$MILL)				97.0	102.3	106.7	116.5 8.5%	140.0 7.6%	155.3 8 4%	174.4 6.2%	
RÉTURN ON TOTAL CAP'L RETURN ON SHR. EQUITY		_		7.9% 11.6%	7.9% 11.2%	7.4% 10.2%	11.4%	10.0%	11.6%	9.3%	
RETURN ON COM EQUITY				11.6%	11.2%	10.2%	11.4%	10.0%	11.6%	9.3%	
DETAINED TO COM TO		_									
		_	1 1	2.5%	2 5%	1.3%	2.6%	2.1% 79%	3.0% 74%	2 2% 77%	
ALL DIV'DS TO NET PROF	est in last	_		78%	78%	88%	77%	79%	74%	77%	us
ALL DIV'DS TO NET PROF		_		78% ensus 5-year ear	76% nings growth 8.0	88% % per year. <sup>B</sup> B.	77%	79% lysis' aslimales	74%	77% analysis' estimate	95
ALL DIV'DS TO NET PROF No. of analysis changing earn ANNUAL RA' of change (per share)	TES 5 Yrs.	- 14 days: 0 t		78% ensus 5-year ean	78% nings growth 8.0 04 2005 2 .0	88% % per year. <sup>8</sup> 8.	77% ased upon 3 ana	79% lysis' astimates INDU	74% c <sub>Basad upon 2</sub> STRY: Wa	77%   enelysis' estimate ter Utility	
ALL DIV'DS TO NET PROF No. of enalysis changing earn ANNUAL RA' of change (per share) Revenues	TES	- 14 days: 0 t	ASSETS (\$m Cash Assets Receivables	78% ensus 5-year ean III.) 20	78% nings grawth 8.0 04 2005 2 .0 17 3.8	88% % per year. <sup>8</sup> B. 12/31/85 .0 4.8	77% 3 ane	79% lysis' astimoles INDU S: York V	74% CBesed upon 2 STRY: Wa Vater Com	77%   enelysis' estimate ter Utility pany engag	es in the im
ALL DIV'DS TO NET PROF No. of analysis changing earn ANNUAL RA' of change (per share) Revenues "Cash Flow" Earnings	TES 5 Yrs. 3.5% 4.5% 4.5%	14 days: 0 t 1 Yr. -0.5% -2.5% 3.5%	p, 0 down, conse ASSETS (\$m Cash Assets	78% ensus 5-year aan iii.) 20 g cost)	78%  nings growth 8.0 04 2005 2 .0 17 3.8 .7 .8 .4 .5	88% % per year. BB. 12/31/65 .0 4.8 .8 .1.1	77% ased upon 3 ane BUSINESS pounding,	79% lysis' astimates INDU S: York V purification	74% <sup>C</sup> Based upon 2 STRY: Wa Vater Com , and distr	77%   enelysis' estimate ter Utility pany engag ribution of	es in the imwater in Yor
ALL DIV'DS TO NET PROF No. of analysis changing earn ANNUAL RA' of change (per share) Revenues "Cash Flow" Eernings Dividends	TES 5 Yrs. 3.5% 4.5%	14 days: 0 t 1 Yr. -0.5% -2.5%	p, 0 down, conse ASSETS (\$m Cash Assets Receivables inventory (Av	78% ensus 5-year aan iii.) 20 g cost)	78% Inlags growth 8.0 04 2005 2 .0 17 3.8 .7 8	88% % per year. BB. 12/31/95 .0 4.8 .8 1.1 6.7	BUSINESS pounding, County and	79%  lysis' astimates  INDU  S: York V purification Adams Co ial, comme	74%  GBased upon 2  STRY: Wa  Vater Com , and distributy, Penn rcial, indus	analysis' estimate ter Utility pany engag ribution of sylvania. It trial, and ot	es in the im water in Yor supplies wate her customers
ALL DIV'DS TO NET PROF  No. of analysis changing earn  ANNUAL RA of change (per share) Revenues "Cash Flow" Earnings Dividends Book Value	TES 5 Yrs. 3.5% 4.5% 4.5% 3.0% 6.0%	14 days: 0 t 1 Yr. -0.5% -2.5% 3.5% 7.0% 20.5%	ASSETS (\$m Cash Assels Receivables inventory (Avg Other Current Assel	78%  ensus 5-year earn  iii.) 200  g cost)  s 5	76%   nings growth 8.0 04   2005   2   .0 7   3.8 .7   B   .4   .5 .0   5   1	88% % per year. BB. 1231/05 .0 4.8 .8 1.1 6.7	BUSINESS pounding, County and for resident The compa	79%  ysts' astimates  INDU  S: York V purification Adams Co ial, comme ny has two	74%  **Gased upon 2  **STRY: Wa  **Vater Com , and distr unty, Penn reial, indus reservoirs,	anelysis' estimate ter Utility  pany engag ribution of sylvania. It strial, and of, Lake Willi	es in the im water in Yor supplies wate her customers ams and Lak
ALL DIV'DS TO NET PROF No. of analysis changing earn ANNUAL RA' of change (per share) Revenues "Cash Flow" Earnings Dividends Book Value  Tiscal QUARTERLY SAL	TES 5 Yrs. 3.5% 4.5% 4.5% 3.0% 6.0%	14 days: 0 t 1 Yr. -0.5% -2.5% 3.5% 7.0% 20.5%	p, 0 down, conse ASSETS (\$m Cash Assets Receivables Inventory (Av Other Current Asset	78%  PRISUS 5-year ear.  PRISUS 5-year ear.  PRISUS 5-year ear.  3  9 cost)  5  6  1  1  1  1  1  1  1  1  1  1  1  1	76%   100	88% % per year. BB. 12/31/95 .0 4.8 8. 1.1 6.7 202.7 28.3	BUSINESS pounding, County and for resident The compa	79%  S: York V purification Adams Co ial, comme ny has two	74%  **Based upon 2  STRY: Wa  **Vater Com , and distr unty, Penn reial, indus reservoirs, her hold a	anthysis' estimate ter Utility  pany engag ribution of sylvania. It trial, and of, Lake Willi approximate	es in the im water in Yor supplies wate her customers ams and Lak ly 2.2 billio
ALL DIV'DS TO NET PROF  No. of analysis changing cam  ANNUAL RA' of change (per share) Revenues  Cash Flow Earnings Dovidends Book Value  Iscail QUARTERLY SAI 1Q 2Q  331/04 5.3 5.5	TES 5 Yrs. 3.5% 4.5% 4.5% -3.0% 6.0% ES (\$mit 3Q	1 Yr0.5% -2.5% 3.5% 7.0% 20.5% 1.) Full Year 6.1 22.5	p. 0 down, conse  ASSETS (\$Im Cash Assels Receivables Inventory (Ave Other Current Asset Property, Plan & Equip, at Accum Depree Net Property	76%  ensus 5-year ear  iii.) 20  g cost)  s 5  sl cost 164 clailon 24 140	76%   nings growth 8.0  04   2005   2	88% 12/31/06 0 4.8 8 1.1 6.7 202.7 28.3 174.4 15.0	BUSINESS pounding, County and for resident The compa Redman, w gallons of Susqueham	79%  ysis' assimates  INDU  S: York V purification Adams Co ial, comme ny has two vhich toget water. It al ia River to	74%  **Based upon 2*  STRY: Wa  **Vater Com , and distr unty, Penn reial, indus reservoirs, her hold a so has a b Lake Redir.	analysis' estimate ter Utility pany engag ribution of sylvania. It strial, and of, , Lake Willi approximate 15-mile pipe nan that prov	es in the im water in Yor supplies wate her customer ams and Lak ly 2.2 billio cline from the vides access to
ALL DIV'DS TO NET PROF  No. of analysis changing earn  ANNUAL RA' of change (per share) Revenues "Cash Flow" Earnings Dividends Book Value  siscal  QUARTERLY SAL Year  1Q 2Q  231/04 5.3 5.5 231/05 62 6.7	TES 5 Yrs. 3.6% 4.5% 4.5% 4.5% 6.0% ES (\$mit 3Q	1 Yr0.5% -2.5% 3.5% 7.0% 20.5%	p. 0 down, conse ASSETS (\$m Cash Assets Receivables Inventory (Av Other Current Asset Property, Plan & Equip, al Accum Deprey	76%  20  g cost)  5  6  6  6  6  6  6  6  6  6  6  6  6	76%  nings growth 8.0  2 005  2 0  7 3.8  .7 B  .4 5  .0 51  .3 182.4  .3 27.1  .0 155.3  .1 11.9	88% 1231/06 1231/06 0 48 8 1.1 6.7 202.7 28.3 174.4 15.0 195.1	BUSINESS pounding, County and for resident The compa Redman, w gallons of Susqueham an addition	79%  INDU  S: York V purification Adams Co ial, comme ny has two which toget water. It al a River to ial supply	74%  **Gased upon 2*  STRY: Wa  Vater Com , and distr unty, Penn reial, indus reservoirs, her hold a so has a t  Lake Redur of water.	analysis' estimate ter Utility  pany engag ribution of sylvania It trial, and of, Lake Willi approximate t5-mile pipe and that prov. The compa	tes in the in water in Yor supplies water her customer: ams and Lak ly 2.2 billio cline from the vides access to my serves 3.
