Exhibit No.:

Issues:

Return on Equity, Capital

Structure

Witness:

Pauline M. Ahern Surrebuttal PUBLIC

Exhibit Type: Sponsoring Party:

Missouri-American Water

Company

Case No.:

WR-2010-0131

SR-2010-0135

Date:

May 6, 2010

## MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2010-0131 SR-2010-0135

SURREBUTTAL TESTIMONY

OF

**PAULINE M. AHERN** 

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

# BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

IN THE MATTER OF MISSOURI-AMERICAN WATER COMPANY FOR AUTHORITY TO FILE TARIFFS REFLECTING INCREASED RATES FOR WATER AND SEWER SERVICE

CASE NO. WR-2010-0131 CASE NO. SR-2010-0135

## **AFFIDAVIT OF PAULINE M. AHERN**

Pauline M. Ahern, being first duly sworn, deposes and says that she is the witness who sponsors the accompanying testimony entitled "Surrebuttal Testimony of Pauline M. Ahern"; that said testimony and schedules were prepared by her and/or under her direction and supervision; that if inquires were made as to the facts in said testimony and schedules, she would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of her knowledge.

Pauline M. Ahern

State of New Jersey County of Burlington

SUBSCRIBED and sworn to

Before me this 26th day of 1201

Notary Public

My commission expires:

SHARON M. KEEFE
NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES JULY 9, 2011

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2	Q.	Please state your name, occupation and business address.
3	A.	My name is Pauline M. Ahern and I am a Principal of AUS Consultants. My
4		business address is 155 Gaither Drive, Suite A, Mount Laurel, New Jersey
5		08054.
6	Q.	Are you the same Pauline M. Ahern who previously submitted direct and
7		rebuttal testimonies in this proceeding?
8	A.	Yes, I am.
9	Q.	What is the purpose of this testimony?
10	A.	The purpose of this testimony is to respond to the rebuttal testimony of David
11		Murray, witness for the Missouri Public Service Commission Staff (the Staff).
12		I will respond his criticisms of my recommended common equity cost rate.
13	Q.	Have you prepared schedules in support of your surrebuttal testimony?
14	A.	Yes, I have. They have been marked for identification as Schedules PMA-24
15		and PMA-25.
16		II. SUMMARY
17	Q.	Please briefly summarize your testimony.
18	A.	This testimony focuses upon Mr. Murray's misplaced criticisms of my
19		recommended common equity cost rate.
20		With regard to common equity cost rate, I will first clarify Mr.
21		Murray's misstatement as to how I developed my recommended common
22		equity cost rate. In addition, I will reiterate evidence from my direct testimony

I. INTRODUCTION

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which supports the difference in the results of the application of the Discounted Cash Flow Model (DCF), Risk Premium Model (RPM), Capital Asset Pricing Model (CAPM) and Comparable Earnings Model (CEM). I will also demonstrate why Mr. Murray's use of third party analyses to support his recommended overall rate of return and common equity is unfounded. I will show that his criticisms of my methodologies, specifically: 1) the use of multiple cost of common equity cost rate models; 2) the use of forecasted vields in the RPM and CAPM; 3) the use of the arithmetic mean equity risk premium in the RPM and CAPM; 4) the use of the income return on longterm U.S. Treasury securities in the CAPM; 5) the use of the Empirical CAPM (ECAPM); and 6) the use of the CEM, are misplaced. Consequently, Mr. Murray's common equity cost rate recommendation is contrary to regulatory consensus and common sense. The cost rate for common equity capital is not, and should not be, the result of a mechanical application of essentially one cost of equity model.

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### III. RESPONSE TO STAFF WITNESS DAVID MURRAY'S COMMENTS

- On page 11, lines 18 through 22, of his rebuttal testimony Mr. Murray claims
  that you "calculated a simple average of the cost of equity estimation
  methodologies" for both your water and natural gas utility proxy groups.

  Please comment.
- A. Mr. Murray is incorrect. In arriving at an indicated common equity cost rate for each proxy group, I not only evaluated the "simple average" or mean, but

also the midpoint of the ranges of common equity cost rates as well as the median of the common equity cost rates developed by each methodology.

Α.

Q.

On page 12, lines 2 through 8, of his rebuttal testimony, Mr. Murray makes the assertion that the difference in your indicated costs of common equity for the water utility proxy group relative to the natural gas utility proxy group is due to "inappropriate inputs . . . rather than actual cost of [common] equity differences in the capital markets." Please comment.

First, the inputs for each model were identical for each group so any bias in the results due to "inappropriate inputs" perceived by Mr. Murray affects the results of the application of the cost of common equity models to both proxy groups. The only difference was that I did not rely upon the CEM results of 21.00% for the natural gas utilities for reasons explained at page 65, lines 6 through 10 of my direct testimony, namely that 21.00% is an outlier when compared with the CEM results for the water utility proxy group and the results of the application of the DCF, the RPM and the CAPM.

Nevertheless, there is ample evidence in my direct testimony as to why the capital markets may require a higher cost of common equity for water utilities than for natural gas utilities. Water companies are approximately four times as capital intensive as natural gas distribution companies. At discussed on page 8, line 34 through page 9, line 2 of my direct testimony, it took \$3.44 of net utility plant on average for the water industry to produce \$1.00 in operating revenues in 2008 or roughly four times

the \$0.89 of net utility plant per \$1.00 in operating revenues for the natural gas distribution industry. In addition, as discussed on page 11, lines 24 through 27 of my direct testimony, depreciation rates for the water utility industry as a whole of 2.5% in 2008 are approximately 63% those of the natural gas distribution industry as a whole of 4.0%. Consequently, the greater capital intensity and lower depreciation rates of water utilities presents significant challenges in obtaining needed capital to finance the replacement of aging infrastructure and to meet the demands of customer growth. The lower depreciation rates, as one of the principal sources of internal cash flows for all utilities, mean that water utility depreciation as a source of internally generated cash is far less than for the other utility industries. In view of the foregoing, water utilities face greater risk than do the energy utilities due to inflation which results in a higher replacement cost per dollar of net plant than for other types of utilities.

Also, the smaller size of water utilities, as represented by my water utility proxy group, relative to that of gas utilities, as represented by my natural gas distribution utility proxy group, indicates greater risk for water utilities, because, as discussed in detail in both my direct testimony at pages 14 through 18 and again in my rebuttal testimony at pages 27 through 28, all else equal, size has a bearing on risk and must be reflected in a recommended common equity cost rate. As shown in Table 3 on page 16 of my direct testimony the proxy group of gas distribution companies, at \$1.464

<u>billion</u> in market capitalization, is nearly twice as large on average as the proxy group of water companies at \$769.035 million.

The proxy group of water utilities also exhibits greater average systematic, i.e. market or non-diversifiable, risk than the proxy group of gas distribution companies as demonstrated by the water utility average / median beta of 0.78 / 0.80 compared with the average / median beta of the gas distribution proxy group of 0.66 / 0.65. Furthermore, as shown on Schedule PMA-11, page 2, the average Moody's bond rating of the water utility proxy group is A2 while that of the gas utility proxy group is A3 and the average Standard & Poor's (S&P) bond rating is A+ for the water group and A for the gas distribution group, indicating slightly greater bond default risk. In addition, while both groups share an average "Excellent' business risk profile as assigned by S&P, the water group's financial risk profile is "Intermediate", while that of the gas utility group is on average "Significant".

These factors all provide support for "actual cost of [common] equity differences in the capital markets and the differences in the indicated common equity cost rates resulting from my applications of the DCF, RPM, CAPM and CEM are not "a function of inappropriate inputs."

- Q. On page 13, line 15 through page 17, line 5, of his direct testimony, Mr.
   Murray discusses your DCF application. Please comment.
- A. Mr. Murray's discussion is based upon a criticism of the use of analysts'
  earnings per share (EPS) long-term growth forecasts which I utilized in my

DCF application. He reiterates the concerns discussed in his direct testimony relative to the sustainability of such growth rates by comparing them with average growth in the U. S. economy as measured by projected GDP growth. My rebuttal testimony already addressed the fact that U.S. GDP growth is an average of the growth of the U.S. economy as a whole, with some sectors / industries growing at a faster pace and some at a slower pace as discussed on page 12, line 12 through page 13, line 11 and demonstrated on Schedule PMA-15.

Also, as noted in my rebuttal testimony, at page 11, line 17 through page 12, line 10, Staff did not voice such concerns about analysts' projected EPS growth rates in previous MAWC rate cases, when projected growth in GDP was also lower than the then current analysts' EPS growth rate projections.

Finally, Mr. Murray's rebuttal testimony is silent about the support provided in my direct testimony that earnings expectations based upon analysts' earnings growth forecasts have a significant influence on market prices and, therefore, appreciation of the "growth" experienced by investors. The accuracy or sustainability of such forecasts of EPS growth is irrelevant after the fact. What is relevant is that they reflect widely held expectations and are influential and consistent with current stock price levels. It is investor expectations which are being reflected in market prices. As Morin notes<sup>1</sup> "it is the consensus forecast that is embedded in price and therefore in required

1	return, and not the future as it will turn out to be." In addition, my direct
2	testimony on pages 38 through 41 presents academic / empirical support for
3	the superiority of analysts' EPS growth forecasts.

Q. On page 16, lines 3 through 21, of his direct testimony, Mr. Murray discusses research reports he reviewed relative to "long-term expected sustainable growth rates for investments in regulated water utility companies." Please comment.

Α.

Given that the superiority of analysts' EPS long-term growth forecasts for use in a DCF analysis has been demonstrated academically and empirically as discussed above and my direct testimony relative to their influence on investors' pricing decisions, it is both interesting and relevant that the Macquarie Research (Macquarie) report provided in response to Staff Data Request No. 107-R97 and provided as Attachment B contradicts Mr. Murray's rebuttal testimony in distinct ways.

First, on Attachment B-1, Macquarie states that it "believe[s] that an 8-10% EPS CAGR [compound annual growth rate] is achievable longer term." Specifically, for American Water Works, Macquarie notes on Attachment B-14 that it expects a 14% EPS CAGR through 2012 and long-term EPR growth at 7-10%.

Second, stated on Attachment B-6 relative to the consolidation in the water utility industry which Mr. Murray "believes" is a "reason for near-term higher expected growth rates in both EPS and DPS for water utilities", as he

Roger A. Morin, New Regulatory Finance, (Public Utilities Reports, Inc., 2006) 298.

states on page 14, lines 13 - 17, Macquarie "warn[s] that historically large acquisitions proved detrimental to earnings growth and realized ROEs of US water utilities" due in large part to regulatory lag and the "serious drag" it places on earnings.

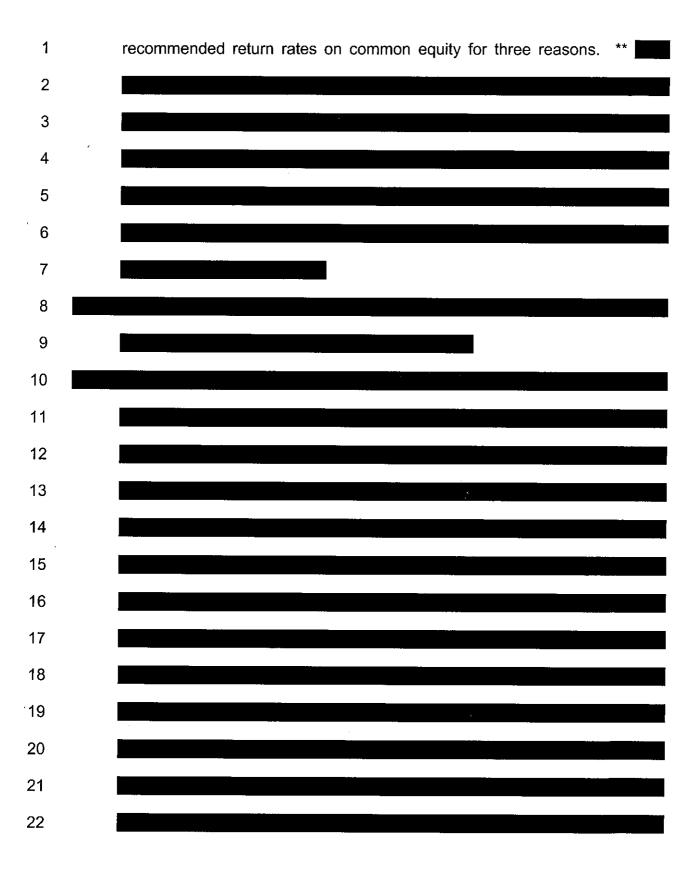
Q.

