

Indian Hills Operating Company, Inc.
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to Schedule DWD-01
of Dylan W. D'Ascendis, CRRA, CVA

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Indian Hills Utility Operating Company, Inc.
Recommended Capital Structure and Cost Rates
for Ratemaking Purposes
Estimated at December 31, 2017

<u>Type Of Capital</u>	<u>Ratios (1)</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long-Term Debt	77.12%	14.00% (1)	10.80%
Common Equity	<u>22.88%</u>	15.20% (2)	<u>3.48%</u>
Total	<u>100.00%</u>		<u>14.28%</u>

Notes:

(1) Company-Provided.

(2) From page 2 of this Sub-Schedule.

Indian Hills Utility Operating Company, Inc.
Brief Summary of Common Equity Cost Rate

<u>Line No.</u>	<u>Principal Methods</u>	<u>Proxy Group of Eight Water Companies</u>
1.	Discounted Cash Flow Model (DCF) (1)	8.63 %
2.	Risk Premium Model (RPM) (2)	10.75
3.	Capital Asset Pricing Model (CAPM) (3)	10.21
4.	Market Models Applied to Comparable Risk, Non-Price Regulated Companies (4)	<u>11.38</u>
5.	Indicated Common Equity Cost Rate before Adjustment for Business Risks	10.35 %
6.	Financial Risk Adjustment (5)	2.49
7.	Size Risk Adjustment (6)	2.38
8.	Indicated Common Equity Cost Rate	<u>15.22 %</u>
9.	Recommended Common Equity Cost Rate	<u>15.20 %</u>

- Notes: (1) From Sub-Schedule DWD-3.
(2) From page 1 of Sub-Schedule DWD-4.
(3) From page 1 of Sub-Schedule DWD-5.
(4) From page 1 of Sub-Schedule DWD-7.
(5) From Sub-Schedule DWD-8
(6) From Sub-Schedule DWD-9.

Proxy Group of Eight Water Companies
CAPITALIZATION AND FINANCIAL STATISTICS (1)
2012 - 2016, Inclusive

	2016	2015	2014	2013	2012	
	(MILLIONS OF DOLLARS)					
CAPITALIZATION STATISTICS						
AMOUNT OF CAPITAL EMPLOYED						
TOTAL PERMANENT CAPITAL	\$2,399.854	\$2,269.476	\$2,156.407	\$2,058.747	\$1,998.358	
SHORT-TERM DEBT	<u>\$137.724</u>	<u>\$95.003</u>	<u>\$72.459</u>	<u>\$95.589</u>	<u>\$60.594</u>	
TOTAL CAPITAL EMPLOYED	<u>\$2,537.578</u>	<u>\$2,364.479</u>	<u>\$2,228.866</u>	<u>\$2,154.336</u>	<u>\$2,058.952</u>	
INDICATED AVERAGE CAPITAL COST RATES (2)						
TOTAL DEBT	4.73 %	4.89 %	5.01 %	5.19 %	5.36 %	
PREFERRED STOCK	5.42 %	5.42 %	5.30 %	5.51 %	5.53 %	
CAPITAL STRUCTURE RATIOS						
5 YEAR AVERAGE						
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	46.13 %	46.25 %	45.71 %	46.24 %	49.32 %	46.73 %
PREFERRED STOCK	0.12	0.12	0.13	0.16	0.18	0.14
COMMON EQUITY	<u>53.75</u>	<u>53.63</u>	<u>54.16</u>	<u>53.60</u>	<u>50.50</u>	<u>53.13</u>
TOTAL	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	48.59 %	47.63 %	47.00 %	47.77 %	50.87 %	48.37 %
PREFERRED STOCK	0.11	0.12	0.13	0.15	0.17	0.14
COMMON EQUITY	<u>51.30</u>	<u>52.25</u>	<u>52.87</u>	<u>52.08</u>	<u>48.96</u>	<u>51.49</u>
TOTAL	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %
FINANCIAL STATISTICS						
FINANCIAL RATIOS - MARKET BASED						
EARNINGS / PRICE RATIO	4.01 %	4.72 %	5.44 %	4.84 %	5.47 %	4.90 %
MARKET / AVERAGE BOOK RATIO	274.64	224.46	212.84	206.33	187.65	221.18
DIVIDEND YIELD	2.17	2.66	2.76	2.88	3.17	2.73
DIVIDEND PAYOUT RATIO	55.72	56.71	52.46	58.35	60.42	56.73
RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY	10.83 %	10.40 %	11.38 %	10.08 %	10.12 %	10.56 %
TOTAL DEBT / EBITDA (3)	3.63 X	3.64 X	3.40 X	3.65 X	3.83 X	3.63 X
FUNDS FROM OPERATIONS / TOTAL DEBT (4)	22.17 %	24.05 %	25.95 %	22.85 %	20.86 %	23.18 %
TOTAL DEBT / TOTAL CAPITAL	48.59 %	47.63 %	47.00 %	47.77 %	50.87 %	48.37 %