ALL DIV'DS TO NET PROF No. of analysis changing earn ANNUAL RA' of change (per share) Revenues "Cash Flow" Earnings Dividends Book Value  Tiscal 1Q 2Q 1/31/104 5.3 5.5 1/31/105 6.2 6.7 1/3/31/105 6.6 7.0	TES 5 Yrs. 3.6% 4.5% 4.5% 4.5% 3.0% 6.0% ES (\$mit 3Q	1 Yr0.5% -2.5% 3.5% 7.0% 20.5% 1.) Full 4Q Year 6.1 22.5 6.7 26.8	p. O down, conse ASSETS (\$m Cosh Assels Receivables Inventory (Av. Other Current Assel Property, Plan & Equip, al Accum Depres Nat Property Other Total Assels	76%  20/ 20/ 3 g cost)  5 5  cost 164 clailon 24 110 156	76%  nings growth 8.0  2 005  2 0  7 3.8  .7 B  .4 5  0 51  .3 182.4  .3 27.1  .0 155.3  .1 11.9	88%  *** per year. **B**  12/31/96  .0 4.8 8. 1.1 6.7  202.7 28.3 174.4 15.0 195.1	BUSINESS pounding, County and for resident The compa Redman, w gallons of Susquehann municipaliti	79%  INDU  S: York V purification Adams Co ial, comme ny has two which toget water. It al ia River to al supply ies in York	74%  Stry: Wa  Vater Com  , and distr  unty, Penn  reial, indus  reservoirs,  her hold a  so has a l  Lake Redm  of water.  County a	analysis' estimate ter Utility  pany engage inbution of sylvania. It tirial, and ot, Lake Williapproximate 15-mile pipe nan that proy The compand four mu	ges in the imwater in Yor supplies wate her customers ams and Lak ly 2.2 billio- line from the control of the control in yearves 3- micipalities in
ALL DIV'DS TO NET PROF  No. of analysis changing earn  ANNUAL RA' of change (per share) Revenues "Cash Flow" Earnings Dividends Book Value  Fiscal QUARTERLY SAI 1Q 2Q 1/31/04 5.3 5.5 1/31/05 6.2 6.7 1/31/05 6.6 7.0 1/31/07  Iscal EARNINGS PER	TES 5 Yrs. 3.6% 4.5% 4.5% 4.5% 4.5% 3.0% 6.0% ES (\$mill 3Q 6.0% 6.0% 6.0% 6.0% 6.0% 6.0% 6.0% 6.0%	1 Yr0.5% 3.5% 7.0% 20.5% 11.) Full Year 6.1 22.5 6.1 28.7	p. O down, consellation of the construction of	76%  snsus 5-year eard  iii.) 20  g cost)  s 5  sl 1  1 cost 164  140  11  156  \$miii.) 1	76% Inlags growth 8.0 04 2005 2 .0 7 3.8 .4 .5 .0 51 .3 182.4 .3 27.1 .0 155.3 .1 11.9 .1 172.3	88% % per year. <sup>18</sup> A 12/31/05 0 48 8 1.1 6.7 202.7 28.3 174.4 15.0 195.1	BUSINESS pounding, County and for resident The compa Redman, w gallons of Susquehann an addition municipaliti Adams Cou	79%  INDU  S: York V purification Adams Co ial, comme ny has two which toget water. It al ial supply tes in York inty. Has 1	74%  Sased upon 2  STRY: Wa  Vater Com  , and distr  unty, Penn  reial, indus  reservoirs,  her hold a  so has a !  Lake Redm  of water.  County a  06 employ	analysis' estimate ter Utility  pany engagribution of sylvania. It trial, and of, Lake Williapproximate t5-mile pipe in an that provide the compand four murees. C.E.O.	ges in the in water in Yor supplies water her customers ams and Lak ly 2.2 billio cline from the vides access to my serves 3 micipalities in & President
ALL DIV'DS TO NET PROF  No. of analysis changing earn  ANNUAL RA' of change (per share) Revenues "Cash Flow" Earnings Dividends Book Value  Fiscal QUARTERLY SAL 1Q 2Q 1/31/04 5.3 5.5 1/31/05 6.2 6.7 1/31/05 6.5 7.0 1/31/07  Iscal EARNINGS PER 1Q 2Q  1 2Q 1 2Q 1 2Q 1 2Q 1 2Q 1 2Q 1	TES 5 Yrs. 3.6% 4.5% 4.5% 4.5% 6.0% ES (\$mit 3Q 6.7.2 6.7.7 7 7 8 SHARE	1 Yr0.5% 7 0% 20.5% 11.) Full Year 5.7. 26.57 26.57 26.57 4 28.7	p. O down, conse  ASSETS (\$Im Cash Assels Receivables Inventory (Av; Other Current Assel Property, Plan & Equip, al Accum Depret Nat Property Other Total Assels LIABILITIES (	76%  snsus 5-year eard  iii.) 20  g cost)  s 5  al cost 164 clailon 24 140 111 156	76%  mings growth 8.0  2 205  2 .0  7 3.8  .4 .5  5 1  .3 182.4  .3 27.1  .0 155.3  .1 11.9  172.3  6 2.6  3 19.3	88% % per year. <sup>18</sup> A 12/31/105 0 4.8 8.1.1 6.7 202.7 28.3 174.4 15.0 195.3	BUSINESS pounding, County and for resident The compa a Redman, w gallons of Susqueharran addition manicipalith Adams Cot Jeffrey S.	ysts' astimates INDU S: York V purification Adams Co ial, comme ny has two vhich toget water. It al aa River to ial supply tees in York toty, Has I Osman. In-	74% Fassed upon 2 STRY: Wa Vater Com , and distr unty, Penn reial, indus reservoirs, her hold a so has a l Lake Redm of water. County a 06 employ c.: PA. Ac	analysis' estimate ter Utility  pany engagribution of sylvania. It trial, and of, Lake Willian approximate 55-mile pipenan that prov The compand four mu wees. C.E.O. ddress: 130	tes in the imwater in Yor supplies water her customers ams and Lak ly 2.2 billion from the customer serves 3 micipalities in & President East Marke
ALL DIV'DS TO NET PROF  No. of analysis changing earn  ANNUAL RA' of change (per share) Revenues "Cash Flow" Earnings Dividends Book Value  Fiscal  QUARTERLY SAL 1Q 2Q 1/31/05 62 6.7 1/31/05 65 7.0 1/31/07	TES 5 Yrs. 3.5% 4.5% 4.5% 4.5% 4.5% 6.0% ES (\$mit 30	1 Yr0.5% 3.5% 7.0% 20.5% 11.) Full Year 6.1 22.5 6.1 28.7	p. O down, conse  ASSETS (\$m Cosh Assels Receivables Inventory (Av. Other Current Assel Property, Plan & Equip, al Accum Depree, Net Property Other Total Assels  LIABILITIES ( Accts Payable Debt Due	76%  20/ 20/ 3 g cost)  5 5  cost 164 clailon 24 110 156  \$mill.}  1 16	76%  plantage growth 8.0  2 2005 2 0 17 3.8 1-4 .5 0 51  .3 182.4 .3 27.1 .0 155.3 .1 111.9 .1 172.3  6 2.6 6 3 19.3 1 2.8	88% % per year. <sup>18</sup> A 12/31/06 0 4.8 1.1 6.7 202.7 28.3 174.4 15.0 195.1	BUSINESS pounding, County and for resident The compa a Redman, w gallons of Susqueharran addition manicipalith Adams Cot Jeffrey S.	s: York V purification Adams Co ial, comme ny has two which toget water. It al a River to ial supply ies in York Mrt. Ag. PA 1740	74% Fassed upon 2 STRY: Wa Vater Com , and distr unty, Penn reial, indus reservoirs, her hold a so has a l Lake Redm of water. County a 06 employ c.: PA. Ac D1. Tel.: (	analysis' estimate ter Utility  pany engagribution of sylvania. It trial, and of, Lake Willian approximate 55-mile pipenan that prov The compand four mu wees. C.E.O. ddress: 130	tes in the imwater in Yor supplies water her customers ams and Lak ly 2.2 billion from the customer serves 3 micipalities in & President East Marke
ALL DIV'DS TO NET PROF  No. of analysis changing earn  ANNUAL RA' of change (per share) Revenues "Cash Flow" Earnings Dividends Book Value  Fiscal QUARTERLY SAI 1Q 2Q 1/31/04 5.3 5.5 1/31/04 5.3 5.5 1/31/05 6.6 6.7 1/31/05 6.6 7.0 1/31/07  Iscal EARNINGS PER 1Q 2Q 1/31/03 0.8 11 1/31/03 12 11	TES 5 Yrs. 3.5% 4.5% 4.5% 4.5% 3.0% 6.0%  ES (\$miti 3Q 6.6%  ES (\$miti	1 Yr0.5% -2.5% 3.5% 7.0% 20.5% 1.) Full 4Q Year 5.1 22.5 6.7 26.8 7.4 28.7 4 28.7 4 4.4 49 13 .56	p. O down, conse  ASSETS (\$im Cash Assets Receivables Receivables Inventory (Av; Other Current Asset Property, Plan & Equip, al Accum Depret Net Property Other Total Assets LIABILITIES ( Accts Payable Debt Due Other	76%  snsus 5-year eard  iii.) 20i  g cost)  s 5  sl cost 164 clailon 24 140 11. 156 \$mill.}  16 3.	76%  plantage growth 8.0  2 2095 2 0 17 3.8 17 8 4 5 10 51  3 182.4 3 27.1 155.3 111.9 172.3  6 2.6 3 193 1 2.8	88% % per year. <sup>18</sup> A 12/31/165 0 4.8 8.1.1 6.7 202.7 28.3 174.4 15.0 195.3	BUSINESS pounding, County and for resident The compa Redman, w gallons of Susqueham an addition municipalities Adams Couleffrey S. Street, Yorl	s: York V purification Adams Co ial, comme ny has two which toget water. It al a River to ial supply ies in York Mrt. Ag. PA 1740	74% Fassed upon 2 STRY: Wa Vater Com , and distr unty, Penn reial, indus reservoirs, her hold a so has a l Lake Redm of water. County a 06 employ c.: PA. Ac D1. Tel.: (	analysis' estimate ter Utility  pany engagribution of sylvania. It trial, and of, Lake Willian approximate 55-mile pipenan that prov The compand four mu wees. C.E.O. ddress: 130	tes in the imwater in Yor supplies water her customers ams and Lak ly 2.2 billion from the customer serves 3 micipalities in & President East Marke