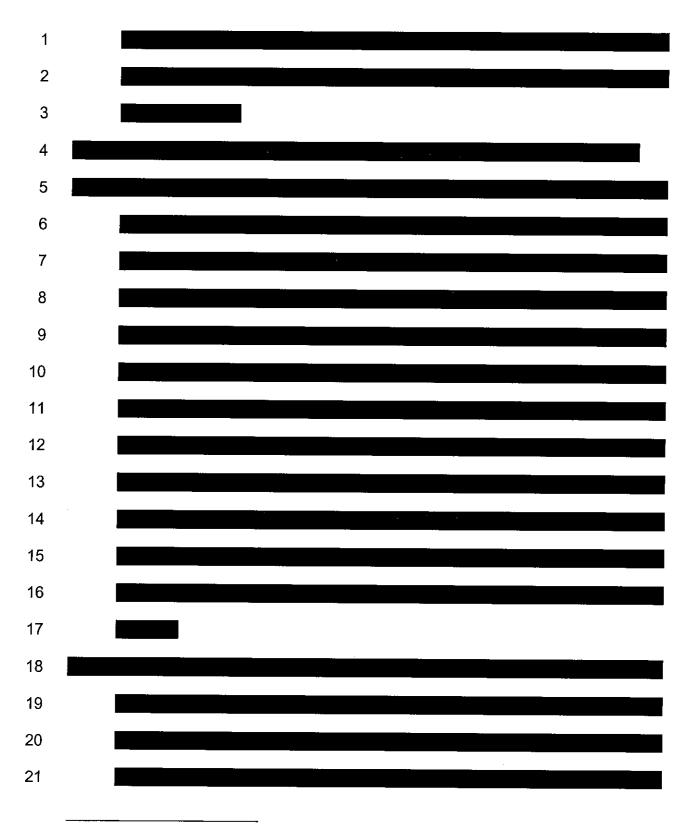
Α.

Third, the November 24, 2008 Society Generale equity research report provided in response to Staff Data Request No. 107-R104 provided by Mr. Murray as Attachment D-1, while providing a 7.5% cost of common equity estimate (without any discussion of the underlying assumptions or description of how it was derived) nevertheless, states on Attachment D-19, that after 2009, "we expect [dividend] payout to stabilize at around 70%, which should make possible a 12% increase in dividend p. a." (emphasis added)

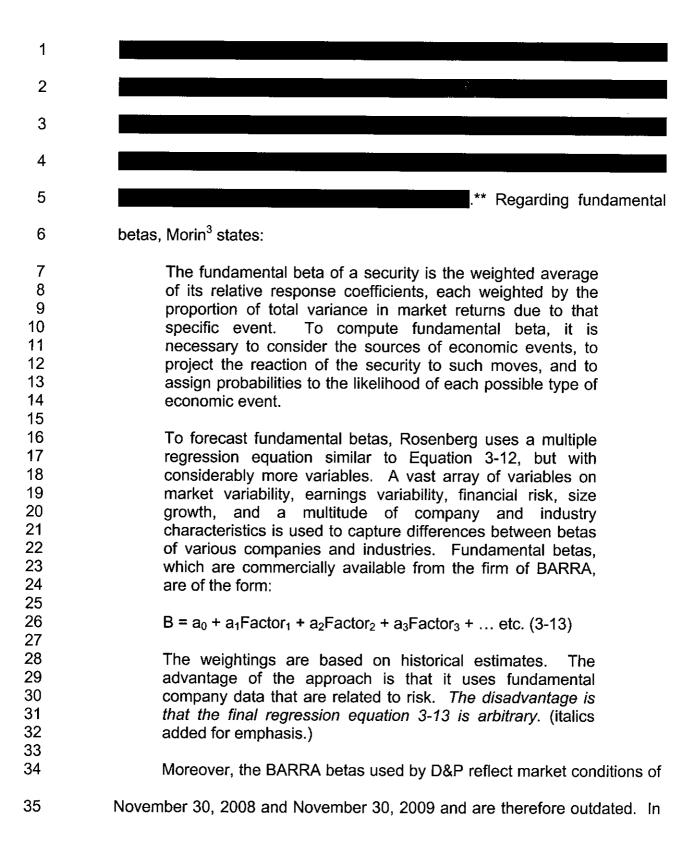
In view of all the foregoing, Mr. Murray's criticism of the use of analysts' EPS long-term growth forecasts in a DCF analysis is unfounded, unsupported and should be disregarded.

- At page 17, line 19 through page 19, line 17 of his rebuttal testimony Mr. Murray discusses MAWC's response to Staff Data Request No. 109. Please comment.
- 'MAWC's response to Staff Data Request Nos. 109-R1 and 109-R2 were confidential valuation studies conducted by Duff & Phelps, LLC (D&P) as of November 30, 2008 and November 30, 2009. It is inappropriate to rely upon D&P's conclusions to test the reasonableness of either Mr. Murray's or my



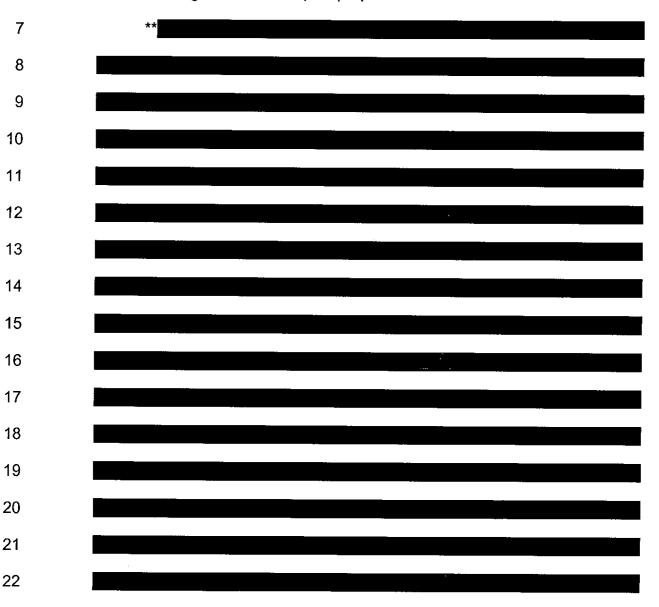


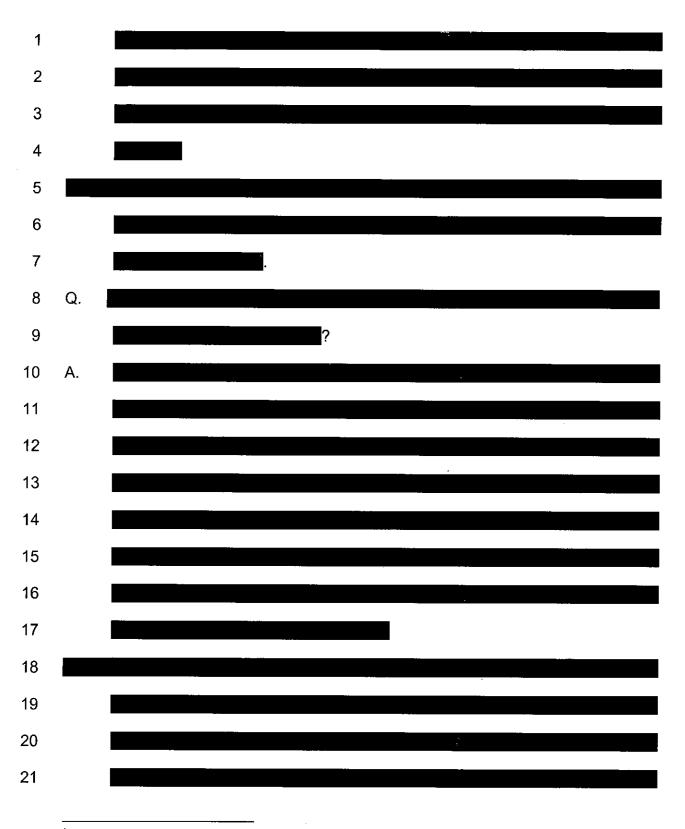
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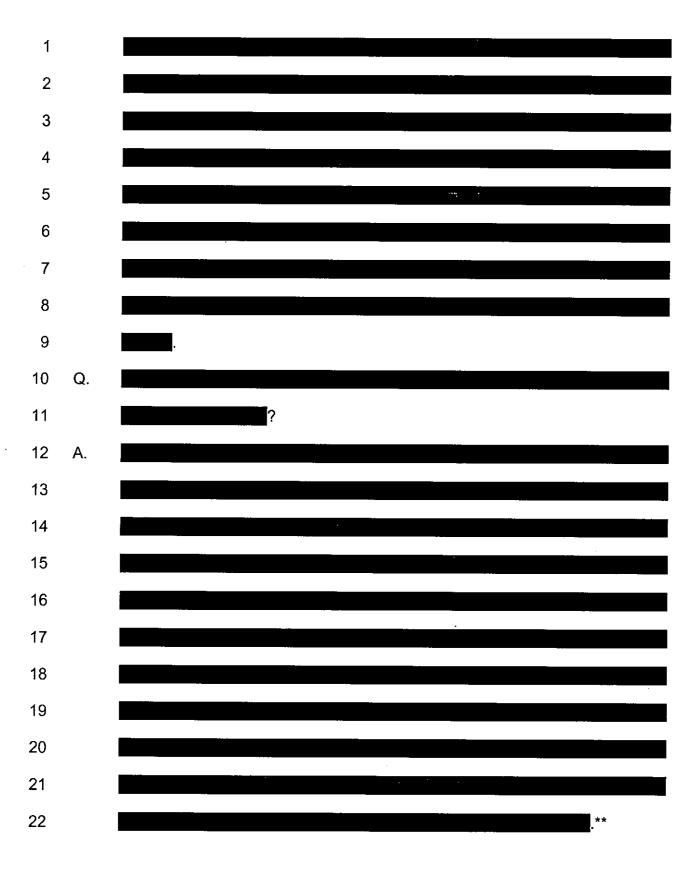
Roger A. Morin, New Regulatory Finance, Public Utilities Reports, Inc., 2006, p.86.

addition, to the best of my knowledge and experience in regulatory ratemaking over the last twenty-plus years, I cannot recall ever seeing BARRA betas used for setting an authorized return rate on common equity for a regulated utility. In my opinion, the <u>Value Line Investment Survey</u> betas utilized by Mr. Murray and myself are more appropriate for a CAPM analysis for ratemaking and cost of capital purposes.

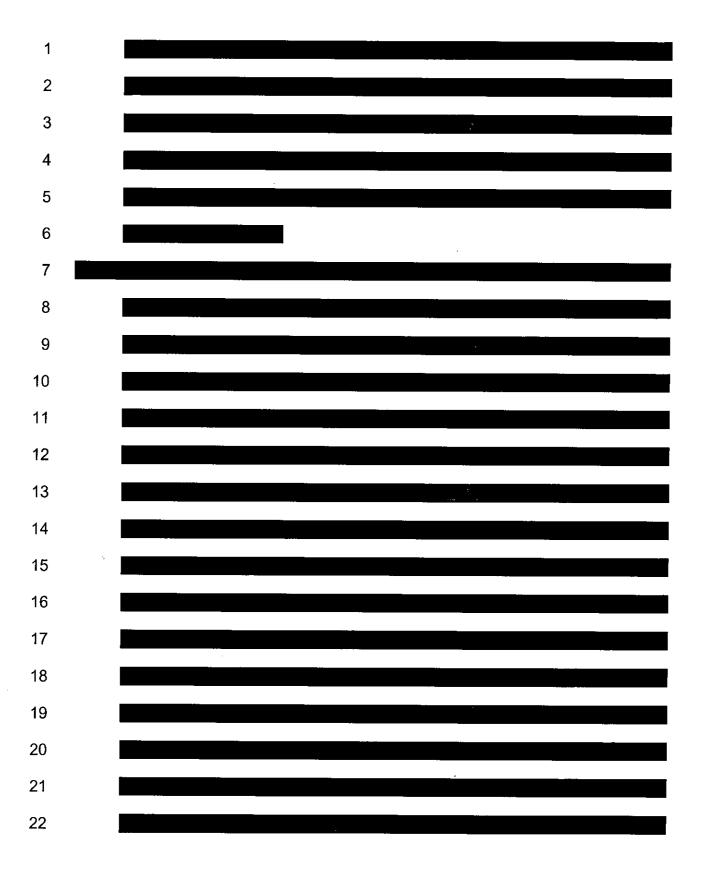




ld., at p. 175. ld., at p. 175. 