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.
- (2) Computed by relating actual total debt interest or preferred stock dividends booked to average of beginning and ending total debt or preferred stock reported to be outstanding.
- (3) Total debt relative to EBITDA (Earnings before Interest, Income Taxes, Depreciation and Amortization).
- (4) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC) plus interest charges as a percentage of total debt.

Source of Information: Company Annual Forms 10-K

Capital Structure Based upon Total Permanent Capital for the
Proxy Group of Eight Water Companies
2012 - 2016, Inclusive

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>5 YEAR</u> <u>AVERAGE</u>
<u>American States Water Co.</u>						
Long-Term Debt	39.40 %	41.15 %	39.15 %	40.30 %	42.49 %	40.50 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	60.60	58.85	60.85	59.70	57.51	59.50
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>
<u>American Water Works Company Inc.</u>						
Long-Term Debt	54.74 %	53.89 %	52.70 %	52.42 %	54.30 %	53.61 %
Preferred Stock	0.09	0.11	0.15	0.17	0.21	0.15
Common Equity	45.17	46.00	47.15	47.41	45.49	46.24
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>
<u>Aqua America Inc.</u>						
Long-Term Debt	50.81 %	50.76 %	49.45 %	50.32 %	53.41 %	50.95 %
Preferred Stock	0.00	0.00	0.00	0.01	0.01	0.00
Common Equity	49.19	49.24	50.55	49.67	46.58	49.05
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>
<u>California Water Service Group</u>						
Long-Term Debt	45.83 %	44.69 %	40.46 %	42.03 %	50.39 %	44.68 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	54.17	55.31	59.54	57.97	49.61	55.32
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>
<u>Connecticut Water Service Inc.</u>						
Long-Term Debt	46.02 %	44.54 %	45.91 %	47.34 %	49.03 %	46.57 %
Preferred Stock	0.18	0.19	0.20	0.20	0.21	0.20
Common Equity	53.80	55.27	53.89	52.46	50.76	53.23
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>
<u>Middlesex Water Co.</u>						
Long-Term Debt	38.91 %	40.44 %	41.55 %	41.36 %	43.53 %	41.16 %
Preferred Stock	0.67	0.69	0.71	0.88	1.02	0.79
Common Equity	60.42	58.87	57.74	57.76	55.45	58.05
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>
<u>SIW Corp.</u>						
Long-Term Debt	50.69 %	50.03 %	51.66 %	51.09 %	55.39 %	51.77 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	49.31	49.97	48.34	48.91	44.61	48.23
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>
<u>York Water Co.</u>						
Long-Term Debt	42.60 %	44.46 %	44.81 %	45.07 %	45.98 %	44.58 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	57.40	55.54	55.19	54.93	54.02	55.42
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>
<u>Proxy Group of Eight Water Companies</u>						
Long-Term Debt	46.13 %	46.25 %	45.71 %	46.24 %	49.32 %	46.73 %
Preferred Stock	0.12	0.12	0.13	0.16	0.18	0.14
Common Equity	53.75	53.63	54.16	53.60	50.50	53.13
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>

Source of Information
Annual Forms 10-K

Indian Hills Utility Operating Company, Inc.
Indicated Common Equity Cost Rate Using the Discounted Cash Flow Model for
Proxy Group of Eight Water Companies