ALL DIV'DS TO NET PROF  No. of analysis changing earn  ANNUAL RA' of change (per share) Revenues "Cash Flow" Earnings Dividends Book Value  Fiscal QUARTERLY SAI 1Q 2Q 1/31/05 62 6.7 1/31/05 65 7.0 1/31/07 18seal CARNINGS PER 1Q 2Q 1/31/03 08 11 1/31/04 12 11 1/31/05 12 14	TES 5 Yrs. 3.5% 4.5% 4.5% 4.5% 3.0% 6.0%  ES (\$miti 3Q 6.6%  ES (\$miti	14 deys: 0 t 1 Yr0.5% -0.5% 3.5% 7.0% 20.5% 1.] Full 4Q Year 1.22.5 6.7 26.8 7.4 28.7 10Q Year 112 4.9	p. O down, conse  ASSETS (\$im Cash Assels Receivables Receivables Inventory (Avy Other Current Assel Property, Plan A Equip, al Accum Deprev Nel Property Other Total Assels LIABILITIES ( Accts Payable Debt Due Other Current Liab	78%  snsus 5-year earn  iii.) 20  g cost) 5  s 5  sl cost 164 clailon 24 140 11:56  \$mill.} 1  DEBT AND EQ	76%   mings growth 8.0  2 005 2 0.0 17 3.8 4.4.5 0 51  .3 182.4 .3 27.1 .0 155.3 .1 11.9 .1 172.3  6 2.6 3 193 1 2.8 2 4 7	88% % per year. <sup>18</sup> A 12/31/165 0 4.8 8.1.1 6.7 202.7 28.3 174.4 15.0 195.3	BUSINESS pounding, County and for resident The compa Redman, w gallons of Susqueham an addition municipalities Adams Couleffrey S. Street, Yorl	s: York V purification Adams Co ial, comme ny has two which toget water. It al a River to ial supply ies in York Mrt. Ag. PA 1740	74% Fassed upon 2 STRY: Wa Vater Com , and distr unty, Penn reial, indus reservoirs, her hold a so has a l Lake Redm of water. County a 06 employ c.: PA. Ac D1. Tel.: (	analysis' estimate ter Utility  pany engagribution of sylvania. It trial, and of, Lake Willian approximate 55-mile pipenan that prov The compand four mu wees. C.E.O. ddress: 130	tes in the imwater in Yor supplies water her customers ams and Lak ly 2.2 billion from the customer serves 3 micipalities in & President East Marke
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153	15.5	17.9	15 1	12 6	13.8	14.7	139	214	13 6	14 6	12.5	12.5	13 1	143	13 5	Bold fig	res are	Avg Ann	I P/E Rat	0	15.0
98	94 5.01/	1 06 5.4%	99 5.9%	84 62%	66 5.6%	85 5.4%	72 5.5%	1 22 5.5%	6.2%	75 4.9%	68 4.7%	71   4.3%	69 3.9%	76 3.7%	73 4.0%	Vəlue estin		Relative	PÆ Ratio 'I Div'd Yi		1.00 3.9%
6.4% CARITA	5.9%	CTURE a			3.07	1287.6	1338.6	1068 6	607 4	1049 3	868 9	983 7	1832 0	2718 D	2621 0	2725	2800	Revenue			3100
Total D	ebt \$173	14.0 mill. D	Due In 5 Y	írs \$411.		76.6	80.6	52.1	71,1	82.3	103.0	132,4	153.0	193.0	212.0	220	230	Net Profi	1 (\$mill)		250
		) mill t		T \$100 U	min.	37.9% 5.9%	32.5% 6.0%	33 1% 4.9%	34 3% 11.7%	40.7% 7.8%	36.0% 11.9%	35.9% 13.5%	37 0% 8.4%	37.7% 7.1%	37.8% 8.1%	38.0% 8.1%		Income T Net Profit			38.0% 8.1%
		overage: 3 Italized A		1als \$32 (	llim (	4B 7%	47,5%	45.3%	45 9%	61 3%	58.3%	50.3%	54 0%	51 9%	50 2%	49.3%		Long-Ter		atio	49.2%
		-12/06 \$				45.9%	47.1%	49.2% 1345 8	48.3% 1286 2	38.7% 1736.3	41.7% 1704 3	49.7% 1901 4	46.0% 3008 0	48.1% 3114 0	49.8% 3231 0	50.7% 3315		Common Total Cap			50.8% 3540
				i olig. \$454	l 0 mill.	1356.4 1496.6	1388.4 1534.0	1598.9	1637.5	2058.9	2194.2	2352.4	3178.0	3271.0	3436.0	3550		Net Plant		"	4000
	ck None on Stock	: :77,794,0	28 shs			7.3%	7.6%	5.7%	7.4%	65%	8.1%	8 9%	63%	7 9%	80%	8.0%		Return or			8.5%
as of 4/	25/07					11.0% - 11.3%	11.1%	7 1% 7.9%	10 2% 11.5%	12.3% 12.3%	14.5%	14 0% 14.0%	11.0% 11.0%	12.9% 12.9%	13.2%   13.2%	13.0%		Return or Return or			14.0% 14.0%
		\$3.3 billio				32%	4.4%	NMF	3.2%	4 2%	70%	6.6%	56%	6 2%	63%	5.5%	6.0%	Retained	to Com E	9	6.0%
(\$M#	NT POS		2005		3/31/07	74%	64%	101%	72%	65%	52%	53%	49%	52%	52%	58%		All Div'ds s: Georgi		i	58%
Cash A Olher		20			29.0 1365.0	ny. IIs	distributi	on subsi	diaries i	isapub nclude A	llanta Ga	ıs Light,	Chal-	markets	natural g	as at reta	all Acq '	Virginia N	latural G	as, 10/0	0. Sold
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í change Revenu		19 Yrs. 3.59	5 Yrs % 13 5	5% 4	10-112 1.0%					ame ir numbe								Tria: \$180			
Cash i	·low"	5.59 7.09	% 7.0 % 15.0	)% 5 )% 3	.5%  .5%	the p	orior ;	year's	perio	od. Pe	rform	ance '	was	ral ĝ	as st	orage	e faci	ility.	This	propo	psed
Sivideň Sook V	ds	2.5° 6.5°	% 4.0	)% 5	.5%					il Ene rating								12 bi ty foll			
Cal-		ERLY REV		mill.) A	Full					his b			eri.	tion -	of the	e firs	t pha	se. L	ocate	d at	the
ndar	Mar.31 651	Jun.30 294			Year 1832	encec	l inci	eased	cust	omer dition	usag	e dur						in Bea ix pip			
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	1000	500	470	830	2800	ing ir	iteres	t in S	outhS	tar.) I	n add	ition,	the	opera	tional	in 20	11.		_		_
Cal- ndar		NINGS PE Jun.30			Fuil Year					m a lo rim. H				Share Aver:	es of	AGL or Ti	are meli	rank 1ess.	ed 4. Wear	<b>Be)</b> aticir	iow
004	1 00	.33	.31	.64	2.28	ting (	arnir	ıgs de	clined	consi	iderab	ly in	the	modes	st gro	wth i	n rev	enues	and	earni	ings
2005 2006	1 14 1 41	30 .25	.19 46	.85 .60	2.48 2.72	Whol	esale :	Servic	es bu	siness al acti	, whic	h exp	eri- irk-	per sk appes	are o	ver th he ref	ie pul lected	l to 24 in th	e cur 010-20	JIZ rent :	1110- 11118
2007	1 30	.35	.50	.65	2.80	to-ma	ırket	losses	follo	wing	an in	crease	in	tation	, and	appr	eciati	on po	tentia	ıl is	นท-
00B	1.40 01/AR1	.35 Erly Divi	.45 DENDS PA	.70 (D.C.	2.90 Full	NYM				rices derat	e ton	line						ame. cently			
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003	.27	28	28	.28	1.11	has 1	eaffir	med i	its sh	are-ne	et gui	dance	of					3.9 <b>%</b> this g			
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nlamba	e 20th ⊳	ds Decem nor to 200	10		renor	; '01, \$0 '	13; '03, (\$ v August	0 07) N	ext earnii	ngs av	vailable )} Include	s inlangii	_	/31/07: \$	420 mil-	Stock	('s Price	inancial S Stability Persiste	-		8++ 95 70
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TMELINESS 3 Raised 7/28/06	CORP	0 30.5	32.3	33 0 19 6	32.1	25 B 19 5	24.5 17.6	25.5 20.8	27 6 23.4	RELATIV PÆ RAT 30 0 25.0	33.1 25.5	33 5 30 4				t Price	
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sul 0000000001						777			Ī.						RETUR	N 5/07 VL ARMH INOEX	L.
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Almos Energy's history da	ates back to			1999		2001	2002		2004		2006	2007	2008	<b>●</b> VALU	E LINE P	UB., INC.	10
906 in the Texas Panhand			27 90	22 09	26 61	35.36	22 82	54.39 3.23	46 50 2 91	61.75 3.90	75 27 4 26	61.90 4.20	62.70 4 30	Revenue "Cash Fi			74