However, these results are applicable to the large, less business risky D&P guideline companies and therefore do not reflect the greater business risk due to MAWC's smaller relative size. As discussed in detail in my direct testimony at pages 14 through 18 and again in my rebuttal testimony at pages 27 through 28, all else equal, size has a bearing risk and must be reflecting in a recommended common equity cost rate. \*\* 



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A.

Q. At lines 3 through 22 on page 21 of his rebuttal testimony, Mr. Murray
 criticizes your testimony regarding the need to rely upon more than one cost
 of common equity model. Please comment.

He does so without responding to the substantial academic and regulatory support found on pages 25 through 35 of my direct testimony for the use of multiple cost of common equity models and ignoring the Efficient Market Hypothesis (EMH) upon which all cost of common equity models are premised<sup>6</sup> which confirms that investors rely upon multiple cost of common equity models in formulating their required rates of return as discussed in my direct testimony at page 24, lines 5 through 17. My direct testimony provides, at page 25, line 1 through page 27, line 31, academic support from Charles F. Phillips, Jr. and Roger A. Morin, who cites Eugene F. Brigham and Stewart Myers, that multiple cost of common equity cost rate models should be utilized when assessing investors' required returns. As stated in my direct testimony, at page 27, lines 28 through 31, "[i]n view of the foregoing, it is clear that investors are or should be aware of all of the models available for use in determining a common equity cost rate. The EMH requires the assumption that, collectively, investors consider them all."

Nevertheless, in disregard of this support for the use of multiple cost

Mr. Murray, later in his rebuttal testimony, invokes the EMH relative to his concerns with the RPM.

of common equity models, Mr. Murray again relies upon "other available financial information to test the reasonableness of a recommendation, once again citing the Missouri State Employees' Retirement System's (MOSERS) report. My rebuttal testimony, on page 23, line 23 through page 25, line 1 has already addressed the MOSERS' expected return for large cap domestic studies, concluding that it has no relevance to the determination of a common equity cost rate relative to a single asset/security such as MAWC's rate base.

Q.

In addition, since Mr. Murray did not explain his "rule of thumb" test to determine if his cost of common equity estimate was within reason and since this surrebuttal testimony has demonstrated that the equity analysts' research reports studied by Mr. Murray and provided in his rebuttal exhibit do not support the reasonableness of his approach to the determination of a recommended common equity cost rate of 9.25%, his comments on page 21 should be rejected.

- On page 22, lines 3 through 14 and page 26, lines 20 through 22 of his rebuttal testimony, Mr. Murray discusses his disagreement with your use of forecasted yields in the RPM and the CAPM. Please comment.
- As discussed in my rebuttal testimony and previously in this testimony, ratemaking and the cost of capital are both prospective. Therefore, the

appropriate yields to use in the RPM and CAPM are forecasted yields. In addition Roger A. Morin states<sup>7</sup>:

Because of the dominance of institutional investors and their influence on individual investors, analysts' forecasts of longrun growth rates provide a sound basis for estimating required returns. Financial analysts exert a strong influence on the expectations of many investors who do not possess the resources to make their own forecasts, that is, they are a cause of g. The accuracy of these forecasts in the sense of whether they turn out to be correct is not at issue here, as long as they reflect widely held expectations. As long as the forecasts are typical and/or influential in that they are consistent with current stock price levels, they are relevant. The use of analysts' forecasts in the DCF model is sometimes denounced on the grounds that it is difficult to forecast earnings and dividends for only one year, let alone for longer time periods. This objection is unfounded. however, because it is present investors expectations that are being priced; it is the consensus forecast that is embedded in price and therefore in required return, and not the future as it will turn out to be.

\* \* \*

Academic research confirms the superiority of analysts' earnings forecasts over univariate time-series forecasts that rely on history. This latter category includes many ad hoc forecasts from statistical models, ranging from the naïve methods of simple averages, moving averages, etc. to the sophisticated time-series techniques such as the Box-Jenkins modeling techniques. The literature suggests that analysts' earnings forecasts incorporate all the public information available to the analysts and the public at the time the forecasts are released. This finding implies that analysts have already factored historical growth trends into their forecast growth rates, making reliance on historical growth rates somewhat redundant and, at worst, potentially double counting growth rates which are irrelevant to future expectations. Furthermore, these forecasts are statistically more accurate than forecasts based solely on historical earnings, dividends, book value equity, and the like.

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<sup>7</sup> Id., at pp. 298-299.

Α.

Although the foregoing quote by Morin is relative to analysts' growth rate projections, the principles apply equally to interest rate projections. Financial analysts do exert a strong influence on the expectations of investors, whether it be with forecasts of growth for use in the DCF or forecasts of interest rate levels. Not only do analysts' earnings forecasts incorporate all the public information available to them and the public at the time of the forecasts, so do analysts' forecasts of interest rate levels. Therefore, the use of current yields in the RPM and CAPM is not appropriate. Rather, forecasts of corporate, public utility and U.S. Treasury bond yields are appropriate.

- Q. Mr. Murray states at lines 11 through 14 on page 22 of his rebuttal testimony that "[u]sing projected bond yield is akin to using projected stock prices when estimating the cost of [common] equity using the DCF methodology." Please comment.
  - Once again, Mr. Murray is incorrect. First, the theory underlying the DCF model is that the present value of an <u>expected</u> future stream of net cash flows during the investment holding period can be determined by discounting the cash flows at the cost of capital, at the investors' capitalization rate. DCF theory indicates that an investor buys a stock for an expected total return rate which is derived from cash flows received in the form of dividends plus appreciation in market price, i.e., a <u>future</u> stock price. Note however, in both

Mr. Murray's and my applications, the investment horizon is infinity and there is no terminal market price.

Q.

Α.

Second, the use of projected bond yields in both the RPM and CAPM is more akin to the use of a future dividend yield, i.e.,  $D_{1/2}$  or  $D_1$  and the use of a growth rate, whether based upon historical and/or projected growth as a proxy for the investors' expected growth in dividends. Moreover, interest rate forecasts are available to investors. The use of projected bond yields therefore does not violate the underlying premise of the EMH. To the contrary, the use of projected bond yields is both consistent with and required by the EMH. Mr. Murray's comments should be disregarded.

- Mr. Murray criticizes your use of arithmetic means in your RPM and CAPM analyses on pages 22 and 24, respectively, of his rebuttal testimony. Please comment.
- On pages 22 through 25 of his rebuttal testimony, Mr. Murray provides an example to support his contention that using the arithmetic mean is questionable. However, Mr. Murray's mathematical example is questionable because it does not take into account the probability of each outcome, i.e., an increase of 50% in one year and a decrease of 50% in another. As noted in my rebuttal testimony, at page 20, line 14 through page 21, line 11, the financial literature is quite clear that risk is measured by the variability of expected returns, i.e., the probability distribution of returns. The arithmetic mean return and not the geometric mean return provides insight into the

variance and standard deviation of returns, i.e., risk, without which investors cannot meaningfully evaluate prospective risk. An example, similar to Mr. Murray's, is given on page 2 of Schedule PMA-18 which demonstrates that the proper expected value is predicted by compounding the arithmetic mean and not the geometric mean. In other words, it is the arithmetic mean which must be compounded over a period of time in order to achieve the terminal wealth value which gives rise to the compound average or geometric return. As noted on page 3 of Schedule PMA-18, "[t]he arithmetic mean equates the expected future value with the present value; it is therefore the appropriate discount rate."

- Q. At page 28, line 14 through page 29, line 11 of his rebuttal testimony, Mr. Murray criticizes your use of the CEM. He states at page 28, lines 20 through 21, "if the allowed returns are set based on expected returns, then it is possible that these returns will be based on returns that are not consistent with the long-term required returns on common equity, i.e., required ROE.
- A. This statement by Mr. Murray indicates a lack of understanding of the market prices paid by investors. The DCF model upon which he relies is based entirely upon investor expectations. Sometimes those expectations are met; sometimes returns are greater than expected; and sometimes returns are less than expected. However, it is the expectations of those returns that influence the market prices that investors pay.

Moreover, the CEM has a long, well-established history in utility ratemaking and is based upon the premise that regulation is a substitute for the competition of the marketplace consistent wit the "corresponding risk" standard set forth in the landmark U.S. Supreme Court cases and consistent with the Hope doctrine that the return to the equity investor should be commensurate with returns on investment in other firms having corresponding risks. Since the non-utility companies upon which I rely in my CEM analysis are selected based upon comparable total risk to my proxy groups, the selection bases make the non-price regulated companies comparable in both non-diversifiable, systematic, risk as well as diversifiable, unsystematic risk. Consequently, because they are comparable in total risk, the returns on their book values are relevant to the returns on book values of price regulated companies and hence appropriate for setting an authorized return rate on common equity. Mr. Murray's criticisms should be rejected.

- 15 Q. Does this conclude your surrebuttal testimony?
- 16 A. Yes, it does.

Exhibit No.:

Issues:

Return on Equity Pauline M. Ahern Witness:

Exhibit Type:

Surrebuttal

Sponsoring Party: Missouri-American Water

Company

Case No.:

WR-2010-0131 SR-2010-

0135

Date:

May 6, 2010

## MISSOURI PUBLIC SERVICE COMMISSION

**CASE NO. WR-2010-0131** SR-2010-0135

**EXHIBIT** 

TO ACCOMPANY THE

**SURREBUTTAL TESTIMONY** 

OF

PAULINE M. AHERN, CRRA

ON BEHALF OF

**MISSOURI-AMERICAN WATER COMPANY** 

## **Ø** BARRA

## **Predicted Beta**

http://www.barra.com/support/library/PredictedBeta.pdf

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## **BARRA Predicted Beta**

Beta is a gauge of the expected response of a stock, bond, or portfolio to the overall market. For example, a stock with a beta of 1.5 has an expected excess return of 1.5 times the market excess return. If the market is up 10% over the risk-free rate, then—other things held equal—the portfolio is expected to be up 15%. Beta is one of the most significant means of measuring portfolio risk and shows a strong relationship to expected return.

#### Historical Beta vs. Predicted Beta

Historical beta is calculated after the fact by running a regression (often over 60 months) on a stock's excess returns against the market's excess returns. There are two important problems with this simple historical approach:

- It does not recognize fundamental changes in the company's operations.
   For example, when RJR Nabisco spun off its tobacco holdings in 1999,
   the company's risk characteristics changed significantly. Historical beta would recognize this change only slowly, over time.
- It is influenced by events specific to the company that are unlikely to be repeated. For example, the December 1984 Union Carbide accident in Bhopal, India, took place in a bull market, causing the company's historical beta to be artificially low.

Predicted beta, the beta BARRA derives from its risk model, is a forecast of a stock's sensitivity to the market. It is also known as *fundamental beta*, because it is derived from fundamental risk factors. In the BARRA model these risk factors include 13 attributes—such as size, yield, and price/earnings ratio—plus industry exposure allocated across a maximum of 6 of 55 industry groups. Because we reestimate these risk factors monthly, the predicted beta reflects changes in the company's underlying risk structure in a timely manner.

BARRA programs use predicted beta rather than historical beta because it is a better forecast of market sensitivity.

#### **Computing Predicted Beta**

Below we show how the predicted beta of a portfolio is computed.

The beta of a portfolio p with respect to the market m is defined as the covariance of the portfolio return with the market return divided by the variance of the market:

(1) 
$$\beta_{\rho} = \frac{\text{COV}(r_{\rho}, r_{m})}{\text{VAR}_{m}}$$

The covariance between two portfolios is decomposed into two parts:
a) the part explained by factors, called *common factor covariance*; and b) the part unexplained by factors, called *specific covariance*.