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Eight Water Companies	Value Line Projected Five Year Growth in EPS (2)	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth in EPS (3)	Adjusted Dividend Yield (4)	Indicated Common Equity Cost Rate (5)
American States Water Co.	2.09 %	4.45 %	5.00 %	4.45 %	5.10 %	2.14 %	7.24 %
American Water Works Company Inc	2.06	8.52	7.40	7.03	7.86	2.14	10.00
Aqua America Inc	2.45	7.50	6.30	5.50	6.58	2.53	9.11
California Water Service Group	1.92	NA	5.50	9.70	8.07	2.00	10.07
Connecticut Water Service Inc	2.10	6.00	6.00	6.00	5.63	2.16	7.79
Middlesex Water Co.	2.18	NA	NA	2.70	5.60	2.24	7.84
SJW Corp	1.67	NA	NA	14.00	8.50	1.74	10.24
York Water Co.	1.84	NA	NA	4.90	5.95	1.89	7.84
						Average	8.77 %
						Median	8.48 %
					Average of Mean and Median		8.63 %

NA= Not Available

Notes:

- (1) Indicated dividend at 08/31/2017 divided by the average closing price of the last 60 trading days ending 08/31/2017 for each company.
- (2) From pages 2 through 9 of this Sub-Schedule.
- (3) Average of columns 2 through 5 excluding negative growth rates.
- (4) This reflects a growth rate component equal to one-half the conclusion of growth rate (from column 6) x column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for American States Water Co., $2.09\% \times (1 + (1/2 \times 5.10\%)) = 2.14\%$.
- (5) Column 6 + column 7.

Source of Information:

Value Line Investment Survey
www.reuters.com Downloaded on 08/31/2017
www.zacks.com Downloaded on 08/31/2017
www.yahoo.com Downloaded on 08/31/2017