ears, through various merge art of Pioneer Corporation, a			3 38 1 84	2 62 81	3 01 f 03	3 03	3 39 1 45	171	1 58	172	2 00	2 00	2.10	Eamings			2
ioneer named its gas distrib			1.06	1.10	1.14	1.16	1.1B	1.20	1.22	1,24	1.26	1.28		Div'ds Do			!
nergas. In 1983, Pionee nergas as a separate subsid			12.21	3 53 12.09	2 36 12.28	2 77 14.31	3 17 13.75	3 10 16.66	3 03 18.05	4 14 19.90	5 20 20.16	5.00 22.45		Cap'l Spo Book Val			25
ibuted the outstanding share	s of Energas	29.64	30.40	31.25	31,95	40.79	41.68	51.48	62.80	80.54	81.74	89.50	92.50	Common	Shs Oul	st'g p	107
i Pioneer shareholders. Ener s name to Almos in 1988. At			15 4 80	33 0 1.88	18 9 1 23	15 6 80	15 2 83	13.4 76	15 9 84	16.1 86	13.5 .73	Bold figu Value		Avg Ana' Relative i			1
rans Louisiana Gas in 1986, \			3.7%	4.1%	5.9%	5.1%	5.4%	5.2%	4.9%	4.5%	4.7%	estim		Avg Ann'			3.
cky Gas Utility in 1987, Gr			848 2	690 2	850.2	1442 3	950 8	2799.9	2920 0	49733	6152 4	5540		Revenue		•	8
993, United Cities Gas in 199	<del></del>		55,3	25.0	32.2	56.1	59.7	79.5	86.2	135.8 37.7%	162.3 37.6%	180 39.0%		Net Profil Incoma T			40.
APITAL STRUCTURE as of 3/31/6 stal Debt \$2181.5 mill Due in 5 Yr		37.5% 4.3%	36 5% 6.5%	35.0% 3.6%	36 1% 3.8%	37.3% 3.9%	37.1% 6.3%	37 1% 2.8%	37.4% 3.0%	27%	2.6%	3.2%		Net Profit		: }	3.
' Debt \$1878.3 mill LT Interest T interest earned: 2 9x; total intere		48 1%	51 8%	50 0%	46 1%	54 3%	53 9%	50 2%	43 2%	57 7%	57 0%	48.0%		Long-Ten			51
verage; 2 Bx)		630 2	48.2% 769 7	50.0% 755 1	51,9% 755 7	45.7% 1276 3	46.1% 1243 7	49.8 % 1721 4	56.8% 1994 8	42.3% 3785.5	43.0% 3828 5	52.0% 4070		Common Total Cap			49. 5
eses, Uncapitalized Annual renta d Stock None	JIS \$10.U MIII	849.1	9179	965.8	982 3	1335 4	1300.3	1516 0	1722.5	3374.4	3629.2	3850		Net Plant		"	5
ension Assets-9/86 \$362 7 mill. Oblig. \$326	i 5 mill	8.3%	9.0%	5.1%	6.5%	5.9%	6.8%	5.2%	5.8%	5.3%	5.1%	6.0%		Return or			δ.
ommon Stock 88,806,235 shs	, D (12-1)	12.0% 12.0%	14.9%	6.6% 6.6%	8 2% 8.2%	9.6% 9.6%	10.4% 10.4%	9 3% 9.3%	7.6% 7.6%	8.5% 8.5%	9.9%	8.5% 8.5%		Return or Return or			9. 9.
i of 4/25/07 ARKET CAP: \$2.9 billion (Mid Ca	3P)	3 9%	63%	NMF	NMF	2 1%	19%	28%	1.7%	2 3%	36%	3.0%		Retained			4.
JRRENT POSITION 2005 2	2006 3/31/07	57%	58%	NMF	112%	79%	82%	70%	77%	73%	63%	64%		Ali Div'ds			5
ash Assels 40.1	75.8 176.3 41.7 1253.1		ESS: Alm tion and :											% other. s. Officen			
urren! Assets 7264 4 11	17.5 1429.4		ed natura Division,											k (12/06 Best. In			
ebt Dué 148.1 3	45 1 665.2 85.6 303.2	Kansas	Division	, and K	(entucky/	Mid-State	es Divisi	on Com	bined	dress: P	O. Box	650205,	Dallas,	Texas 75			
	88.5 421.4 19.2 1389.8		as volum								7 Interne				,	1 . 1	
k. Chg. Cov. 395% 40	08% 415%		os En thy											te has nds			
•	to '10-'12	the	first l	alf o	f fisc	al 20	07 (e:	nds S	Sep-	stead	ly, all	beit 1	neast	ured,	prof	it ga	in
INUAL RATES Past Past change (per sh) 10 Yrs. 5 Yrs.	% 35%		ber 30 la 99											th util s not			
NUAL RATES Past Past change (per sh) 10 Yrs. 5 Yrs. evenues 7.5% 17.0% ash Flow 4.0% 5.0%	% 4.5%						ement	ation	of	the e	conom	y or	rate -	commi	ission	s in	ar
NUAL RATES   Past   Past   hange (persh)   10 Yrs.   5 Yrs.   venues   7.5%   17.0°   ash Flow"   4.0%   5.0°   mings   3.5%   10.0°   nidends   3.0%   2.0°	% 4.5% % 6.0%	bene								nne r	egion			intry. ses co			
NUAL RATES   Past   P	% 4.5% % 6.0% % 1.5% % 4.5%	bene weat	her-no	rmali:	zation							itv hi					tor
NUAL RATES   Past   P	% 4.5% % 6.0% % 1.5% % 4.5%	bene weat Mid- therr	her-no Tex a nore,	rmali: nd Lo marg:	zation misia: ins fo	na op or th	eratio e nat	ns. F ural	ur- gas	the no	n-util 15%	and 8	5% o	net i	ncom		ct.
NUAL RATES   Past   Past   hange   per sh  10 Yrs.   5 Yrs.   5 Yrs.   7 Organ   17 Or	4.5% 6.0% 1.5% 4.5% 1.5% 4.5% 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.0	bene weat Mid- therr mark	her-no Tex a nore, teting	rmali: nd Lo marg: segm	zation ouisia ins fo ent v	na op or th videne	eratio e nat ed nic	ns. F ural ely, p	'ur- gas ar-	the no tween cally,	on-util 15% posse	and S ess d	5% of ecent	net i over	ncom all p	rospe	
NUAL RATES   Past   Past   hange   per sh   10 Yrs.   5 Yrs.   17 O's ash Flow   4 0%   5 O's   10 O's ash Flow   3 5 W   20 O's   10 O's ash Flow   3 5 W   20 O's   10 O's ash Flow   5 O's   5 O's   10 O's ash Flow   5 O's   5 O's   10 O's ash Flow   5 O's	4.5% 6.0% 1.5% 4.5% Full Sep.30 Full Fear 192.8 2920.0 904.6 4973.3	bene weat Mid- therr mark tially	her-no Tex a nore,	rmali: nd Lo marg: segm se of	zation ouisia: ins fo ent v effort	na op or th videnc s to ca	eratione nated nice apture	ns. F ural ely, p more	ur- gas ar- fa- ith	the no tween cally, (During natur	n-util 15% posse ng 200 al gas	and Sess d 96, th s gatl	5% of ecent e com rering	net i over pany , whi	ncom all p expar ch fi	rospe ided i ts nic	int cel
NUAL RATES Past past hange (per sh) 10 Yrs. 5 Yrs. 5 Yrs. 9 17 O's ash Flow 40 % 5.07 mings 3.35% 10.06 value 6.65% 85 10.06 value 6.65% 85 10.06 Value 7.636 1117.5 \$46.1 4 763.6 1117.5 \$46.1 4 763.6 1117.5 \$46.1 4 763.6 1117.5 \$46.1 4 763.8 2033.8 863.2 9 17   1602.6 2075.6 900 5 2	4.5% 6.0% 1.5% 4.5% 1.5% 4.5% 1.58ep.30 Fiscal 192.8 2920.0 104.6 4973.3 1071.6 6152.4 1961.8 5540	bene weat Mid- therr mark tially voral regar	her-no Tex a nore, ceting becau ole a rd to	rmali: nd Lo marg: segm se of rbitra stora	zation ouisian ins fo ent v effort ige ac	na op or th vidence s to ca oppor tivitie	eration e nated nice natable nice nated nice nated nice nated nice nated nice nated nice	ns. F ural ely, p more s w anwh	ur- gas ar- fa- ith ile,	the no tween cally, (Durin natur with t	on-util 15% posse ng 200 al gas the pij	and 8 ess d 06, th s gatl peline	5% of ecent e com rering unit.	f net i over pany , whi ) In th	ncom all p expar ch fi ne pre	rospe ided i ts nic sent	int cel co:
NUAL RATES   Past   Past   hange (per sh)   10 Yrs.   5 Yrs.   5 Yrs.   7 O's ash Flow   4 0 % 5.0 Yrd   5 O's ash Flow   3 0 % 2 0's ok Value   5 O's ash Flow   3 0 % 2 0's ok Value   5 O's ash Flow   5 O's	% 4.5% 6 0% 1 5% 4 5% 4 5% 192.8 2920.0 192.8 2920.0 194.6 4973.3 1961.8 5540 1560.0	bene weat Mid- therr mark tially voral regar the	her-no Tex a nore, teting becau ole a	rmalis nd Lo marg segm se of rbitra stora e bus	zation ouisian ins for ent v effort ige ge ac iness	na or the vidence s to car opportivities reape	eration e nated nice apture tunition of the second nice apture tunition of the second nice apture tunition of the second nice apture tunition of the second nice apture tunition of the second nice apture tunition of the second nice apture tunition of the second nice apture tunition of the second nice apture tunition of tunition o	ns. F ural ely, p more s w eanwh rewa	ur- gas ear- fa ith iile, ards	the no tween cally, (Durin natur with to porate	on util 15% posseng 200 al gas the pip	and a ess d 06, th s gatl peline igurat	65% of ecent e com nering unit. tion, s	net i over pany , whi	ncom all p expar ch fi ne pre net c	rospe ided i ts nic sent could	cel co: ac