The factor covariance between portfolio p and the return on the market m is the product of the transposed vector of the factor exposures for the portfolio, the factor covariance matrix, and the vector of the factor exposures for the market:

(2) CF COV
$$(r_p, r_m) = X_p^T F X_m$$

The specific covariance is:

(3) SP COV
$$(r_p, r_m) = \sum_{i=1}^{N} h_{pi} h_{mi} \sigma_i^2$$

Now, combining equations (1) and

(4) 
$$COV(r,r) = VAR(r)$$

we have the formula for the BARRA predicted beta of a portfolio:

(5) 
$$\beta_{p} = \frac{\text{COV}(r_{p}, r_{m})}{\text{VAR}_{m}}$$

$$= \frac{\text{CF COV}(r_{p}, r_{m}) + \text{SP COV}(r_{p}, r_{m})}{\text{CF COV}(r_{m}, r_{m}) + \text{SP COV}(r_{m}, r_{m})}$$

$$= \frac{\sum_{j=1}^{NFAC} \sum_{k=1}^{NFAC} X_{pj} Fjk X_{mk} + \sum_{i=1}^{N} h_{pi} h_{mi} \sigma_{i}^{2}}{\sum_{j=1}^{NFAC} \sum_{k=1}^{NFAC} X_{mj} Fjk X_{mk} + \sum_{j=1}^{N} h_{mi}^{2} \sigma_{i}^{2}}$$

#### where

NFAC	is the number of factors (68 in U.S. E2)
N	is the number of assets in the market portfolio
$X_{pj}$	is the portfolio's exposure to factor <i>j</i>
$F_{jk}$	is the covariance between factors $k$ and $j$
$X_{mj}$	is the market's exposure to factor j
$h_{\rho i}$	is the holding of the portfolio in asset i
$h_{mi}$	is the holding of the market in asset i
$\sigma_i^2$	is the specific variance of asset i
$VAR_m$	is the variance of the market

#### Missouri-American Water Company

Capital Asset Pricing Model (CAPM) Cost-Of-Common-Equity Estimates for Duff & Phelps' Guideline Companies Corrected to Reflect a Prospective Risk-Free Rate, Value Line Adjusted Betas, the Average Historical and Forecasted Market Equity Risk Premium and the Empirical Capital Asset Pricing Model (ECAPM)

· · · · · · · · · · · · · · · · · · ·	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
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#### Traditional Capital Asset Pricing Model

Company Name	Risk-Free Rate (1)	Company's Beta (2)	Market Risk Premium (3)	Beta Adjusted Market Risk Premium (4)	Cost of Common Equity (5)	Market-to- Book Ratio (6)
American States Water Co.	4.97%	0.80	7.31%	5.85%	10.82%	184%
Aqua America, Inc.	4.97%	0.65	7.31%	4.75%	9.72%	208%
Artesian Resources, Inc.	4.97%	NA	7.31%	NA	NA	150%
California Water Service Group	4.97%	0.75	7.31%	5.48%	10.45%	181%
Middlesex Water Co.	4.97%	0.75	7.31%	5.48%	10.45%	173%
SJW Corp.	4.97%	0.95	7.31%	6.94%	11.91%	176%
Southwest Water Co.	4.97%	1.10	7.31%	8.04%	13.01%	217%
York Water Co.	4.97%	0.65	7.31%	4.75%	9.72%	203%
Average	4.97%	0.81	7.31%	5.90%	10.87%	187%_

#### Empirical Capital Asset Pricing Model

Company Name	Risk-Free Rate (1)	Company's Beta (2)	Market Risk Premium (3)	Beta Adjusted Market Risk Premium (7)	Cost of Common Equity (5)	Market-to- Book Ratio (6)
American States Water Co.	4.97%	0.80	7.31%	6.21%	11.18%	184%
Aqua America, Inc.	4.97%	0.65	7.31%	5.39%	10.36%	208%
Artesian Resources, Inc.	4.97%	NA	7.31%	NA	NA	150%
California Water Service Group	4.97%	0.75	7.31%	5.94%	10.91%	181%
Middlesex Water Co.	4.97%	0.75	7.31%	5.94%	10.91%	173%
SJW Corp.	4.97%	0.95	7.31%	7.04%	12.01%	176%
Southwest Water Co.	4.97%	1.10	7.31%	7.86%	12.83%	217%
York Water Co.	4.97%	0.65	7.31%	5.39%	10.36%	203%
Average	4.97%	0.81	7.31%	6.25%	11.22%	187%

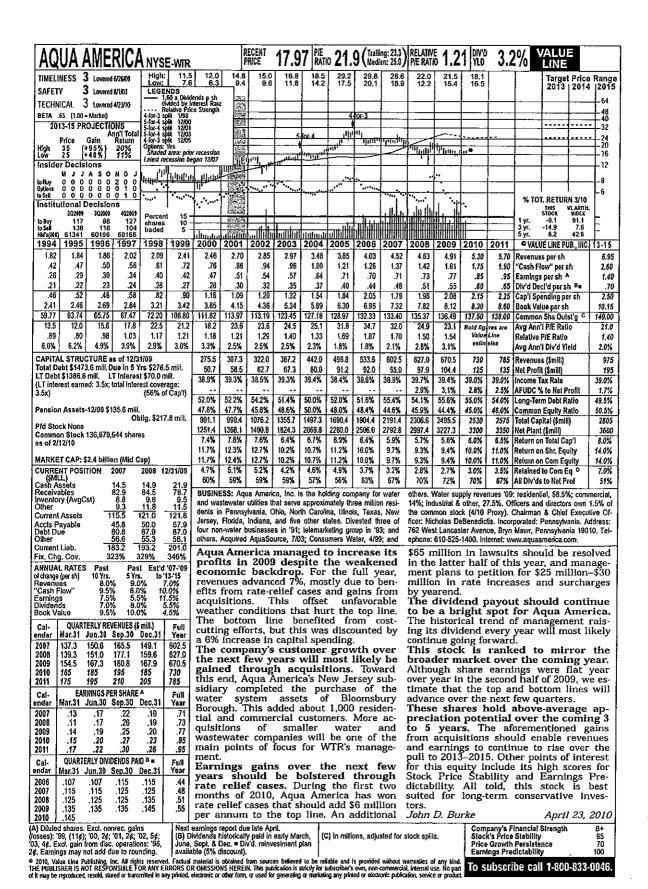
Average of Traditional and Empirical CAPM

11.05%

Notes: (1) From note 2 on page 3 of Schedule PMA-12 (Updated) in Schedule PMA-23.

- (2) From pages 2 through 8 of this Schedule.
- (3) Derived in note 1 on page 3 of Schedule PMA-12 (Updated) in Schedule PMA-23.
- (4) Column 2 \* Column 3.
- (5) Column 1 + Column 4.
- (6) From AUS Utility Reports, April 2010.
- (7) The empirical CAPM is applied using the formula found in note 4 on page 3 of Schedule PMA-12 (Updated) in Schedule PMA-23.