AMER. STATES WATER NYSE-AWR				RECENT PRICE 47.84	P/E RATIO 28.1 (Trailing: 28.5; Median: 20.0)	RELATIVE P/E RATIO 1.42	DIV'D YLD 2.1%	VALUE LINE		
TIMELINESS 2 Raised 6/30/17	SAFETY 2 Raised 7/20/12	TECHNICAL 2 Raised 7/14/17	BETA .75 (1.00 = Market)						Target Price Range 2020-2022	
2020-22 PROJECTIONS High Price 55 Gain (+15%) Ann'l Total Return 6% Low Price 40 Loss (-15%) Return -2%				LEGENDS — 1.25 x Dividends p sh divided by Interest Rate Relative Price Strength 2-for-1 split 9/13 Options: Yes Shaded area indicates recession					% TOT. RETURN 6/17	
Insider Decisions S O N D J F M A M to Buy 0 0 0 0 0 0 0 0 0 Options 5 0 2 2 3 1 1 1 0 8 to Sell 4 3 4 1 3 2 3 1 4				Institutional Decisions 3Q2016 4Q2016 1Q2017 to Buy 84 102 87 to Sell 88 87 89 Hid's(000) 23554 24607 29082					Percent shares traded	
MARKET CAP: \$1.8 billion (Mid Cap) CURRENT POSITION 2015 2016 3/31/17 (\$MILL.) Cash Assets 4.4 .4 .6 Accts Receivable 18.9 20.0 15.5 Other 109.4 146.5 176.0 Current Assets 132.7 166.9 192.1 Accts Payable 50.6 43.7 37.3 Debt Due 28.3 90.3 96.3 Other 44.6 43.9 45.1 Current Liab. 123.5 177.9 178.7				Business: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to 261,002 customers in 75 cities and 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to 23,940 customers in the city of Big Bear Lake and in areas of San Bernardino County, Sold Chaparral City Water of Arizona (6/11). Has 736 employees. BlackRock, Inc. owns 11.7% of out. shares; Vanguard, 9.5%; off. & dir. 1.5%. (4/17 Proxy). Chairman: Lloyd Ross. President & Chief Executive Officer: Robert J. Sprowls. Inc. CA. Address: 630 East Foothill Blvd., San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.						
ANNUAL RATES of change (per sh) Past 10 Yrs. Past 5 Yrs. Est'd '14-'16 to '20-'22 Revenues 5.5% 3.0% 4.5% "Cash Flow" 7.5% 6.5% 6.0% Earnings 10.0% 9.5% 6.5% Dividends 7.0% 10.5% 7.5% Book Value 5.5% 5.0% 4.0%				American States Water's profits are on the upswing. The company's per-share earnings have been stuck in a tight range close to \$1.60 over the past four years. A combination of rate relief and a greater contribution from the nonregulated business should enable share net to reach \$1.70 in 2017, and \$1.80 in 2018.						
FINANCIAL STRENGTH 2014 2015 2016 2017 2018 Revenues per sh 6.53 6.89 6.99 6.81 7.03 7.88 8.75 9.21 9.74 10.71 11.12 12.12 12.19 12.17 12.56 11.92 12.40 12.65 "Cash Flow" per sh 1.26 1.27 1.04 1.11 1.32 1.45 1.65 1.69 1.70 2.11 2.13 2.48 2.65 2.67 2.81 2.70 2.85 3.05 Earnings per sh A .67 .67 .39 .53 .66 .67 .81 .78 .81 1.11 1.12 1.41 1.61 1.57 1.60 1.62 1.70 1.80 Div'd Decl'd per sh B .43 .44 .44 .44 .45 .46 .48 .50 .51 .52 .55 .64 .76 .83 .87 .91 .98 1.05 Cap'l Spending per sh 1.59 1.34 1.88 2.51 2.12 1.95 1.45 2.23 2.09 2.12 2.13 1.77 2.52 1.89 2.39 3.55 3.15 3.15 Book Value per sh 6.61 7.02 6.98 7.51 7.86 8.32 8.77 8.97 9.70 10.13 10.84 11.80 12.72 13.24 12.77 13.52 14.20 14.85 Common Shs Outst'g C 30.24 30.36 30.42 33.50 33.60 34.10 34.46 34.60 37.06 37.26 37.70 38.53 38.72 38.29 36.50 36.57 36.70 36.80				Finances will likely weaken but remain strong through early next decade. The company uses less leverage than any of its peers and is one of the two utilities in the group that carries an (A) Financial Strength rating. Capital spending will be meaningful, but not onerous, over the next five-year period. So, while certain financial metrics may decline, the balance sheet should remain sound.						
MARKET CAP: \$1.8 billion (Mid Cap) 2014 2015 2016 2017 2018 Revenues (\$mill) 301.4 318.7 361.0 398.9 419.3 466.9 472.1 465.8 458.6 436.1 455 465 Total Debt \$417.3 mill. Due in 5 Yrs \$41.7 mill. LT Debt \$321.0 mill. LT Interest \$20.0 mill. (39% of Cap'l) Leases, Uncapitalized: Annual rentals \$2.5 mill. Pension Assets-12/16 \$150.9 mill. Oblig. \$180.4 mill. Pfd Stock None. Common Stock 36,616,192 shs. as of 4/28/17				There is not too much activity on the regulatory front. Earlier this year, Golden State Water filed a cost of capital application with California regulators. A ruling, which will determine rates for 2018, is expected by yearend. A legal dispute regarding the Ojai Water System also seems to be nearing a resolution. To settle all legal claims, Golden State has agreed to sell the assets for \$34.5 million in cash. The sale would result in company taking an \$8 million pretax profit, which is excluded from our earnings presentation.						
QUARTERLY REVENUES (\$ mill.) Cal-endar Mar.31 Jun. 30 Sep. 30 Dec. 31 Full Year 2014 102.0 115.6 138.3 109.9 465.8 2015 100.9 114.6 133.0 110.1 458.6 2016 93.5 112.0 123.8 106.8 436.1 2017 98.8 115 141.2 100 455 2018 100 118 132 115 465				These timely shares have had a nice run, of late. Despite its defensive nature, AWR has risen 9% in value since our April report. By comparison, the S&P 500 was up only 3% over the same time frame. The equity is now trading near the midpoint of our 2020-2022 Target Price Range, which means that it has limited long-term appeal.						
EARNINGS PER SHARE A Cal-endar Mar.31 Jun. 30 Sep. 30 Dec. 31 Full Year 2014 .28 .39 .54 .36 1.57 2015 .32 .41 .56 .31 1.60 2016 .28 .45 .59 .30 1.62 2017 .34 .45 .60 .31 1.70 2018 .35 .47 .60 .38 1.80				The nonregulated sector offers the company additional upside potential. Through its ASUS subsidiary, American States has been an active bidder in the privatization of the water systems of U.S. military bases. The most recent win was for the Elgin Air Force Base. The 50-year contract was for a total of \$510 million. ASUS now services about 10 installations and will continue to bid on new contracts						
QUARTERLY DIVIDENDS PAID B Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2013 .1775 .1775 .2025 .2025 .76 2014 .2025 .2025 .213 .213 .83 2015 .213 .213 .224 .224 .87 2016 .224 .224 .224 .242 .91 2017 .242 .242				James A. Flood July 14, 2017						