NUAL RATES   Past   Past   hange (per sh)   10 Yrs.   5 Yrs.   17 O's ash Flow   4 0%   5 O's ash Flow   3 0%   20 O's ash Flow   3 0%   20 O's ash Flow   6.55%   8.55	% 4.5% 6 0% 1 5% 4 5% 4 5% 192.8 2920.0 192.8 2920.0 194.6 4973.3 1961.8 5540 1560.0	bene weat Mid- theri mark tially voral regar the j of th that	her-no Tex a nore, teting becau ole a rd to oipelin e Nord were	rmalismed Lo marg segm see of rbitra storage bus ch Sid compl	zation ouisian ins for ent v effort age ac iness e Loo eted	na op vidence s to ca oppor tivitica reape p and last y	eration of the control of the contro	ns. F ural ely, p more s w eanwh rewa r proje nd th	ur- gas e fa- vith sile, ects ects	the not tween cally, (During naturally with to porate vance the 3-	on-util 15% posseng 200 al gas the pip e conf betwee to 5-y	and and a ess d of, th s gath peline igurat een 5 vear ti	ecent e com nering unit. ion, s mefre	f net i over pany g, whi ) In the share d 7% ame.	ncom all p expar ch fi ne pre net c annu	rospe nded i ts nic esent could ally c	int cel co: ac
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_ease:	i, uncapl	talized A 12/08 \$2	nual reni			7.2% 43.5%	31.8%	8.8% 37.5%	5.9% 59.6%	3.7% 61.2%	63.3%	6.1% 60 0%	6.0% 53.0%	5.2% 46 B%	5.3% 49.4%	5.3% 49.5%	49.5%	Net Profit Long-Terr	n Debt R		5.3 49.5
	ock None			2		56.5% 1714.1	59.4% 5089.9	60.6% 4482 1	39.2% 7175.0	37.7% 76723	35.7% .8252.5	39.1% 9356.9	46.7% 8333 1	53.2% 8384 9	50.6% ( 8937.9	50.5% 9400		Common Total Cap			50.5 1100
					Ì	1810.6 7.3%	3778.3 NMF	4240.0 7 1%	6358.3 5.3%	6605.9	7217.6 6.2%	8894.3 5.8%	7057.9 6.4%	7336.9 6 1%	7578.3 5.5%	7800 5.5%	8100	Net Plant Return on	(\$mill)	·	970 5.59
s of 4	/13/07	175,762,				10 9%	NMF	9 2%	10.4%	8.2%	13,1%	11 3%	10.1%	8 9%	85%	8.5%	8.5%	Return on	Shr. Equ	ily	8.55
MARK	ET CAP:	\$7.3 billio	n (Large			10.9% 3.3%	NMF NMF	8.2% NMF	10.0%	8.2% NMF	13.3%	11.4% 3.9%	10.0%	8.9% 2.0%	8.5%	8.5% 1.5%	2.0%	Return on Retained I	o Com E	9	2.0
(\$M	NT POS		2005	2006 : 210.9	3/31/07	70% BUS/N	NMF	110% Span Co	86%	103%	65% mpany c	66%	74%	77%	85%	82%		All Div'ds nsmission			77%
Cash / Other Curren	isseis i Asseis	28	95.6 25	576.1	326 5 2430.5 2757.0	the mea	rger of K	eySpan & ghling A	nargy (fo	ormerly B	rooklyn (	Union Ga	s) and	with L.J.	Power A	uthor. So	dd its sta	ke in Hou Von-regula	ston Exc	loration,	200
	Payable	10	B7 0 10 70.6	026.0 86.2	815.9 136.2	KeySpa	n the la	gesi gas y and Lo	distribute	or in the	Northeas	al, serving	g most	supplies,	sell ind	l energy	mgml. s	vcs. Ras	9,700 e	mpis C	hmn
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	g. Cov. L RATE			323% 1 Est'd			Span' ! has	s ac been	quisi push				The	millio	n, du	e to	additi	ion, to ional g	gener	ating	ca-
₹eveñi	e (per sh)	10 Yrs. 4.5		5% 4	10-12			have										City, e unus			
Cash amini Olvider	]Ş	4.0° 2.0° 3.0°	6 5.Ç	)% 3	.5% .5%	New	York	and N	ew Ĥ	ampsl	ire p	ublic y	ıtil-	costs.	In th	e 200	6 qua	rter, e usuall	lectri	city p	rof-
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ndar 2004	Mar.31	Jun.30 .13	Sep.30 03	Dec.31 .88	Year 2.43	sion :	is pre	sumal sume	bly tal	king a	ı close	er lool	c to					recent that			
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0x) ension	ı Assets	-9/06 \$95			t 7 mill	47.1%	45.6%	51.2%	52.9%	49.9%	49.4%	61.9%	59.7%	58.0%	65.2%	67.2%	68.6%	Common	Equity Ra	atio	69.
fd Sto	ck None	:	:00	ilig. S103	1 (1811)1	590 δ 659.4	638.2 680.0	590.4 705.4	620 1 730.6	706 2 743.9	732.4 756.4	676 8 852.6	783 8 880.4	755 3 905.1	954 0 934.9	990 955		Total Cap Net Plant		<u> </u>	1.
		27,993,8	44 shs	.:.		8.6% 13.9%	8.1% 13.9%	9.0% 14.8%	9 0% 14.6%	8 5% 14 8%	87% 15.7%	10.7% 15.6%	10 1%	11 2% 17 0%	9 6% 12.6%	9.5% 13.0%		Return or Return or			8. 10.
	T CAP:	\$1.5 billio	<del> </del>			14.3%	14.4%	14.8%	14.6%	14.9%	15.7%	15.6%	15.3%	17.0%	12.6%	13.0%	12.5%	Return or	Com Eq	uity	10.
rsmit	NT POS L)		2005		3/31/07	4 0%   73%	4.4% 71%	5 0% 67%	5 4% 63%	6.1% 59%	6.9% 56%	7.7% 51%	7.8% 49%	8 5% 50%	6 3% 50%	6.5% 50%		Retained All Divids			5. 5.
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5.2% ADITA	5.3%	4.4% ICTURE a	4.8%		4.4%	3.9% 1992.6	1465.1	4.1% 1615.2	2298 1	2544 1	1897.4	2662 7	2739 7	3357.8	2960.0	3100	3200	Revenue		iệi ii	
otal D	lebt \$595	i 1 mill - C	ue in 5 Y	'rs \$550.0		124.3	111.1	121.9	136.4	136.3	128.0	93.1	98.1	101.1	. 128.3	130		Net Prof		]	
	it \$498 1 nterest ca	mili L overage: 4	T interesi .6x)	t \$5 1 mll	ì	35 0%	34.4%	34 7%	34 6%	33.5%	31 0%	35 2%	31.8%	28.3%	26.3%	30.0%		Income 1			3
		-12/06 \$4		Oblin C	2713	6.2% 42.3%	7.6% 42.1%	7.5% 35.5%	5.9% 32.7%	5.4% 37.8%	6.7% 35.1%	3.5%	3.6%	3.0%	1.3% 35:3%	35.0%		Net Profi	n Margin m Debt R	atio	3
ill Elisso	II ASSEIS	*12100 34	32 3 IIIN	ODNG. Ø	2113	57.2%	57.4%	64.0%	66.7%	61.7%	64.5%	60.3%	60.1%	62.5%	63.7%	65.0%	55.0%	Common	Equity R	alio	δ
fd Sto	ck \$ 6 m	ill P	fd Div'd :	S2 0 mill		1300 6	1322 6	1230 1	1061 2 1729.6	1180 1 1768.6	1128 9	1251 5 2484.2	1246 B 2549.8	1297 7	1370,7 2714.1	1420 2850		Total Cap Net Plan	oital (\$mil	Ŋ	
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ommo		45,024,6	51 shares	;		16 6%	14.5%	15 4%	19 1%	18 6%	17.5%	12 3%	13 1%	12 5%	14 7%	14.0%	13.5%	Return o	n Shr. Equ	uity	ſ;
	126/07 ET CAP:	\$2.1 billio	n (Mld C	an)		16.7% 7.6%	14.6%	15.4% 6.2%	19.2% 8.5%	18.7% 7.9%	17.5% 6.5%	12.3%	13.1%	12.5%	14.7%	14.0%			to Com Eq		1,
URRE	NT POS				/31/07	55%	63%	60%	56%	58%	63%	88%	84%	81%	65%	66%			to Net P		
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ects P	Payable Ire			150 0	446.7 97.0	from Ira	nsportati	on 2006	gas sal	es (232 i	bcf): re	sidenItal,	80%;	aboul 1.	7% of co	ព្រាធាសា ន	lock (3/	07 ргоху	) Chaim	nan and	j C
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1991	14328		14381	1995	1996	11111111111111111111111111111111111111	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		108 S IE LINE P	97.2 JB., INC	10-1
16.74	14 10	18 15	18 30	16 02	16 86	15 82	16 77	18 17	21 09	25.78	25.07	23 57	25 69	33 01	37.20	37.95	39.80	Revenue			44.
2 57 67	3 25 74		3 50 1 63	3 41 1 61	3 85	3 72 1 76	3 24 1 82	372 170	3 68 1 79	3 85 1 88	3 65 1.62	3 85 1 76	3 92 1 86	4 34 2 11	4 75 2 35	5.15 2.60	5.20 2.55	"Cash Fi Earnings			5.5 3.
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12.23	12.41	13.08	13.63	14.55	15.37	16.02	16.59	17.12	17.93	18.56	18.68	19.52	20.64	21.28	22.01	23.20	24.20	Book Val	ue per sh		27
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5.9% CAPITA	5.7% L STRU	5.2% JCTURE a	5.5% s of 3/31	5.7% /07	3.278	361.8	4167	455.8	532.1	650.3	641.4	611.3	707 6	910.5	10132	1025	1075	Revenues		CIG	131
	bt \$646	66 mill. C		rs \$251.		43.1 32.9%	27.3 31.0%	44.9 35 4%	47.8 35.9%	50,2 35 4%	43.8 34.9%	46.0 33.7%	50.6 34.4%	58.1 36.0%	63.4 36.4%	70.5 37.0%	71.5	Net Profit Income T	(\$mill)		90 37.0
		overage: 3				11.9%	6.6%	9.9%	9.0%	7.7%	6.8%	7.5%	7.1%	8.4%	6.3%	6.9%	6.7%	Net Profit	Margin		5.9