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1.68 1.75 1.75 1.85 .95 1.03 1.13 1.04	2.04   2.26 1.08   1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	1.55	1.62	1.75	1.90		s per sh		2.
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2.43 2.19 2.40 2.58	3.11 4.30	3.03	3.18	2.68	3.78	5.03	4.24	3.91	2.89	4.45	4.18	4.15	4,10		ending p		4. 22.
	1.48 11.82 3.44 13.44	12.74	13.22 15.12	14,05	13.97 15.21	15.01 16.75	15.72	16.64	17.53	17.95 17.30	19.39	20.25	21.00		lue per s n Shs Ou		21.
12.8 11.6 12.6 14.5	15.5 17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	Bold fig	res are	Avg Ani	i'l P/E Ra	tlo	15
.84 .78 .79 .84	.81 .97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1,42	Value estin			P/E Ratio		1.
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Debt \$305.6 mill. LT Interest \$2		18.0 45.7%	43.0%	38.9%	43.5%	37.4%	47.0%	40.5%	42.5%	37.8%	38.9%	38.5%		Income			38.5
f interest earned: 3.4x; total interest verage: 3.2x) (5	6% of Cap'l)							12.2%	8.5%	6.9%	3.2%	5.0%			% to Net		5.0
•		47.5%	54.9%	52.0%	52.0%	47.7%	50.4%	48.6%	46.9%	46.2%	45.9%	47.0%			rm Debi i		49.0 51.0
ases, Uncapitalized: Annual rental	53.2 mill.	51.9% 371.1	44.7%	48.0%	48.0% 442.3	52.3% 480.4	49.6% 532.5	51.4% 551.6	53.1% 569.4	53.8% 577.0	54.1% 665.0	53.0% 735	53.0% 795		n Equity I pital (\$m		97.0
nsion Assets-12/09 \$74.0 mill.		509.1	539.8	563.3	602.3	684.2	713.2	750.6	776.4	825.3	866.4	910	955	Net Plan		,	11
Oblig. \$103,1 d Stock None,	<b>™</b> II.	8.4%	6.1%	6.5%	4.6%	5.2%	5.4%	6.0%	6.7%	6.4%	5.9%	6.0%			n Total C		7.0
		9.2%	10.1%	9.5% 9.5%	5.6% 5.6%	6.6% 6.6%	8.5% 8.5%	8.1% 8.1%	9.3%	8.6% 8.6%	8.2% 8.2%	8.5% 8.5%	9.0%		on Shr. Ed on Com E		10.5
mmon Stock 18,554,364 shs. of 3/10/10		9.3%	10.1% 3.6%	3.3%	NMF	1.0%	2.8%	2.7%	3.9%	3.1%	3.2%	3.5%		Retains			5.0
ARKET CAP: \$700 million (Small C		68%	65%	65%	113%	84%	67%	67%	58%	64%	61%	61%		All Div'o			50
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12.49	12.54		12.62	12.62	12.94	15.15	15.18	15.18	16.93	18.37	15.79	18.15 20.66	18.50 20.67	19.44	20.26	20.70	21.40	Book Val Common			2
14.1 .92	13.7 .92	11.9 .75	12.6 .73	17.8 .93	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	28.1	19.8	19.7	Bold fig Value		Avg Ann	I P/E Rat	lo	
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		CTURE a				244.8	248.8	263.2	277.1	315.6	320.7	334.7	367.1	410.3	449.4	470		Revenue	s (\$mill)		
	t \$374.3	3.3 mill、D mill. L	rue in 5 1 T Interes			20.0 42.3%	14.4 39.4%	19.1 39.7%	19.4 39.9%	26.0 39.6%	27.2 42.4%	25.6 37.4%	31.2 39.9%	39.8 37.7%	40.6 40.3%	43.0 39.0%		Net Profi			39
T inle	rest earr	ned: 4.1x;	tolal int. c	ov.: 3.8x	,				10.3%	3.2%	3.3%	10.6%	6.3%	8.6%	7.6%	8.5%	10.0%	AFUDC %	to Net P		10
ensio	n Assets	s-12/09 \$1	05.6 mill.		- [	48.9% 50.2%	50.3% 48.8%	55.3% 44.0%	50.2% 49.1%	48.6% 50.8%	48.3% 51.1%	43.5% 55.9%	42.9% 58.6%	41.6% 58.4%	47.1% 52.9%	47.0% 53.0%		Long-Ten Common			49
	ck None	Ć	blig. \$21		Ì	388.8	402.7	453.1	498.4	565.9	568.1	670.1	674.9	690.4	794.9	855	905	Total Cap	ital (\$mil		1
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ARKE	T CAP:	\$800 mili	ion (Sma	il Cap)	-	10.1%	7,2% NMF	9.5%	7.9%	9.0%	9.3%	6.8%	8.1% 1.8%	9.9%	9.6% 3.8%	10.0%		Return or Retained			11
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RANKS /	18.73 14.69	20.04 13.73	21.23 15.77	21.81 16.65	23.47 17.07	20.50 16.50	20.24 16.93	19.83 12.05	17.91 11.64	18.00 High 16.16 Low
PERFORMANCE 2 Above	LEG	ENDS						12.00	11.01	10.10   2011
Technical 2 Above Average	12 M	os Mov Avg rice Strength Fi	<u> </u>	<del>┋┋╇╇╇╇</del>		<del></del>	,,	<del>, , , , , , , , , , , , , , , , , , , </del>		18
n Above	3-for-2 split 4-for-3 split	1/02 }.			,	<del></del>		<del></del>	1111111111	13
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BETA .75 (1.00 = Market)				·		.			<b>ŀ</b> '•	
	100				***				•	i i
Financial Strength B+	100000	<b></b>				··· '··		******		3
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Price Growth Persistence 40	36.5							1	1 .1	
Earnings Predictability 90	6.000 VALUE AND ADDRESS OF THE PARTY AND ADDRE							<del>- 1,11,1</del>		900
Earnings Fredictability 80	指数60基础 各国的60	ad Harri	usaltedl	11111111111	<del>                                      </del>	1111111		<del>                                    </del>		VOL. (thous.
O VALUE LINE PUBLISHING, INC.	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010/2011
SALES PER SH	5.87	5.9B	6.12	6.25	6.44	6.16	6.50	6.79	6.75	
"CASH FLOW" PER SH	1.18	1.20	1.15	1.28	1.33	1.33	1.49	1.53	1.40	
EARNINGS PER SH	.66	.73	.61	.73	.71	.82	.87	.89	.72	NA/NA
DIV'DS DECL'D PER SH CAP'L SPENDING PER SH	.62 1.25	.63 1.59	.65 1.87	.66 2.54	2.18	2.31	.69 1.66	.70 2.12	.71 1.49	<del> </del>
BOOK VALUE PER SH	7.11	7.39	7.60	8.38	8.60	9.82	10.05	10.28	10.33	<u></u>
COMMON SHS OUTST'G (MILL)	10.17	10.36	10.48	11.36	11.58	13,17	13.25	13.40	13.52	
AVG ANN'L P/E RATIO RELATIVE P/E RATIO	24.6 1.26	23.5 1,28	30.0 1.71	26,4 1.39	27.4 1.45	22.7 1.23	21.6 1.15	19.8 1.19	21.0 1.40	NA/NA
AVG ANN'L DIV'D YIELD	3.8%	3.7%	3.5%	3.4%	3.5%	3.7%	3.7%	4.0%	4.7%	
SALES (\$MILL)	59.6	61.9	64.1	71.0	74.6	81,1	86.1	91.0	91.2	Bold figures
OPERATING MARGIN	47.2%	47.1%	44.0%	44.4%	44.4%	47.4%	47.0%	46.9%	42.6%	are consensus
DEPRECIATION (\$MILL) NET PROFIT (\$MILL)	5.3 7.0	5.0 7.8	5.6 6.8	6.4 8.4	7.2 8.5	7.8 10.0	8.2 11.8	8.5 12.2	9.2 10.0	earnings estimates
INCOME TAX RATE	34.8%	33.3%	32.8%	31.1%	27.6%	33.4%	32.6%	33.2%	34.1%	and, using the
NET PROFIT MARGIN	11.7%	12.5%	10.3%	11.9%	11.4%	12.4%	13.8%	13.4%	10.9%	recent prices,
WORKING CAP'L (\$MILL)	d.9	d9.3	d13.3	d11.8	d4.5	2.8	d9.6	d40.9	d38.6	P/E ratios.
LONG-TERM DEBT (\$MILL) SHR. EQUITY (\$MILL)	88.1 76.4	87.5 80.6	97.4 83.7	115.3 99.2	128.2 103.6	130.7 133.3	131.6 137.1	118.2 141.2	124.9 143.0	
RETURN ON TOTAL CAP'L	5.6%	6.0%	5.0%	5.1%	5.0%	5.1%	5.6%	5.8%	5.0%	
RETURN ON SHR. EQUITY	9.1%	9.6%	7.9%	8.5%	8.2%	7.5%	8.6%	8.6%	7.0%	
RETAINED TO COM EQ ALL DIV'DS TO NET PROF	.5% 94%	1.3% 87%	NMF 106%	.9% 90%	.5% 94%	1.2% 84%	1.8% 79%	1.9% 78%	.1% 98%	
Note: No analyst estimates availab			10070	3070	3470	1 0470	1378	1078	30 /6	
ANNUAL RATES		T					O INDU	STRY: Wat	ler Ufilify	
of change (per share) 5 Yrs.	1 Yr.	ASSETS (\$m Cash Assets		07 2008 :.0 3.3	12/31/09 4.3		30 MAY			
Sales 2.0% "Cash Flow" 4.0%	-0.5% -8.5%	Receivables	12	.8 14.3	10.6	BUSINES	S: Middle:	sex Water	Company of	engages in the
Earnings 3.5%	-19.0%	Inventory (Av Other		.2 1.5 .4 <u>1.5</u>	1.6 5.5					utility systems
Dividends 1.5% Book Value 5.5%	1.5% 0.5%	Current Asset			22.0					gulated waste-
		Property, Plan	nt ·							ns services and h its nonregu-
Fiscal QUARTERLY SALES (\$1 Year 1Q 2Q 3Q	niil.) Full 4Q Year	& Equip, a	1 cost 398		453.6					Inc. Its water
	21.2 86.1	Accum Depre Net Property	ciation 64 333		77.1 376,5			tores, and	distributes	water for resi-
12/31/07 19.0 21.8 24.1									and five m	
12/31/08 20.8 23.0 25.7	21.5 91.0	Other	_41		59.6	dential, co				revention pur-
12/31/08 20.8 23.0 25.7 12/31/09 20.8 23.1 25.5		Other Total Assets	41 392			dential, cor poses. It al	so provides	water tre	atment and	revention pur- pumping ser-
12/31/08 20.8 23.0 25.7 12/31/09 20.6 23.1 25.5 12/31/10	21.5 91.0 22.0 91.2	Total Assets LIABILITIES	392 (\$mill.)	.7 440.0	59.6 458.1	dential, corposes. It all vices to the	so provides e Township	water tre	atment and Brunswick	revention pur- pumping ser- . Its other NJ
12/31/08 20.8 23.0 25.7 12/31/09 20.8 23.1 25.5	21.5 91.0 22.0 91.2	Total Assets LIABILITIES Accis Payable	392 (\$mill.)	.7 440.0 .5 5.7	59.6 458.1	dential, corposes. It all vices to the subsidiaries	so provides e Township offer water	water tre of East and waste	atment and Brunswick water servi	revention pur- pumping ser-
12/31/08 20.8 23.0 25.7 12/31/09 20.6 23.1 25.5 12/31/10 Fiscal EARNINGS PER SHAI Year 1Q 2Q 3Q	21.5 91.0 22.0 91.2 RE Full	Total Assets LIABILITIES Accls Payable Debt Due Other	392 (\$mill.) 1 6 9	.7 440.0 .5 5.7 .0 43.9 .5 11.9	458.1 458.1 4.3 46.6 9.8	dential, corposes. It al vices to the subsidiaries in Southam vide water:	so provides e Township offer water opton Town services to r	water tree of East and waste ship. Its D etail custor	atment and Brunswick water service elaware su mers in Nev	revention pur- pumping ser- Its other NJ ces to residents bsidiaries pro- v Castle, Kent,
12/31/08 20.8 23.0 25.7 12/31/09 20.6 23.1 25.5 12/31/10 EARNINGS PER SHAI 1Q 2Q 3Q 12/31/06 .15 .25 .28 12/31/07 .13 .24 .31	21.5 91.0 22.0 91.2 RE Full 4Q Year .14 .82 .19 .87	Total Assets LIABILITIES Accis Payable Debt Due	392 (\$mill.) 9 6	.7 440.0 .5 5.7 .0 43.9 .5 11.9	458.1 458.1 4.3 46.6	dential, co poses. It al vices to th subsidiaries in Southam vide waters and Sussex	so provides e Township offer water pton Town services to r counties. In	water tree of East and waste ship. Its D etail custon March, the	atment and Brunswick water service elaware su mers in Neve e company	revention pur- pumping ser- Its other NJ ces to residents bsidiaries pro- v Castle, Kent, entered into an
12/31/08 20.8 23.0 25.7 12/31/09 20.6 23.1 25.5 12/31/10 EARNINGS PER SHAI Year 1Q 2Q 3Q 12/31/06 .15 .25 .28 12/31/07 .13 .24 .31 12/31/08 .15 .26 .35	21.5 91.0 22.0 91.2 RE Full 4Q Year .14 .82 .19 .87 .13 .89	Total Assets LIABILITIES Accls Payable Debt Due Other	392 (\$mill.) 1 6 9	.7 440.0 .5 5.7 .0 43.9 .5 11.9	458.1 458.1 4.3 46.6 9.8	dential, co poses. It al vices to th subsidiaries in Southam vide waters and Sussex agreement	so provides e Township offer water opton Town services to r counties. In to purchase	s water tree of East and waster ship. Its D etail custon March, the Montague	atment and Brunswick water service elaware su mers in Neve company Water Com	revention pur- pumping ser- lts other NJ ces to residents bsidiaries pro- v Castle, Kent, entered into an upany, Inc. and
12/31/08 20.8 23.0 25.7 12/31/09 20.6 23.1 25.5 12/31/10 Fiscal Farnings PER SHAI 1Q 2Q 3Q 12/31/06 15 .25 .28 12/31/07 .13 .24 .31	21.5 91.0 22.0 91.2 RE Full 4Q Year .14 .82 .19 .87	Total Assets LiABILITIES Accis Payable Debi Due Other Current Liab	392 (\$miil.) 3 6 11 27	.5 5.7 .0 43.9 .5 11.9 .0 61.5	458.1 458.1 4.3 46.6 9.8	dential, coposes. It all vices to the subsidiaries in Southam vide waters and Sussex agreement to Montague S	so provides e Township offer water opton Town services to r counties. In o purchase sewer Comp	s water tree of East and waster ship. Its D retail custor March, the Montague pany, Inc. H	atment and Brunswick water service laware su mers in Neve company Water Com Ias 285 emp	revention pur- pumping ser- . Its other NJ ces to residents bsidiaries pro- v Castle, Kent, entered into an upany, Inc. and bloyees. Chair-
12/31/08 20.8 23.0 25.7 22/31/09 20.6 23.1 25.5 12/31/109 10.6 23.1 25.5 12/31/106 15 .25 .28 12/31/07 13 .24 .31 12/31/08 .15 .26 .35 12/31/09 .10 .21 .29	21.5 91.0 91.2 Pull Year .14 .82 .19 .87 .13 .89 .72	Total Assets LIABILITIES Accis Payable Debt Due Other Current Liab	392 (\$miil.) 3 6 11 27	.5 5.7 .0 43.9 .5 11.9 .0 61.5	458.1 458.1 4.3 46.6 9.8	dential, co- poses. It al vices to the subsidiaries in Southam- vide waters and Sussex agreement Montague S man: J. Ric	so provides e Township offer water upton Town services to r counties. In to purchase sewer Compl hard Tompl	s water tree of East and waster ship. Its D etail custon March, the Montague pany, Inc. H cins. Addre	atment and Brunswick water service laware su mers in Neve company Water Com Ias 285 empss: 1500 Ro	revention pur- pumping ser- lts other NJ ces to residents bsidiaries pro- v Castle, Kent, entered into an upany, Inc. and