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 7c; '05, 13c; '06, 3c; '08, (14c); '10, (23c); '11, 10c. Next earnings report due mid-August. (B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available. (C) In millions, adjusted for split.

Company's Financial Strength	A
Stock's Price Stability	80
Price Growth Persistence	75
Earnings Predictability	90

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AMERICAN WATER NYSE-AWK				RECENT PRICE	78.07	P/E RATIO	25.6	(Trailing: 29.0 Median: NMF)	RELATIVE P/E RATIO	1.29	DIV'D YLD	2.2%	VALUE LINE												
TIMELINESS	3	Raised 2/3/17		High: 23.7	23.0	25.8	32.8	39.4	45.1	56.2	61.2	85.2	82.9												
SAFETY	3	New 7/25/08		Low: 16.5	16.2	19.4	25.2	31.3	37.0	41.1	48.4	58.9	70.0												
TECHNICAL	3	Raised 7/14/17		LEGENDS 0.85 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession																					
BETA	.60	(1.00 = Market)		2020-22 PROJECTIONS Ann'l Total High Price 90 (+15%) Low Price 60 (-25%) Gain Return 6% LT Return -3%																					
Insider Decisions				S O N D J F M A M to Buy 0 0 1 0 0 0 0 0 0 Options 0 0 0 0 0 9 3 0 7 to Sell 0 0 0 0 0 1 2 0 2																					
Institutional Decisions				3Q2016 4Q2016 1Q2017 to Buy 265 316 269 to Sell 289 278 302 Hld's(000) 142186 145668 160388 Percent shares traded 21 14 7																					
				% TOT. RETURN 6/17 THIS STOCK -5.9 3 yr. 68.7 5 yr. 156.7 VL ARITH. INDEX 18.8 20.3 91.4																					
2001	2002	2003	2004	2005	2006	2007 ^E	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22						
--	--	--	--	--	13.08	13.84	14.61	13.98	15.49	15.18	16.25	16.28	16.78	17.72	18.54	19.40	20.45	Revenues per sh	23.05						
--	--	--	--	--	.65	d.47	2.87	2.89	3.56	3.73	4.27	4.36	4.75	5.13	5.26	5.85	6.20	"Cash Flow" per sh	7.45						
--	--	--	--	--	d.97	d2.14	1.10	1.25	1.53	1.72	2.11	2.06	2.39	2.64	2.62	3.05	3.25	Earnings per sh ^A	4.15						
--	--	--	--	--	--	--	.40	.82	.86	.90	1.21	.84	1.21	1.33	1.47	1.61	1.76	Div'd Decl'd per sh ^B	2.35						
--	--	--	--	--	4.31	4.74	6.31	4.50	4.38	5.27	5.25	5.50	5.33	6.51	7.36	6.75	6.70	Cap'l Spending per sh	6.40						
--	--	--	--	--	23.86	28.39	25.64	22.91	23.59	24.11	25.11	26.52	27.39	28.25	29.24	30.80	32.40	Book Value per sh ^D	39.45						
--	--	--	--	--	160.00	160.00	160.00	174.63	175.00	175.66	176.99	178.25	179.46	178.28	178.10	178.50	179.00	Common Shs Outst'g ^C	187.50						
--	--	--	--	--	--	18.9	15.6	14.6	16.8	16.7	19.9	20.0	20.5	20.5	27.7	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	18.0						
--	--	--	--	--	--	1.14	1.04	.93	1.05	1.06	1.12	1.05	1.03	1.03	1.46			Relative P/E Ratio	1.15						
--	--	--	--	--	--	1.9%	4.2%	3.8%	3.1%	3.4%	2.0%	2.5%	2.5%	2.0%	2.0%			Avg Ann'l Div'd Yield	3.1%						
CAPITAL STRUCTURE as of 3/31/17				2214.2	2336.9	2440.7	2710.7	2666.2	2876.9	2901.9	3011.3	3159.0	3302.0	3465	3665	Revenues (\$mill)	4325								
Total Debt \$7307.0 mil. Due in 5 Yrs \$1698.0 mil.				d342.3	187.2	209.9	267.8	304.9	374.3	369.3	429.8	476.0	468.0	545	580	Net Profit (\$mill)	780								
LT Debt \$5753.0 mil. LT Interest \$300.0 mil. (52% of Cap'l)				--	37.4%	37.9%	40.4%	39.5%	40.7%	39.1%	39.4%	39.1%	39.2%	38.5%	38.0%	Income Tax Rate	36.5%								
Leases, Uncapitalized: Annual rentals \$14.0 mil.				50.9%	53.1%	56.9%	56.8%	55.7%	53.9%	52.4%	52.4%	53.7%	52.4%	54.0%	55.0%	Long-Term Debt Ratio	54.0%								
Pension Assets 12/16 \$1443.0 mil.				49.1%	46.9%	43.1%	43.2%	44.2%	46.1%	47.6%	47.4%	46.2%	47.5%	46.0%	45.0%	Common Equity Ratio	46.0%								
Pfd Stock \$9.0 mil. Pfd Div'd \$ 5.5 mil.				9245.7	8750.2	9289.0	9561.3	9580.3	9635.5	9940.7	10364	10911	10967	11900	12850	Total Capital (\$mill)	16000								
Common Stock 178,191,126 shs. as of 4/27/17				9318.0	9991.8	10524	11059	11021	11739	12391	12900	13933	14992	15675	16400	Net Plant (\$mill)	18000								
MARKET CAP: \$13.9 billion (Large Cap)				NMF	3.7%	3.8%	4.4%	4.8%	5.4%	5.1%	5.5%	5.7%	5.6%	6.0%	6.0%	Return on Total Cap'l	6.5%								
CURRENT POSITION				NMF	4.6%	5.2%	6.5%	7.2%	8.4%	7.8%	8.7%	9.4%	9.0%	10.0%	10.0%	Return on Shr. Equity	10.5%								
2015				NMF	4.6%	5.2%	6.5%	7.2%	8.4%	7.8%	8.7%	9.4%	9.0%	10.0%	10.0%	Return on Com Equity	10.5%								
2016				NMF	3.0%	1.8%	2.8%	3.5%	3.6%	4.7%	4.3%	4.7%	4.0%	4.5%	4.5%	Retained to Com Eq	4.5%								
2017				--	34%	65%	56%	52%	57%	40%	50%	50%	56%	55%	All Div'ds to Net Prof	57%									
2018				BUSINESS: American Water Works Company, Inc. is the largest investor-owned water and wastewater utility in the U.S., providing services to over 15 million people in over 47 states and Canada. (Regulated presence in 16 states). Nonregulated business assists municipalities and military bases with the maintenance and upkeep as well. Regulated operations made up 86.5% of 2016 revenues.																					