-		s-12/05 \$2	-		5	46.0%	45 0% 50.6%	46 0% 49.9%	45 1% 50.9%	43 0% 53.2%	47.6% 51,5%	49 7% 50.3%	46.0% 54.0%	47.0% 53.0%	46.3% 53.7%	47.0% 53.0%		Long-Ten Common			48.0° 52,0
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		c 26,987,8	03 shs			- 7.4%	894.7 50%	895.9 8 8 %	934.0 6 7%	965.0 6 9%	995.6 5 9 %	1205.9 5.7%	1318.4 5 9 %	1373.4 6.5%	1425.1 7 0%	7.0%		Net Plant Return on		p'l	7.05
is of 4/3	30/07	\$1.3 bililio		anl		10.7% 11.0%	6.1% 6.0%	9.7% 9.9%	9 8% 10.0%	10 0% 10.2%	8.5%	9 1% 9.0%	8.9% 8.9%	9.9% 9.9%	10.6% 10.6%	11.0%		Return on Return on			11.55 11.55
			·		104/07	36%	NMF	28%	3 1%	35%	19%	2.6%	2.7%	37%	4.2%	5.0%	5.0%	Retained	la Com E	q	4.5
CURREA (\$MIL Cash As	L)	IIION .	2005 12/: 7 i	5.8	31/07 5 1	70%	118% SS: Nor	74%   thwest N	70% J	67% as Cod	79% istributes	72% natural	69% j	63% Pineline	system.	55% Dwns !		All Div'ds erground			60) break
Other Current			<u>16.6</u> 3	303.0 308.8	218.6 223 7	relail to	90 com	munitles,	641,000	customi	ers, in C	regon (9	0% of	down: re	esidential	55%;	commerc	ial, 28%; s 1,200	industri	at, gas	trans
Accis Pa Debi Du	ayable	1:	353 1	13.6 129.6	92.2 15.0	Portland	and Eu	gene, Ol	R; Vanco	uver, W/	A. Servic	e area p	opula-	shares; !	Snyder C	ap'l, 8.79	%; off/dir	, 2.0% (4	/07 prox	y). CEO	: Mai
Other Current	Liab.			98.3 941.5	128.7 235.9					ny buys nsportatio								220 NW :			iu, U
x. Chg.			10% 3 Past	49%	NMF '04-'06	Nort			atura	al's g boo		quar		labor Abser				hed	oino	nrof	fite
i change Revenue	(per sh)	10 Yrs. 6.59	5 Yrs	. 1o'1	0-12 0%	hedg	ing	1	n Or	egon,	the	comp	any	earni	ngs v	will p	roba	bly n	ot ris	së mi	ucl.
Cash F amings	low" S	2.09 2.09	6 3.0 6 3.0	% 5 % 6	.0% 5%	retair whetl		ne-thi ss or		of the betwe		iffere: s fore	cast	pick (	ın a	bit. a	fter a	rowth slowe	down	in 20	007
ivideňo look Va	śs	1.09 4.09	6 1.5	% 5	.5% .0%	and a				The c			s all	The v	vork 1 molet	edesi;	gn pro	ogram cing s	will ome :	proba activi	ıbly ties
Cal- ndar		TERLY REV Jun.30			Full Year	ton.)	Hedgi	ing n	etted	\$9.8 т	nillior	ı, pre	tax,	and p	aring	costs	by so	me ce	ntrali	zing .	and
2004	254.5	1097	81.4	262.0	707.6	in the \$1.8	millio	n in	both	the 2	006 a	and 2	005	projec	t now	in th	e wor	ling. ks is d			
	308.7 390.4			341.4 336.9	910 5 1013 2	first 6								strear Earni				likely	to b	e ab	ονε
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Cal-	EA	RNINGS PE	R SHARE	Α	Full	a bit l	lower	bad-d	ebt co	sts.				schedi	ıled t	o be i	extend	idary led to	inclu	de so	ome
ndar [1 1004	Mar.31 1.24	Jun.30 3	Sep.30 ( d.30	Dec.31 95	Year 1.86	b												the ne west			
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007	1.70	.06	d.33	1.17	2.60	about housii	ng slo	wdow.	n is a	ffectin	g the	Portla	and i	the co	ming	ехран	nsion.	spurt The l	ikely	open	ing
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ndar 1	dar,31	Jun.30 5	Sep.30 [	Dec.31	Year	ful in a bit,	2007.	Gas	storag	ge proi	fits sh	ould 1	rise d	earnin	gs, as	well.		aked,		_	_
003 004	315 .325	315 325	315 325	325 325	1 30	storag	e fac	ility	by ar	ound	7%.	And	the s	share	s are	trad	ling o	n th	e cor	npan	y's
	.325 .345	325 .345	325 345	345 355		compa its se												their o			eld
005 006	.355	355		- 1		gains,	but v	ve thi	nk th	ey wil	l just	mitig						CFA			007
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TIMEL	NESS	3 Raised 6	/15/07	High: Low:	12.9 10.3	18 2	18.1 13.9	18 3 14 3	19 7 11 8	19 0 14 6	19 0 13 7	22 0 16 6	24 3 19 2	25 8 21 3	28.4 23.2	27 5 24 3		1		t Price   2011	
SAFE		2 Ne#7/2		LEGE	NDS 40 x Divid		$\neg$			l	<u> </u>	ļ				l			2010		80
TECH!	_	4 Lowered = Market)	5/25/07	2-for-1 sc	viceo by in elative Pric ofi 11/04	ands p sh iterest Rati e Strangth	,						ļ	]		ļ	<u> </u>	ļ		ļ	60
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High	Price 40	Gain	Return		<u> </u>		<u> </u>				ļ				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	nia.	ļ	<u> </u>			30 25
Low	30 r Deci	(+55%) (+15%)	14% 7%	<b> </b> -	<del> </del>	· · · · ·	1.000.E	retiriu		neriggi.	Hinkste.	177111111111111111111111111111111111111	<sub></sub>	7		<del> </del>	1				20 15
lo Buy		0 N D	J F M 0 0 1	الإسد	ria principal	20-18-19-11-11-11-11-11-11-11-11-11-11-11-11-			Attilute												10
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to Bay to Sell	85 61	68	79 70	Percent shares traded	75 - 5 - 25 -													i yi 3 yi	13 3 45 2	22 2 56 5 97 2	-
1991	32936 1992		33589 1994	1995	1996	ահանինին 1997	1998	1999	2000			2003	2004	2005	2006	2007	2008	5 yr.	80.7 De line p		10-1
8 32	891	10 57	10 82	876	11 59	12 84	12 45	10 97	13.01	17 06	12 57	18 14	19.95	22 96	25 80	27.10	28.50 2.60	Revenue			32.6 2.9
78 44	107	1 14	1.13 68	1 25 .73	1 49 84	1 62 93	1 72 .98	1 70 93	1 77 1 01	1 81	1 81 95	2 04	2.31	2 43 1.32	2 50 1 27	2.50 1.40	1.45	Earnings			1.6
.44	.46	.48	.51	.54	.57	.61 152	.64 1.46	.68 1.58	.72 1 65	.76 1 29	.B0	.82 1 15	.85 1.85	.91 250	.95 2 74	.99 1.95	1.03	Div'ds D Cap'i Sp			2.3
1.37 4.83	1 41 5.13		1 95 5.68	1.72 6.16	1 64 6.53	6.95	7.45	7.86	8.26	8.63	8.91	9.36	11,15	11.53	11.83	12.35	12.90	Book Val	ue per si	D	14.4
49.46	51.59		53.15	57.67	59.10	60.39	61.48 16.3	62.59 17.7	63.83 14.3	64.93 16.7	66.18 18 4	67.31 16.7	76.67 16.6	76.70 17.9	74.61 19.4	73.80	73.00 ures are	Commor Avg Ann			71.8
16.3 1.04	12 3 75	15 4 91 :	15.7 1.03	13 8 92	13 9 87	13 6 .78	.85	1.01	.93	86	101	95	86	95	1 02	Value estin	Line	Relative	P/E Ratio	,	1.3
6.0%	5.3%	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%		ļ	Avg Ann			3.57
		ICTURE a i7 5 mill 0			Omill.	775.5 55.2	765 3 60.3	686.5 58.2	630 4 64.0	11079 65.5	832.0 62.2	1220.8 74.4	1529 7 95.2	1761 f 101.3	1924.7 96.7	2000 105		Revenue Net Profi		•	234 11
	l \$825 0 rest earr	mill Li ed: 4 0x; ·		t \$50 0 m est cover		39 1%	39 2%	39.7%	34 7%	34.6%	33.1%	34 8%	35.1%	33.7%	35 0%	35.0%		Income I			35.07
(x0.		•			_ }	7.1% 47.5%	7.9% 44.7%	8.5% 46.2%	7.7% 46 1%	5.9% 47.6%	7.5% 43.9%	6.1% 42.2%	6.2% 43.6%	5.8% 41.4%	5.0% 48.3%	5.2% 48.5%		Net Profi Long Ter		atio	5.0% 47.2%
enslo	n Assels	s-10/06 <b>\$</b> 2		ng. \$236	a mill	52.4%	55.3%	53.8%	53.9%	52.4%	56.1%	57.8% 1090 2	56.4% 1514.9	58.6% 1509.2	51,7% 1708 0	51.5% 1770		Common Total Cap			52,87 197
			0.	my sess	7	800.8 941.7	829 3 990.6	914.7 1047.0	978.4 1072.0	1069 4 1114.7	1051 6 1158.5	1812.3	1849.8	1939.1	2075.0	2100		Net Plant		"	235
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	T CAP: NT POS	\$1.9 billio	n (Mid C 2005		1/31/07	4 6% 65%	4.7% 65%	3.3% 72%	3.5% 71%	3 0% 75%	17% 83%	3 1% 74%	37% 66%	3 6% 68%	2.8% 74.6%	3.5% 71%		Retained All Divids			3.5% 69%
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	L RATE: (per sh)	10 Yrs.	Pas 5 Yrs	. lo'1	0-'12					et ga er (p								eloped ave be			
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# Missouri American Water Company of the Capital Asset Pricing Model for MIEC Witness Gorman's Eight Company Water Utility Comparable Group and MIEC Witness Gorman's Nine Company Gas Utility Comparable Group