12/31/08 20.8 23.0 25.7 22/31/09 20.6 23.1 25.5 12/31/109 20.6 23.1 25.5 12/31/109 20.6 23.1 25.5 12/31/106 1Q 2Q 3Q 12/31/06 .15 .25 .28 12/31/07 .13 .24 .31 .22/31/08 .15 .26 .35 .22/31/09 .10 .21 .29 12/31/10	21.5 91.0 91.2 Pall 4Q Pall 72 72 Pall 4Q Pall	Total Assets LIABILITIES Accis Payable Debt Due Other Current Liab  LONG-TERM as of 12/3* Total Debt \$1	392 (\$mill.) 3 6 9 11 27 DEBT AND EC 1/09 71.5 mill. 1	.5 5.7 .0 43.9 .5 11.9 .0 61.5	4.3 46.6 9.8 60.7	dential, co- poses. It al vices to the subsidiaries in Southam- vide waters and Sussex agreement Montague S man: J. Ric	so provides e Township offer water opton Town services to r counties. In to purchase sewer Completes hard Tompletes Iselin, NJ	water tree of East and waste ship. Its D etail custon March, the Montague pany, Inc. H cins. Addre 08830. Tel.	atment and Brunswick water service laware su mers in Neve company Water Com Ias 285 empss: 1500 Ro	revention pur- pumping ser- . Its other NJ ces to residents bsidiaries pro- v Castle, Kent, entered into an upany, Inc. and oloyees. Chair- onson Rd, P.O.
12/31/08 20.8 23.0 25.7 12/31/09 20.6 23.1 25.5 12/31/109 12/31/109 12/31/109 12/31/109 12/31/106 1.5 .25 .28 12/31/07 .13 .24 .31 12/31/09 .15 .26 .35 12/31/10 .10 .21 .29 12/31/10	21.5 91.0 22.0 91.2 PAID 4Q Year .12 .72 PAID 4Q Year .175 .69	Total Assets  LIABILITIES Accis Payable Debt Due Other Current Liab  LONG-TERM as of 12/3  Total Debt \$12 LT Debt \$124	392 (\$mill.) 3 6 9 11 27. DEST AND EC 1/09 71.5 mill. 1	.7 440.0 .5 5.7 .0 43.9 .5 11.9 .0 61.5 AUITY	4.3 46.6 9.8 60.7	dential, co- poses. It al- vices to the subsidiaries in Southam- vide water: and Sussex agreement to Montague Siman: J. Ric BOX 1500,	so provides e Township offer water opton Town services to r counties. In to purchase sewer Completes hard Tompletes Iselin, NJ	water tree of East and waste ship. Its D etail custon March, the Montague pany, Inc. H cins. Addre 08830. Tel.	atment and Brunswick water service laware su mers in Neve company Water Com Ias 285 empss: 1500 Ro	revention pur- pumping ser- . Its other NJ ces to residents bisidiaries pro- v Castle, Kent, entered into an upany, Inc. and oloyees. Chair- onson Rd, P.O. 1500. Internet:
12/31/08   20.8   23.0   25.7     12/31/09   20.8   23.1   25.5     12/31/109   20.8   23.1   25.5     12/31/108   10.2   20.8     12/31/08   15   .25   .28     12/31/08   .15   .26   .35     12/31/09   .10   .21   .29     12/31/10   .21   .29     12/31/10   .21   .29     12/31/10   .21   .29     12/31/10   .21   .30     12/31/10   .21   .30     12/31/10   .30   .30     12/31/10   .30   .30     12/31/10   .30   .30     13/3   .30   .30     13/3   .30   .30     13/5	21.5 91.0 22.0 91.2 Full Year 14 .82 .19 .87 .13 .89 .12 .72 PAID 4Q Full 4Q .175 .69 .178 .70	Total Assets LIABILITIES Accis Payable Debt Due Other Current Liab LONG-TERM as of 12/3 Total Debt \$1 LT Debt \$124 Including Caj	392 (\$mill.) 3 6 9 11 27 DEST AND EC 1/09 71.5 mill. 1 9 mill. 1	.7 440.0 .5 5.7 .0 43.9 .5 11.9 .0 61.5 DUITY	59.6 458.1 4.3 46.6 9.8 60.7 60.7	dential, co- poses. It al- vices to the subsidiaries in Southam- vide water: and Sussex agreement to Montague Siman: J. Ric BOX 1500,	so provides e Township offer water opton Town services to r counties. In to purchase sewer Completes hard Tompletes Iselin, NJ	water tree of East and waste ship. Its D etail custon March, the Montague pany, Inc. H cins. Addre 08830. Tel.	atment and Brunswick water service laware su mers in Neve company Water Com Ias 285 empss: 1500 Ro	revention pur- pumping ser- . Its other NJ ces to residents bsidiaries pro- v Castle, Kent, entered into an upany, Inc. and oloyees. Chair- onson Rd, P.O.
12/31/08 20.8 23.0 25.7 12/31/09 20.6 23.1 25.5 12/31/109 12/31/109 12/31/109 12/31/109 12/31/106 15 .25 .28 12/31/07 .13 .24 .31 12/31/09 .15 .26 .35 12/31/109 .10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .29 12/31/100 10 .21 .20 .20 .20 .20 .20 .20 .20 .20 .20 .20	21.5 91.0 22.0 91.2 PAID 4Q Year .12 .72 PAID 4Q Year .175 .69	Total Assets  LIABILITIES Accts Payable Debt Due Other Current Liab  LONG-TERM as of 12/3  Total Debt \$1 LT Debt \$124 Including Caj	392 (\$mill.) 6 9 11 27  DEBT AND EC 1/09 71.5 mill. 9. mill. p. Leases None	.7 440.0 .5 5.7 .0 43.9 .5 11.9 .0 61.5 AUITY  Due in 5 Yrs. \$  (47% al rentals None	59.6 458.1 4.3 46.6 9.8 60.7	dential, co- poses. It al- vices to the subsidiaries in Southam- vide water: and Sussex agreement to Montague Siman: J. Ric BOX 1500,	so provides e Township offer water potent Town services to r counties. In o purchase sewer Comp lard Tompk Iselin, NI middlesexw	water tree of East and waste ship. Its D etail custon March, the Montague pany, Inc. H cins. Addre 08830. Tel.	atment and Brunswick water service lelaware su mers in Neve company Water Comfas 285 eng ss: 1500 Ro:: 732-634-	revention pur- pumping ser- . Its other NJ ces to residents bisidiaries pro- v Castle, Kent, entered into an upany, Inc. and oloyees. Chair- onson Rd, P.O. 1500. Internet:
12/31/08 20.8 23.0 25.7 12/31/09 20.6 23.1 25.5 12/31/109 20.6 23.1 25.5 12/31/109 20.6 23.1 25.5 12/31/106 15 .25 .28 12/31/07 .13 .24 .31 12/31/08 .15 .26 .37 12/31/109 .10 .21 .29 12/31/10	21.5 91.0 22.0 91.2 RE Full 4Q Year .14 .82 .19 .87 .13 .89 .12 .72 PAID Full 4Q Year .175 .69 .71 .73	Total Assets  LIABILITIES Accts Payable Debt Due Other Current Liab  LONG-TERM as of 12/3  Total Debt \$1 LT Debt \$124 Including Caj	392 (\$mill.) 3 6 9 11 27 DEST AND EC 1/09 71.5 mill. 1 9 mill. 1	.7 440.0 .5 5.7 .0 43.9 .5 11.9 .0 61.5 AUITY  Due in 5 Yrs. \$  (47% al rentals None	59.6 458.1 4.3 46.6 9.8 60.7	dential, co- poses. It al vices to th subsidiaries in Southam vide water and Sussex agreement Montague S man: J. Ric BOX 1500, http://www.	so provides Township offer water pyton Town services to r counties. In to purchase sewer Comp hard Tompk Iselin, NJ middlesexw	s water tree of East and waster ship. Its D etail custor March, the Montague pany, Inc. Heins. Addre 08830. Tel. vater.com.	atment and Brunswick water service laware su mers in Neve e company Water Comfas 285 empss: 1500 Rc.: 732-634-	revention pur- pumping ser- . Its other NJ ces to residents bisidiaries pro- v Castle, Kent, entered into an upany, Inc. and oloyees. Chair- onson Rd, P.O. 1500. Internet:
12/31/08 20.8 23.0 25.7 22/31/09 20.8 23.1 25.5 25.5 228 22/31/07 13 .24 .31 22/31/07 15 .26 .32 29 22/31/10 .21 .29 22/31/10 .21 .29 22/31/10 .21 .29 20/31/10 .21 .29 .20 .30 .20 .30 .20 .30 .20 .30 .20 .30 .20 .30 .20 .30 .20 .30 .30 .30 .30 .30 .30 .30 .30 .30 .3	21.5 91.0 22.0 91.2 RE Full 4Q Year .14 .82 .19 .87 .13 .89 .12 .72 PAID Full Year .175 .69 .71 .18 .71	Total Assets  LIABILITIES Accts Payable Debt Due Other Current Liab  LONG-TERM as of 12/3  Total Debt \$1 LT Debt \$124 Including Caj	392 (\$mill.) 3 6 9 11 27  DEBT AND EC(1/09 71.5 mill. 1.9 mill. 9 mill. 2.9 mill. 1.9	.7 440.0 .5 5.7 .0 43.9 .5 11.9 .0 61.5 AUITY  Due in 5 Yrs. \$  (47% al rentals None  1'09 vs. \$25.5 m	59.6 458.1 4.3 46.6 9.8 60.7 63.0 mill. of Cap'l)	dential, co- poses. It al- vices to the subsidiaries in Southam- vide water: and Sussex agreement to Montague Siman: J. Ric BOX 1500,	so provides Township offer water pyton Town services to r counties. In to purchase sewer Comp hard Tompk Iselin, NJ middlesexw	water tree of East and waste ship. Its D etail custon March, the Montague bany, Inc. H brins. Addre 08830. Tel. vater.com.	atment and Brunswick water service lelaware su mers in Neve company Water Comfas 285 emg ss: 1500 Rc.: 732-634-	revention pur- pumping ser- . Its other NI ces to residents bisidiaries pro- v Castle, Kent, entered into an upany, Inc. and oloyees. Chair- onson Rd, P.O. 1500. Internet:
12/31/08   20.8   23.0   25.7     12/31/09   20.8   23.1   25.5     12/31/109   20.8   23.1   25.5     12/31/109   10   20   3Q     12/31/08   15   .25   .28     12/31/08   .15   .26   .35     12/31/09   .10   .21   .29     12/31/09   .10   .21   .29     12/31/10   .10   .21   .29     10   20   3Q     2007   .173   .173   .173     2008   .175   .175   .175     2009   .178   .178     18     178   .178     18     18   179   3Q     19   19   3Q     10   Buy   41   30	21.5 91.0 22.0 91.2 RE 4Q Full Year .14 .82 .19 .87 .13 .89 .12 .72 PAID 4Q Year .175 .69 .178 .70 .18 .71	Total Assets  LIABILITIES Accls Payable Debt Due Other Current Liab  LONG-TERM as of 12/3  Total Debt \$1 LT Debt \$12 LT Debt \$	392 (\$mill.) 3 6 9 11 27  DEBT AND EC(1/09 71.5 mill. 1.9 mill. 9 mill. 2.9 mill. 1.9	.7 440.0 .5 5.7 .0 43.9 .5 11.9 .0 61.5 AUITY  Due in 5 Yrs. \$  (47% al rentals None  1'09 vs. \$25.5 m	59.6 458.1 4.3 46.6 9.8 60.7	dential, coposes. It al vices to the subsidiaries in Southam vide water and Sussex agreement Montague Sman: J. Ric BOX 1500, http://www.	so provides e Township offer water upton Town pton Town counties. In to purchase sewer Comp hard Tompk Iselin, NJ middlesexw	s water tree of East and waster ship. Its D etail custor March, the Montague pany, Inc. Hins. Addre 08830. Tel. vater.com.	atment and Brunswick water service water service laware su mers in Neve e company Water Comfas 285 empss: 1500 Rc.: 732-634-	revention purpumping serults other NJ cest to residents besidiaries proventies of the NJ cest to residents besidiaries proventered into an upany, Inc. and oloyees. Chairbason Rd, P.O. 1500. Internet:  W.T.
12/31/08   20.8   23.0   25.7     12/31/109   20.6   23.1   25.5     12/31/109   20.6   23.1   25.5     12/31/109   20.8   23.1   25.5     12/31/109   20.8   20.9     100   20   3Q     101   21   29     102   20   3Q     103   21   29     104   20   3Q     105   21   29     107   20   3Q     108   109   3Q     100   30     100	21.5 91.0 22.0 91.2 SE Full 4Q Year .14 .82 .19 .87 .12 .72 PAID 4Q Full 4Q Year .175 .69 .178 .70 .18 .71 NS 4Q 99	Total Assets LIABILITIES Accis Payable Debt Due Other Current Liab LONG-TERM as of 12/3* Total Debt \$1 LT Debt \$124 including Gaj Leases, Unca Pension Liab	392 (\$mill.) 3 6 9 11 27  DEBT AND EC(1/09 71.5 mill. 1.9 mill. 9 mill. 2.9 mill. 1.9	.7 440.0 .5 5.7 .0 43.9 .5 11.9 .0 61.5  AUITY  Due in 5 Yrs. \$	59.6 458.1 4.3 46.6 9.8 60.7 63.0 mill. of Cap'l)	dential, co- poses. It al vices to th subsidiaries in Southam vide water and Sussex agreement Montague S man: J. Ric BOX 1500, http://www.	so provides Township offer water pyton Town services to r counties. In to purchase sewer Comp hard Tompk Iselin, NJ middlesexw	water tree of East and waste ship. Its D etail custon March, the Montague bany, Inc. H brins. Addre 08830. Tel. vater.com.	atment and Brunswick water service lelaware su mers in Neve company Water Comfas 285 emg ss: 1500 Rc.: 732-634-	revention purpumping serates to ther NJ best to residents bis diaries provedate, Kent, entered into an apany, Inc. and ployees. Chaironson Rd, P.O. 1500. Internet:  W.T.  ion as of 3/3/1/2010 5 Yrs.