ANNUAL RATES of change (per sh)				New Jersey is its largest market accounting for 25.4% of regulated revenues. Has 6,800 employees. The Vanguard Group, owns 9.6% of outstanding shares; BlackRock, Inc., 8.2%; officers & directors, less than 1.0%. (3/17 Proxy). President & CEO: Susan N. Story. Chair.: George MacKenzie. Address: 1025 Laurel Oak Road, Voorhees, NJ 08043. Tel.: 856-346-8200. Internet: www.amwater.com.																					
Past 10 Yrs.				American Water Works' operating strategy continues to be quite successful. The U.S. water industry consists of thousands of small municipally run districts that operate independently. Due to an industry-wide deferral of capital expenditures, many of these systems do not have the required financial wherewithal to replace their aging pipelines and wastewater facilities. As the bemoan of the publicly traded entities (AWK's market capitalization is more than double that of the second largest water utility), the company is always buying up these smaller water authorities. Because of the huge amount of synergies prevalent in this industry, AWK can absorb new water authorities and make them much more efficient. By spending to improve the asset base and service to customers, it gets on regulators good side. This policy has enabled the company to increase external-ly by almost 2% annually.																					
Past 5 Yrs.				American Water has about the best earnings growth prospects in the water utility group. The acquisition and cost-cutting strategy has enabled the company to post impressive earnings and divi-																					
Est'd '14-'16 to '20-'22				dend growth since 2008. (Last year was an exception, as an unusual expense related to a chemical spill caused a negative year-over-year comparison.) All told, we expect American Water's share net to climb 16% in 2017, to \$3.05, and 7% in 2018, to \$3.25. What's more, we estimate that the company's bottom line will increase 8.5% yearly through early next decade.																					
Revenues				The utility is spending heavily to upgrade its infrastructure. The capital budget for 2017 is about \$1.2 billion. Over the next three- to five-year pull, this figure should be almost \$6 billion.																					
"Cash Flow"				Despite all of the company's positive attributes, we think more attractive stock selections can be found elsewhere. Investors have been pouring large amounts of funds into the Water Utility Industry in the recent past. This has led to the group turning in a solid performance, even though these are defensive stocks and we are currently in a bull market. Indeed, the yield on this income stock is now only 20 basis points higher than the Value Line median. Moreover, long-term total return potential is now subpar.																					
Earnings				James A. Flood July 14, 2017																					
Dividends																									
Book Value																									
Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year																				
	Mar.31	Jun.30	Sep.30	Dec.31	2014	2015	2016	2017	2018																
2014	679.0	754.8	846.1	731.4	3011.3																				
2015	698.0	782.0	896.0	783.0	3159.0																				
2016	743.0	827.0	930.0	802.0	3302.0																				
2017	756.0	870	985	854	3465																				
2018	810	920	1045	890	3665																				
Cal-endar	EARNINGS PER SHARE ^A				Full Year																				
	Mar.31	Jun.30	Sep.30	Dec.31	2014	2015	2016	2017	2018																
2014	.39	.62	.86	.52	2.39																				
2015	.44	.68	.96	.56	2.64																				
2016	.46	.77	.83	.57	2.62																				
2017	.52	.80	1.05	.68	3.05																				
2018	.57	.88	1.09	.71	3.25																				
Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year																				
	Mar.31	Jun.30	Sep.30	Dec.31	2014	2015	2016	2017	2018																
2014	.28	.31	.31	.31	1.21																				
2015	.31	.34	.34	.34	1.33																				
2016	.34	.375	.375	.375	1.47																				
2017	.375	.415																							
(A) Diluted earnings. Excludes nonrecurring losses: '08, \$4.62; '09, \$2.63; '11, \$0.07. Discontinued operations: '06, (\$0.04); '11, \$0.03; '12, (\$0.10); '13, (\$0.01). GAAP used as of 2014.				Next earnings report due mid-August. Quarterly earnings do not sum in '16 due to rounding. (B) Dividends paid in March, June, September, and December. (C) Div. reinvest-																					
				ment available. (D) In millions. (E) Includes intangibles. In 12/16: \$1.345 billion, \$7.55/share. (E) Pro forma numbers for '06 & '07.																					
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				To subscribe call 1-800-VALUELINE																					