Line		MIEC Witness Gorman's Eight Company Water Utility	MIEC Witness Gorman's Nine Company Gas Utility
No.		Comparable Group	Comparable Group
1.	Traditional Capital Asset Pricing Model (1)	10.0 %	10.3 %
2.	Empirical Capital Asset Pricing Model (1)	10.3 %	10.5 %
3.	Conclusion	10.2 %	10.4 %

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

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

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	1	<u>2</u>	<u>3</u>
	-	-	_
		Company-Specific	CAPM Result
	Value Line	Risk Premium	Including
	Adjusted	Based on Market	Risk-Free Rate of 5.3% (2)
	Bela	Premium of 5.8% (1)	Rate of 5,3% (2)
	Tra	ditional Capital Asset Pricing Model (	31
	112	olitorial Capital Asset I Hollig Model (I	<u>21.</u>
MIEC Witness Gorman's Eight Company Water Utility Comparable Group			
American States Water Co	0.80	4.6 %	99 %
Aqua America, Inc	0.90	5.2	10.5
California Water Service Group	0.90	5.2	10.5
Connecticut Water Services, Inc	0.90	5.2	10 5
Middlesex Water Company	0.85	4 9	10.2
SJW Corporation	0.70	4.1	9.4
Southwest Water Company	0.90	5.2	10.5
York Water Company	0.55	3.2	8.5
Average	0.81	<u>4.7</u> %	<u>10.0</u> %
MIEC Witness Gorman's Nine Company Gas Utility Comparable			
Group			
AGL Resources Inc.	0.95	55%	10.8 %
Atmos Energy Corporation	080	4 5	9.9
KeySpan Corp	0.85	4 9	10 2
New Jersey Resources Corp	0.80	4 6	9.9
NICOR, Inc.	1.30	7.5	12.8
Northwest Natural Gas Company	0.75	4 <b>4</b> 4 6	9.7 9.9
Piedmont Natural Gas Company, Inc South Jersey Industries, Inc	0.80 0.70	41	9.4
WGL Holdings, Inc	0.85	4.9	10.2
Average	0.87	5.0 %	10.3 %
		pirical Capital Asset Pricing Model (5)	
MIEC Witness Gorman's Eight	<u> </u>	pincar dapitary asset ( ) temp (wasser)	•
Company Water Utility Comparable Group			
American States Water Co.	080	49%	10.2 %
Aqua America, Inc.	0.90	5.4	10.7
California Water Service Group	0.90	5.4	10 7
Connecticut Water Services, Inc.	0.90	5.4	10.7
Middlesex Water Company	0.85 0.70	5.1 4.5	10 4 9 8
SJW Corporation Southwest Water Company	0.90	5.4	10.7
York Water Company	0.55	3,8	9.1
•	0.81	5,0 %	10.3 %
Average		3,0 %	10.0 70
MIEC Witness Gorman's Nine			
Company Gas Utility Comparable Group			
AGL Resources Inc.	0.95	56%	10.9 %
Almos Energy Corporation	0.80	49	10.2
KeySpan Corp.	0 85	5 1	10.4
New Jersey Resources Corp	0.80	4 9	10.2
NICOR, Inc.	1.30	7 i 4 7	12.4 10.0
Northwest Natural Gas Company Piedmont Natural Gas Company, Inc.	0 75 0.80	4 7	10.2
South Jersey Industries, Inc	0.70	4.5	98
WGL Holdings, Inc	0.85	5.1	10.4
	0.87	5.2 %	10.5 %
	0.01	3.2 /0	10.0

See page 3 for notes

### Missouri American Water Company Development of the Market-Required Rate of Return on Common Equity Using the Capital Asset Pricing Model for the MIEC Witness Gorman's Eight Company Water Utility Comparable Groupand the Nine Company Gas Utility Comparable Group Adjusted to Reflect a Forecasted RiskFree Rate and Market Return

Notes:

From the three previous month-end (Apr. '07 - June '06), as well as a recently available (June 29, (1)2007), Value Line Summary & Index, a forecasted 3-5 year total annual market return of 9.8% 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 vield.

The 3-5 year average total market appreciation of 37% produces a four-year average annual return of 8.19 % ( $(1.37^{25})$  - 1). When the average annual forecasted dividend yield of 1.62% is added, a total average market return of 9.81%, rounded to 9.8% (1.62% + 8.19%).

The 3-month and spot forecasted total market return of 9.8% minus the risk-free rate of 5.3% (developed in Note 2) is 4.5% (9.8% - 5.3%). The lbbotson Associates calculated market premium of 7.1% for the period 1926-2006 results from a total market return of 12.3% less the average income return on long-term U.S. Government Securities of 5.2% (12.3% - 5.2% = 7.1%). This is then averaged with the 4.5%  $\underline{\text{Value Line}}$  market premium resulting in a 5.8%, market premium. The 5.8% market premium is then multiplied by the beta in column 1 of page 2 of this Schedule.

Average forecast based upon six quarterly estimates of 30-year Treasury Note yields per the consensus of nearly 50 economists reported in the <u>Blue Chip Financial Forecasts</u> dated July 1, 2007 (see page 4 of this Schedule.) The estimates are detailed below: (2)

30-Year
Treasury Note Yield
5.3%
5.3
5.3
5.3
5.4
<u>5.4</u>
<u>5.3%</u>

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

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

Where R<sub>S</sub> = Return rate of common stock R<sub>F</sub> = Risk Free Rate

β = Value Line Adjusted Beta

 $R_M$  = Return on the market as a whole

- (4)Includes only those indicated common equity cost rates which are above 8.6%, i.e., 200 basis points above the prospective yield of 6.6% on A rated Moody's public utility bonds (page 1 of Schedule PMA-
- The empirical CAPM is applied using the following formula: (5)

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

Where  $R_S$  = Return rate of common stock  $R_F$  = Risk-Free Rate  $\beta$  = Value Line Adjusted Beta

R<sub>M</sub> = Return on the market as a whole

Source of Information:

Value Line Summary & Index
Blue Chip Financial Forecasts, July 1, 2007
Value Line Investment Survey, April 27, 2007, Standard Edition and Small and Mid-Cap
Edition and June 15, 2007, Standard Edition
Stocks, Bonds, Bills and Inflation – Market Results for 1926-2006 - Valuation Edition 2007
Yearbook,
Mercinestar Inc. Chicago II, 2007

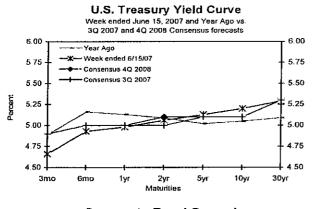
Morningstar, Inc., Chicago, IL 2007

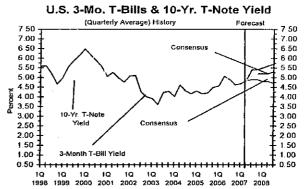
#### 2 ■ BLUE CHIP FINANCIAL FORECASTS ■ JULY 1, 2007