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SJW CORP. NYSE			RE PR		27 TRAKUN	G 33.7	LATIVE 1.7	7 PIN'D 2	7.	LUE INE
RANKS	17.83 11.58	15.07 12.67	14.95 12.57	19.64 14.60	27.80 16.07	45.33 21.16	43.00 27.65	35.11 20.05	30.44 18.22	27.60 Hig 21.60 Low
PERFORMANCE 3 Average	LEG	ENDS								45
Technical 3 Average	II · · · · · Rel P	os Mov Avg rice Strength				11	<u>                                    </u>	11111	ł <sup>*</sup> .	30
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	100000000000000000000000000000000000000	odicates recession		լ-րուդ	سلنب	<u></u>		}.	1 11	ļ
BETA .95 (1.00 = Market)	111111111111111111111111111111111111111	1		<u> </u>						13
						<del> </del>		<u> </u>	****	9
Financial Strength B+		· ·		<del>                                     </del>			<del> </del>			6
Price Stability 65		<b></b>	<b>-</b>					<b> </b>		4
Price Growth Persistence 75						<del></del>				3
Earnings Predictability 85	PERMIT								H	2300
Eurings i realerability 00				.1.1.1				<del>                                      </del>		VOL. (thous
O VALUE LINE PUBLISHING, INC	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010/2011
SALES PER SH	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	
"CASH FLOW" PER SH	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	
EARNINGS PER SH DIV'OS DECL'D PER SH	.77	.78 .46	.91	.87 .51	1,12	1.19	1.04	1.08	.81 ee	1.04 A,B/1.13 C
CAP'L SPENDING PER SH	2.63	2.06	3.41	2.31	.53 2.83	3.87	.61 6.62	.65 3.79	66 3.17	
BOOK VALUE PER SH	8.17	8.40	9.11	10,11	10,72	12.48	12.90	13.99	13.66	
COMMON SHS OUTST'G (MILL)	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	
AVG ANN'L P/E RATIO RELATIVE P/E RATIO	18,5 .95	17.3 .94	15.4 .88	19.6 1.04	19,7 1,04	23.5 1.27	33.4 1.77	26.2 1.58	28.7 1,92	26,2/24,1
AVG ANN'L DIV'D YIELD	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	
SALES (\$MILL)	136.1	145.7	149.7	166.9	180.1	189.2	206.6	220.3	216.1	Bold figures
OPERATING MARGIN DEPRECIATION (\$MILL)	13.2	63.7% 14.0	56.0% 15.2	56.4% 18.5	55.9% 19.7	57.0% 21.3	41.8% 22.9	42.4% 24.0	42.5%	are consensus
NET PROFIT (\$MILL)	14.0	14.2	16.7	16.0	20.7	22.2	19.3	20.2	25.6 15.2	earnings estimates
INCOME TAX RATE	34.5%	40.4%	36.2%	42.1%	41.6%	40.8%	39.4%	39.5%	40.4%	and, using the
NET PROFIT MARGIN	10.3%	9.8%	11.2%	9.6%	11.5%	11.7%	9.4%	9.2%	7.0%	recent prices,
WORKING CAP'L (\$MILL) LONG-TERM DEBT (\$MILL)	d3.8 110.0	d4.9 110.0	12.0 139.6	13.0 143.6	10.8 145.3	22.2 163.6	d1.4 216.3	d11.3 216.6	d4.0	P/E ratios.
SHR. EQUITY (\$MILL)	149.4	153.5	166.4	184.7	195.9	228.2	236.9	254.3	246.9 252.8	٠
RETURN ON TOTAL CAP'L	6.7%	6.9%	6.9%	6.5%	7.6%	7.0%	5.7%	5.8%	4.4%	
RETURN ON SHR. EQUITY	9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	
RETAINED TO COM EQ ALL DIV'DS TO NET PROF	4,1% 56%	3.8% 59%	4.7% 53%	3.6% 58%	5.6% 47%	5.2% 46%	3.5% 57%	3.3% 59%	1.2% 80%	
ANo. of analysis changing eam, est. in										\$.
ANNUAL RATES		100570 (0			400400		INDU	STRY: Wai	er Utility	
of change (per share) 5 Yrs.	1 Yr.	ASSETS (\$m Cash Assets		07 2008 !.4 3.4	12/31/09 1.4				VM-N-1/970, (20)	
Sales 6.5% "Cash Flow" 6.0%	-3.5% -9.5%	Receivables	23	.0 24.5	23.3					ts subsidiaries,
Earnings 3.0%	-25.5%	Inventory Other		.8 .9 . <u>4</u> 3.2	1.0 2.3					e, purification,
Dividends 5.5% Book Value 8.0%	2.5% -2.5%	Current Asset			28.0					ompany offers g water system
		Property, Plan	al							nance contract
Fiscal QUARTERLY SALES (4 Year 1Q 2Q 3Q	mill.) Full 4Q Year	& Equip, a	tcost 904		1020.7					a 70% limited
12/31/07 39.0 55.1 64.9	47.6 206.6	Accum Depre Net Property	clation 258: 645		302.2 718.5	partnership	interest in	144 West Sa	anta Clara S	Street, L.P.; and
12/31/08 41.3 60.0 69.5	49.5 220.3	Other	_90	<u>.2</u> <u>134.7</u>	132.0					alifornia, Con-
12/31/09 40.0 58.2 69.3 12/31/10	48.6 218.1	Total Assets	767	.3 850.9	878.5					of September approximately
	RE Fult	LIABILITIES				226,000 co	nnections t	hat served	a populatio	on of approxi-
Fiscal EARNINGS PER SHA Year 1Q 2Q 3Q	4Q Year	Accts Payable Debt Due		.3 5.6 .6 19.1	6.6 6.9	mately one	million p	eopie in th	e San Jose	area. It also
12/31/06 .14 .35 .48	.22 1.19	Other	_18	<u>.1</u> <u>18.4</u>	18.5	provides w	ater service	to approxi	mately 8,70	00 connections
12/31/07 .12 .29 .43	.20 1.04	Current Liab	33	.0 43.3	32.0					a service area
12/31/08 .15 .34 .44 12/31/09 .01 .23 .43	.15 1.08 .14 .81									in, Texas. Has iskoetter. Inc.:
12/31/10 .05 .26 .48			DEBT AND EC	UITY						se, CA 95110.
Cal- QUARTERLY DIVIDENDS		as of 12/3	1/09			Tel.: (408)				
endar 1Q 2Q 3Q	4Q Year	Total Debt \$2		Due in 5 Yrs. \$	21.5 mill.	` '				
2007 .151 .151 .151	.151 .60	LT Debt \$246 Including Ca	i.9 mill, p. Leases None							***
2008   .161 .161 .161 2009   .165 .165 .165	.161   .64 .165   .68	,	•	(49%	of Cap1)				<del></del>	<i>W.T.</i>
2010 17			apitalized Annu		ľ		,	April 23, 20	010	
INSTITUTIONAL DECISION	INS	Pension Liab	IIIty \$47.5 milt. k	n '09 vs. \$42.3 r		TOTAL SU	ADEROI DE	ימוודם סב		
2Q'69 3Q'09		Pid Stock Non	8	Pid Div'd I	Pald None	TOTAL SH	-KERULUE			ion as of 3/31/2010
to Buy 43 34	43	Common Stoc	k 18,499,602 sha	ires		3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs,
lo Sell 40 29 Hid's(000) 8694 8607	24 8827				of Cap'i)	13.50%	12.94%	3.07%	-32,38%	
2010 Value Line Publishing, Inc. All rights		and the state	- 1 6 1						-72,30%	0 02,00%