AQUA AMERICA NYSE-WTR				RECENT PRICE	P/E RATIO	Trailing: 25.2 Median: 22.0	RELATIVE P/E RATIO	DIV'D YLD	2.5%	VALUE LINE
TIMELINESS	3	Lowered 8/26/16	High: 23.8	33.04	23.9	25.2	1.21	2.5%		
SAFETY	2	Raised 4/20/12	Low: 16.1							
TECHNICAL	2	Raised 7/14/17	21.3							
BETA	.70	(1.00 = Market)	17.6							
2020-22 PROJECTIONS			12.3							
High	Price	Gain	18.4							
Low	45	(+35%)	19.0							
	35	(+5%)	21.5							
		10%	28.1							
		4%	28.2							
Insider Decisions			31.1							
	S O N D J F M A M		35.8							
to Buy	0 0 0 0 0 0 0 0		34.4							
Options	0 7 0 0 0 7 6 7 7 0		29.4							
to Sell	1 0 0 0 0 0 0 0 0									
Institutional Decisions										
	3Q2016	4Q2016	1Q2017							
to Buy	163	182	179							
to Sell	169	171	180							
Hld's(000)	85606	88568	103594							
MARKET CAP: \$5.9 billion (Large Cap)										
CURRENT POSITION (\$MILL)										
Cash Assets	3.2	3.7	4.4							
Receivables	99.1	97.4	89.4							
Inventory (AvgCst)	12.4	13.0	14.0							
Other	13.7	14.6	14.7							
Current Assets	128.4	128.7	122.5							
Accts Payable	56.5	59.9	50.2							
Debt Due	52.3	157.2	147.0							
Other	84.4	84.4	80.4							
Current Liab.	193.2	301.5	277.6							
ANNUAL RATES										
of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '14-'16 to '20-'22							
Revenues	4.0%	2.0%	5.0%							
"Cash Flow"	7.5%	7.0%	6.0%							
Earnings	8.5%	11.0%	7.0%							
Dividends	8.0%	8.0%	9.0%							
Book Value	7.0%	7.5%	6.5%							
QUARTERLY REVENUES (\$ mill.)										
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year					
2014	182.7	195.3	210.5	191.4	779.9					
2015	190.3	205.8	221.0	197.1	814.2					
2016	192.6	203.9	226.6	196.8	819.9					
2017	187.8	210	235	207.2	840					
2018	200	225	250	215	890					
EARNINGS PER SHARE^A										
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year					
2014	.24	.31	.38	.27	1.20					
2015	.27	.32	.38	.17	1.14					
2016	.29	.34	.41	.28	1.32					
2017	.28	.35	.44	.31	1.38					
2018	.31	.36	.47	.31	1.45					
QUARTERLY DIVIDENDS PAID^B										
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year					
2013	.14	.14	.152	.152	.58					
2014	.152	.152	.165	.165	.63					
2015	.165	.165	.178	.178	.69					
2016	.178	.178	.1913	.1913	.74					
2017	.1913	.1913								