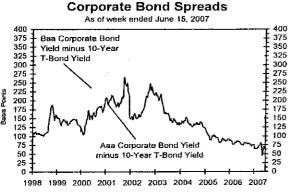
#### Consensus Forecasts Of U.S. Interest Rates And Key Assumptions<sup>1</sup>

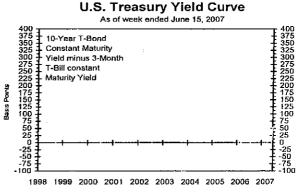
	F 10 10 00 00 00 00 00 00 00 00 00 00 00			Histo					Cons	sensus	Foreca	sts-Qu	arterly	Avg.
	Ave	erage For	Week En	ding	Ave	rage For N	Aonth	Latest Q	4Q	3Q	1Q	2Q	3Q	4Q
Interest Rates	<u>Jun 15</u>	June 8	<u>Jun 1</u>	May 25	May	<u>Apr.</u>	Mar.	20 2007*	<u>2007</u>	2007	<u>2008</u>	<u>2008</u>	2008	<u>2008</u>
Federal Funds Rate	5.26	5.24	5.28	5.24	5.25	5.25	5.26	<i>5,25</i>	5.2	5.2	5.2	5.1	5.1	5.1
Prime Rate	8.25	8.25	8.25	8.25	8.25	8.25	8.25	<i>8.25</i>	8.2	8.2	8.2	8.1	8.1	8.1
LJBOR, 3-mo.	5.36	5.36	5.36	5.36	5.35	5.35	5.35	5.34	5.4	5,4	5.3	5.3	5.3	5.2
Commercial Paper, 1-mo.	5.26	5.22	5.24	5.23	5.22	5.23	5.23	<i>5.23</i>	5.3	5.3	5.2	5.2	5.2	5.2
Treasury bill, 3-mo.	4.66	4.8	4.82	4.90	4.87	5.01	5.08	4.87	4.9	4.9	4.9	4.9	4.9	4.9
Treasury bill, 6-mo.	4.93	4.97	4.98	5.00	4.98	5.07	5.10	5 00	5.0	5.0	5.0	5.0	5.0	5.0
Treasury bill, 1 yr.	4.98	4.98	4.96	4.95	4.91	4.93	4.92	4.94	5.0	5.0	5.0	5.0	5.0	5.0
Treasury note, 2 yr.	5.06	4.99	4.92	4.84	4.77	4.67	4.57	4.82	5.0	5.1	5.1	5.0	5.1	5.1
Treasury note, 5 yr.	5.13	4.98	4.86	4.77	4.67	4.59	4.48	4.77	5.1	5.1	5.1	5.1	5.1	5.1
Treasury note, 10 yr.	5.20	5.02	4.90	4.84	4.75	4.69	4.56	4.85	5.1	5.2	5.2	5.2	5.3	5.3
Treasury note, 30 yr.	5.29	5.12	5.02	4.99	4.9	4.87	4.72	4 99	5.3	5.3	5.3	5.3	5.4	5.4
Corporate Aaa bond	5.89	5.67	5.58	5.55	5.47	5.47	5.30	5.57	5.9	6.0	6.1	6.1	6.1	6.2
Corporate Baa bond	6.79	6.62	6.51	6.47	6.39	6.39	6.27	6.50	6.8	6.9	7.0	7.0	7.1	7.1
State & Local bonds	4.64	4.54	4.41	4.38	4.31	4.26	4.15	4.39	4.7	4.7	4.8	4.8	4.8	4.8
Home mortgage rate	6.74	6.53	6.42	6.37	6.26	6.18	6.16	6.36	6.6	6.7	6.7	6.7	6.8	6.8
				History	/				Cons	ensus I	Forecas	its-Qua	irterly	Avg.
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	40	3Q
Key Assumptions	2005	2005	2006	<u>2006</u>	<u> 2006</u>	2006	2007	2007*	2007	2007	2008	2008	2008	2008
Major Currency Index	84.7	85.8	84.9	82.2	81.7	81.6	81.9	79.3	79.0	78.6	78.3	78.0	77.9	78.0
Real GDP	4.2	1.8	5.6	2.6	2.0	2.5	0.6	3.1	2.6	2,7	2.9	2.9	2.9	3.0
GDP Price Index	3.3	3.3	3.3	3.3	1.9	1.7	4.0	3.1	2.3	2.2	2.4	2.2	2.2	2.1
Consumer Price Index	5.5	3.5	1,8	5.1	3.0	-2.0	3.8	5.2	2.6	2.1	2.5	2.5	2.4	2.2

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). \*Interest rate data for 2Q 2007 based on historical data through the week ended June 15th. Data for 2Q 2007 Major Currency Index also is based on data through week ended June 15th. Figures for 2Q 2007 Real GDP, GDP Chained Price Index and Consumer Price Index are consensus forecasts based on a special question asked of the panel members this month.









## Missouri American Water Company Description of R-Squared Statistic from Modern Portfolio Theory & The Capital Asset Pricing Model – A User's Guide

"We can also describe how much of the activity of the dependent variable (here, our stock returns) was explained by the independent variable (the market returns) \_\_ that is, how well the line fits the data. The measure that describes this association is called the *coefficient of determination*, or  $R^2$ . If all the stock-return variation were coincident with market-return changes, the  $R^2$  would be 1.00. Smaller explanatory power would result in a lower  $R^2$ .

\* \* \* \*

The beta calculated for an average stock has an  $\mathbb{R}^2$  of about .30. Perhaps we should be pleased that the market 'explains' as much as 30 percent of the variance of a typical stock. By itself, this finding is significant but not surprising. Nevertheless, at least 70 percent remains to be explained, and that area is the province of security analysts. The question, What else drives the price of individual securities?"

Source of information: Diana R. Harrington, <u>Modern Portfolio Theory & The Capital Asset Pricing Model – A User's Guide</u>, Prentice-Hall, Inc., 1983, pp. 73-74.

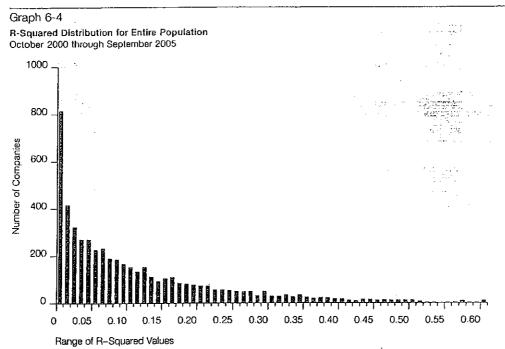
# Missouri American Water Company Value Line Adjusted Betas and Their Related R-Squareds for MIEC Witness Gorman's Eight Company Water Utility Comparable Group and Nine Company Gas Utility Comparable Group

MIEC Witness Gorman's Eight Company Water Utility Comparable Group	Value Line Adjusted Beta	R-Squared
American States Water Co. Aqua America, Inc.	0.80 0.90	0.1502 0.2529
California Water Service Group	0.90	0.2316
Connecticut Water Services	0.90	0.2421
Middlesex Water Company	0.85	0.1955
SJW Corporation	0.75	0.0940
Southwest Water Company	1.00	0.1895
York Water Company	0.50	0.0128
Average	0.83	0.1711
MIEC Witness Gorman's Nine Company Gas Utility Comparable Group		
AGL Resources	0.95	0.4099
Atmos Energy	0.80	0.3716
KeySpan Corp.	0.85	0.3860
New Jersey Resources	0.80	0.3358
NICOR	1.30	0.3961
Northwest Natural Gas	0.75	0.2581
Piedmont Natural Gas	0.80	0.3592
South Jersey Industries	0.70	0.2048
WGL Holdings, Inc.	0.85	0.3993
Average	0.87	0.3468

Source of Information: Value Line Inc., Proprietary Database, June 15, 2007

Stocks, Bonds, Bills, and Inflation Valuation Edition 2006 Yearbook SDD ibbotson.

In terms of measuring beta via regression, a high R-squared means that the movements of the returns of the security are explained largely by the movements of the returns of the market. The R-squared for security betas are usually quite low. Graphs 6-4 and 6-5 show a distribution of R-squared statistics from Ibbotson Associates' Beta Book. The first graph shows the distribution of R-squared for the approximately 5,000 companies included in the publication. The second graph shows the distribution of R-squared for the largest 100 companies, in terms of equity capitalization, that are included in the book.



Note that most betas have an R-squared less than 0.3. What can we infer from this data? There may be other company- or industry-specific factors that drive security prices. While the CAPM includes only one factor in determining expected returns, it does not disallow the existence of others.

Table 6-7
Ordinary Least Squares Betas for the NYSE Size Portfolios
1926–2005

4. 2.	January 2001~December 2005	1926-2005
Decile 1	0.84	0.90
Decile 2	0 79	1.02
Decile 3	0.97	1.08
Decile 4	0.89	1.11
Decile 5	0.86	1.13
Decile 6	0.89	1 16
Decile 7	0.90	1.20
Decile 8	0 96	1.24
Decile 9	1 04	1.31
Decile:10	0.97	1.40

By looking at the same analysis over a number of 60-month periods, the relationship between the betas of large and small companies becomes clearer. Graph 6-9 shows rolling 60-month betas for selected NYSE deciles. The beta of each decile is calculated over the 60-month period January 1, 1926 through December 31, 1930, then the calculation is carried forward for each consecutive 60-month period through December 31, 2005. While the portfolio containing the largest companies has a very stable beta, the portfolio containing the smallest companies has periods where the beta is high and periods where it is low. Referring back to Table 6-7, the most recent 60-month period is one in which small company betas are low. There does not appear to be the consistency in the beta measure of smaller companies as there is with larger companies.