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bebt Du interest inte	ELiab.  RATES (per sty)  Solow  QUARRIA  48.1  49.6  50.1  52.0  55.0  EAI  Mar.31  .03  .05  .07  QUARRIA  QUARRIA  .03  .05  .04  .05  .05  .05  .05  .06	10 Yrs. 5.0 3.5 9.0 15RLY RE Jun. 30 55.0 56.9 52.4 54.0 58.0 78NINGS P Jun. 30 .03 .03 .03 .03 .05 .08 1ERLY DIV Jun. 30 .052 .088	1.9 Pasta 46.2 Pasta 4	18.1 2.2 28.4 46.7 46.7 46.7 46.7 56.4 56.0 66.31	14.1 2.2 21.2 37.5 37.5 37.5 5.0 % 6.0 % 6.0 % 6.0 % 6.0 % 6.0 % 6.0 % 7.0 9.2 11.1 220 235 Full 220 335 Full Year 21.2 2.3 3.1 5.0 9.0 % 6.0 %	2008 A MUD S South Seed in MUD S South Seed in On M prove pend assuma appropriate assuma appropriate agent number of the ductation of the ductation of the Mean over:  Mean over:  Mean over:  Mean over:  Mean over:  Prove prove prove prove prove a Mean over:  Prove	evenues; the week of the week	Texas t 34%. Usin a distribution of \$3 cm. of	Juliny, let the be the better Core content the better Core content the better	w; okw.xas Umia ocard by a control to coard by a fill a coard should a coard should a coard or so from the coard of the c	goups, Services Services of dir young army has be a of dir group and related to the hethe and the	Usiny, 25 to 10 to	12% of Texas	One Willow CA 9000 2009 ment econo water econo water and a ment tions made to 20 Thas sible ings operade bility lected bility of CAS Courer Cash	shine Buil 7. Tel: 2  Versus was vanny, ro- consain Ne was vanny rate ti   13-201  Timee been sale expressed tion of a   1, could be present to   1, could be   1, c	dding, 62 to 113-929-125 20 to	4 S. Graz 1880. Intel 1880. In	and Ave. Simel: we simel: we simel: we sumpt florts sumpt florts to the sumpt florts to the sumpt florts and sumpt florts and sumpt florts and sumpt florts are sumpt florts and sumpt florts and sumpt florts are sumpt florts and sumpt florts are sumpt florts and sumpt florts are sumpt florts and sumpt florts and sumpt florts are sumpt florts are sumpt florts and sumpt florts are sumpt florts and sumpt florts are	Sie, 2000 M. Sww. Sie. 2000 M. Sww. Sww. Sww. Sww. Sie. 2000 M. Sww. Sww. Sww. Sww. Sww. Sww. Sww. S	o, Los A  com.  impr weak ecaus alifor expe overy  shall for expe overy  covery  alifor expe overy  covery  alifor expe overy  alifor expe overy  alifor expe expe overy  alifor expe expe expe expe overy  alifor expe expe expe overy  alifor expe expe expe expe expe expe expe exp	Address Addres
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PERFORMANCE 3	YORK WATER CO			PR	CENT 13.	96 TRAILI	THO <b>Z 1.0</b> PM	LATIVE 1.1		.1 70	LUE INE
Technical   3 Aurest	RANKS	10.22 5.87	13.45 8.20	13.49 9.33	14.03 11.00	17.8 11.6	7 20.99 7 15.33	18.55 15.45	18.50 6.23	17.95 9.74	15.00 Hig 13.04 Low
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BETA. 55 (1,00 - Manham)  Financial Strangth  8-  Price Stubility  8-  Fine Growth Perelitations  8-  Earnings Predictability  9-  O-MALIELLINE PRILISHING, INC.  2001  2002  2003  2004  2005  2006  2007  2008  2009	Technical 3 Average	Rel P	rice Strength	ļ.: <del>`</del> ,		111		<del>- 1111111111111</del>	Till Till	111	18
## Price Stability   55   125	SAFETY 3 Avacage	3-for-2 split	9/06	<sup>ئىنىل</sup> لىرا	11111111111111111111111111111111111111	++++	7	-			13
Price   Stability   85   Price Growth Persistence   55	· ·		dicates recession	***	ļ <del>.</del>		<u></u>	-		.,,	8
Fine Strongth Price Growth Persistence 55 Earnings Predictabilisty 95  O VALUE LINE PUBLISHING, INC. 2001 2002 2003 2004 2005 2008 2007 2008 2009 2010/2008  REVENUES FIRSH 205 2.95 2.17 2.18 2.58 2.56 2.70 2.89 2.95 EARNINGS FIRS H 43 40 47 49 55 55 57 7.7 86 88 39 2.05 EARNINGS FIRS H 43 40 47 49 55 55 57 7.7 86 88 39 2.05 EARNINGS FIRS H 43 40 47 49 55 55 57 57 64 68^A/7, 70 90 1000 D PUR SN 34 58 57 9.0 42 45 48 49 49 50 1000 D PUR SN 34 58 57 9.0 40 1000 D PUR SN 34 58 57 9.0 57 1000 D PUR SN 34 58 58 79 9.0 42 45 48 49 49 50 1000 D PUR SN 34 58 58 79 9.0 42 45 1000 D PUR SN 34 58 58 79 9.0 40 1000 D PUR SN 34 58 58 79 9.0 40 1000 D PUR SN 34 58 58 79 9.0 40 1000 D PUR SN 34 58 58 79 9.0 40 1000 D PUR SN 34 58 58 79 9.0 40 1000 D PUR SN 34 58 58 79 9.0 40 1000 D PUR SN 34 58 58 79 9.0 40 1000 D PUR SN 34 58 58 79 9.0 40 1000 D PUR SN 34 58 58 79 9.0 40 1000 D PUR SN 34 58 58 58 79 9.0 40 1000 D PUR SN 34 58 58 58 79 9.0 40 1000 D PUR SN 34 58 58 58 79 9.0 40 1000 D PUR SN 35 58 58 58 79 9.0 40 1000 D PUR SN 35 58 58 58 79 9.0 40 1000 D PUR SN 35 58 58 58 79 9.0 40 1000 D PUR SN 35 58 58 58 79 9.0 40 1000 D PUR SN 35 58 58 58 79 9.0 40 1000 D PUR SN 35 58 58 58 9.0 59 9.0 40 1000 D PUR SN 35 58 58 9.0 59 9.0 40 1000 D PUR SN 35 58 9.0 59 9.0 40 1000 D PUR SN 35 58 9.0 59 9.0 40 1000 D PUR SN 35 58 9.0 59 9.0 40 1000 D PUR SN 35 58 9.0 59 9.0 40 1000 D PUR SN 35 58 9.0 59 9.0 40 1000 D PUR SN 35 58 9.0 59 9.0 50	DEIA .00 (Market)	1	<u>'</u>			· · · · · · · · · · · · · · · · · · ·		*****	·····		5
Price Stability	Plane aled Oliverally Di			<u> </u>						<del> </del>	4
Price Growth Parsistence   55					<del></del>				<b>-</b> • • •		-3
Eurilings Predictability 95  O'NALIDE LINK PUBLISHING, INC 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010/20  REVENUES PERS H	Price Stability 85	147				<u> </u>		<del></del>	<del> </del>	1 11	2
ONLINE LINE PUBLISHING, INC.   2001   2003   2004   2005   2006   2007   2008   2009   2010/20	Price Growth Persistence 55										37!
RESERVEN   2.05	Earnings Predictability 95	527132		<u></u>	1111	dutaira	1.1		11	<del>▋</del> ▃▄▗▟▋▋▍▍▍	VOL.
RESERVEN   2.05	O VALUE LINE PUBLISHING INC	2001	2002	2003	2004	2005	2006	2007	3008	2009	2010/2011
PASHING PER SH			<del> </del>						1		2010/2011
DIVID DECIT PERS			l .				1		1		
CAPIL SPÉNDINO PER SH   76						ľ			l .	5	.68 <sup>A,B</sup> /.72 <sup>C</sup>
BOOK MAULE PER SH											
ANG ANNU PIER RATIO 17.9 28.9 14.7 14.0 13.6 1.39 1.47 14.0 13.6 1.39 1.58 1.68 1.61 1.68 1.61 1.68 1.61 1.68 1.61 1.68 1.61 1.68 1.67 1.68 1.68 1.68 1.68 1.68 1.68 1.68 1.68	BOOK VALUE PER SH	3.79	3.90	4.06	4.65	4.85	5.84	5.97	6.14	6.92	
RELATIVE PIER RATIO											20.5/10.4
REVENUES (MIIILL)	1			1 1			I	1	l .		20,5/15.4
NET PROPIT (SMILL)											
INCOME TAX RATE							1				Bold figures are consensus
LONGSTERM DEST RATIO   47.7%   46.7%   43.4%   42.5%   44.1%   48.3%   46.5%   54.5%   54.5%   54.3%   7.5%   5.5%   5.5%   5.3%   46.5%   53.3%   65.8%   57.5%   5.5%   5.5%   5.5%   5.3%   46.5%   54.5%   54.3%   7.5%   7.5%   5.5%   5.5%   5.5%   5.5%   5.3%   46.5%   5.5%   5.3%   46.5%   7.5%   5.5%   5.5%   5.3%   46.5%   7.5%   5.5%   5.5%   5.3%   46.5%   7.5%   5.5%   5.5%   5.3%   46.5%   7.5%   5.5%   5.5%   5.5%   5.3%   46.5%   7.5%   5.5%   5.5%   5.5%   5.3%   46.5%   7.5%   5.	INCOME TAX RATE	35.8%	34.9%	34.8%			34.4%	36.5%	36.1%		earnings
COMMON EQUITY RATIO											estimates
REFURN ON TOTAL CAP'							<b>I</b>	I		1	recent prices,
RETURN ON TOTAL CAPL   7.9%   7.9%   7.9%   11.4%   10.0%   11.6%   9.3%   9.5%   9.2%   8.6%   8.				!!!		t .		I		I	P/E ratios.
RETURN ON SHR. EQUITY											
RETAILED TO COM EQ   2.5%   1.3%   2.6%   77%   79%   74%   74%   74%   82%   85%   78%	RETURN ON SHR. EQUITY	11.2%	10.2%	11.4%	10.0%	11.6%	9.3%	9.5%	9.2%	8.6%	
ALL DIV'OS TO NET PROF   78%   88%   77%   79%   79%   74%   77%   82%   85%   78%	+										
ANNUAL RATES   Color				I .							
Stream   S	ANo. of analysis changing eam. est. in la	st 10 days: 0 u	p, 0 down, cons	ansus 5-year ean	nings growth 6.0	)% per year. <sup>E</sup>	Based upon 4 ana	tysts" estimates.	<sup>C</sup> Based upon 4	analysts' estimal	es.
Revenues   6.0%   2.0%   Receivables   5.2   5.9   5.4   Earnings   5.5%   12.5%   Dividends   6.0%   3.5%   Dividends   6.0%   3.5%   Dividends   6.0%   3.5%   Dividends   6.0%   3.5%   13.0%   Receivables   6.8   7.3   7.1   Current Assets   7.1			ASSETS (\$m	i(l.) 20	07 2008	12/31/09		INDU	STRY: Wa	ter Utility	
Cash Flow   7.5%   7.5%   12.5%   Dividends   5.0%   3.5%   12.5%   Dividends   8.0%   3.5%   12.5%   Dividends   8.0%   3.5%   13.0%   Escal   Quarterly Sales (smill.)   Fiscal   Quarterly Sales (smill.)   Four   Fiscal   1Q   2Q   3Q   4Q   Year   12/31/08   7.5   7.8   8.6   8.9   3.2   3.14   3.23/1/09   8.8   9.2   9.8   9.2   37.0   Dividends   12/31/108   1.2   1.4   1.7   1.5   5.8   Dividends   1.5   1.5   1.5   1.5   1.7   12/31/108   1.1   1.1   1.5   1.5   1.5   1.7   12/31/108   1.1   1.1   1.1   1.5   1.5   1.5   1.7   12/31/109   1.1   1.1   1.5   1.5   1.5   1.5   1.7   12/31/109   1.1   1.1   1.5							BUSINES	S. The V	ork Water	Company	energes in the
County and Adams County, Pennsylvania. The comp supplies water for residential, commercial, industrial, before the figure of the comp supplies water for residential, commercial, industrial, and the comp supplies water for residential, commercial, industrial, and the county of the customers. It has two reservoirs, Lake Willia which is 700 feet long and 58 feet high, and create reservoir covering approximately 165 acres contain about 870 million gallons of water; and Lake Redm which is 1,000 feet long and 52 feet high, and create reservoir covering approximately 165 acres contain about 870 million gallons of water; and Lake Redm which is 1,000 feet long and 52 feet high, and create reservoir covering approximately 290 acres contain about 870 million gallons of water; and Lake Redm which is 1,000 feet long and 52 feet high, and create reservoir covering approximately 290 acres contain about 870 million gallons of water. In addition, the comp possesses a 15-mile pipeline from the Susquehanna Rive Lake Redman that provides access to an additional sup of water. As of December 31, 2009, the company ser approximately 180,000 residential, commercial, industrial, which is 700 feet long and 52 feet high, and create reservoir covering approximately 290 acres contain about 870 million gallons of water. In addition, the comp possesses a 15-mile pipeline from the Susquehanna Rive Lake Redman that provides access to an additional sup of water. As of December 31, 2009, the company ser approximately 180,000 residential, commercial, industrial, which is 700 feet long and 52 feet high, and create reservoir covering approximately 290 acres contain about 1,3 billion gallons of water. In addition, the comp possesses a 15-mile pipeline from the Susquehanna Rive Lake Redman that provides access to an additional sup of water. As of December 31, 2009, the company ser approximately 180,000 residential, commercial, industrial, which is 700 feet long and 52 feet high, and out 1,3 billion gallons of water. As of December 31, 2009, the comp	"Cash Flow" 7.5%	7.5%	Inventory (Av		.8 .7	.7					
Fiscal QUARTERLY SALES (\$mill.) Froperty, Plant & Equip, al cost 223.1 246.0 260.4 Accum Depectation 31.5 34.6 38.4 Net Property 191.6 211.4 222.0 Other 12/31/109 7.5 7.8 8.6 8.9 32.8 Other 12/31/109 7.5 7.8 0ther 12/31/109 7.5 7.8 0ther 12/31/109 7.5 7.8 0ther 12/31/109 7.5 7.8 0ther 12/31/109 7.5 7.8 0th	Dividends 6.0%	3.5%	Other $\frac{.8}{68}$ $\frac{.7}{73}$ $\frac{1.0}{71}$ County and Adams County, Pennsylvania. T						The company		
Year   1Q   2Q   3Q   4Q   Year			supplies water for residential, commercial, indust								
12/31/08   7.4   7.9   8.3   7.8   31.4   Net Property   191.6   211.4   222.0     12/31/08   7.5   7.8   8.6   8.9   32.8   32.8     12/31/09   8.8   9.2   9.8   9.2   37.0   Other   12.6   21.7   19.7     12/31/09   8.8   9.2   9.8   9.2   37.0   Other   12.6   21.7   19.7     12/31/09   19.1   19.1   19.7     12/31/06   12   14   17   15   15   15   15   15   15   15					.1 246.0	260.4					
12/31/08   7.5   7.8   8.6   8.9   32.8   32.8   32.8   32.8   32.8   37.0	-						reservoir o	overing a	pproximate	ly 165 ac	res containing
12/31/10   12/31/10   12/31/10   13/3   15   18   18   18   18   18   12/31/10   12/31/10   12/31/10   12/31/10   12/31/10   13/3   14/3   18   18   18   18   18   18   18   1	2/31/08 7.5 7.8 8.6	8.9 32.8	Other	_12	.6 21.7	19.7					
LABILITIES (\$\frac{1}{\text{Year}}   1Q   2Q   3Q   4Q   Year   1/23 \( \frac{1}{\text{Year}} \)   1/2 \( \frac{1}{\text{16}} \)   1/2 \( \frac{1}{\text{16}		9.2   37.0	Total Assets	211	.0 240.4	248.8					
Year   1Q   2Q   3Q   4Q   Year   Debt Due   15.0   8.7   9.3   Debt Due   15.0   8.7   Debt Due   15.0   R.7   Debt Due   15.0   8.7   Debt Due   15.0   R.7   Debt Due   15.0		E Full			3 00	4.4	about 1.3 b	illion gallo	ns of water.	In addition	n, the company
12/31/07 12 15 15 15 15 15 15 15 15 15 17 18 15 18 15 18 15 18 15 18 15 18 15 18 15 18 15 18 16 18 19 19 19 19 19 19 19 19 19 19 19 19 19			Debt Due	15	.0 8.7	9.3					
12/31/108			1								
12/31/09   13   17   18   16   84   183   19   19   19   19   19   19   19   1			Option Frag	21	iT 19.4	(41.0					
Calendar   QUARTERLY DIVIDENDS PAID   Full endar   1Q 2Q 3Q 4Q   Year	2/31/09 .13 .17 .18		LONG TODA	NEDT AND TO	ni iiTV		and other	customers i	n 39 muni	cipalities ir	York County
Institutional Decisions   10 20 30 40   Year   Total Debt \$82.6 mill.   Due in 5 Yrs. \$24.6 mill.   Address: 130 East Market Street, York, PA 17401. Total Debt \$73.2 mill.   Louding Cap. Leases None   (46% of Cap'l)   Eases, Uncapitalized Annual rentals None   April 23, 2010   Institutional Decisions   Institutional Decisional Decisions   Institutional Decisional Dec	<del></del>	PAID E									
2007   1.18					Due in 5 Yrs. S	\$24.6 mill.					
2009 1.126 1.126 1.126 1.126 1.126 1.26 1.26	* * ·		LT Debt \$73.	2 mill.							ater.com.
2010 1.128128 April 23, 2010  Pension Liability \$8.8 mill. in '09 vs. \$9.8 mill. in '08  TOTAL SHAREHOLDER RETURN			•		(46%						W.T.
INSTITUTIONAL DECISIONS TOTAL SHAREHOLDER RETURN			•						April 23, 20	010	
	INSTITUTIONAL DECISION	IS	Pension Liab	ınty \$8,8 mill. in							
74.00	2Q'09 3Q'09	4Q'09	Pid Stock Nor	8	Pfd Div'd	Paid None					tion as of 3/31/2010
			Common Stoc	k 12,558,724 sha		V at Ca-21	3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
[37/9 VI Capi) [			[54% of Caρ <sup>1</sup> ) -4.36% 1.00% 15.19% -10.47%						% 26.22%		

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