(A) Diluted eps. Excl. nonrec. gains: '01, 2¢; '02, 4¢; '03, 3¢; '12, 18¢. Excl. gain from disc. operations: '12, 7¢; '13, 9¢; '14, 11¢. May not sum due to rounding. Next earnings report due mid-August.

(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).

(C) In millions, adjusted for stock splits.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	70
Earnings Predictability	90

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Aqua America should enjoy decent near-term bottom line growth. We think the company's share earnings can rise almost 5% to \$1.38, in 2017. The gain is more impressive than it sounds due to a difficult 2016 comparison. In 2018, once again, share earnings will probably rise 5% to \$1.45.

Capital spending will be greater than previously estimated. Last April, we thought the company's outlays for this year and next would be \$365 million and \$400 million, respectively. Management recently stated that \$450 million will be spent in 2017 and we are assuming the same amount will be required in 2018.

The balance sheet is capable of handling the greater outlays. As one of only two water utilities that carries an (A) Financial Strength rating, Aqua should be able to fund the increased outlays without taking on too much debt and weakening its strong financial position.

Aqua should benefit from the consolidation taking place in the industry. As the second biggest publicly traded water utility, we expect the company to make tuck-in acquisitions to help spur ex-

ternal growth. Since there are thousands of small municipal water districts that can't fund the large capital expenditures required, these entities have been selling themselves to bigger utilities. There is a tremendous amount of redundancies involved in this industry, and economies of scale can be substantial. Hence, this strategy, which has been the modus operandi of industry titan American Water Works (AWK), should help Aqua grow, as well.

Shares of Aqua America may appeal to accounts that must own a water utility. While we believe AWK is the best run company in the industry, WTR seems to offer more on a value basis. The dividend growth prospects are higher than the group average through 2020-2022. This usually means that investors must accept a yield that is below the group norm. That is not the case with WTR, however. It has a high yield and offers annual dividend increases of about 9% through early next decade. Long-term total return potential might not stack up well against the Value Line median, but it is more attractive than most equities in this sector.

James A. Flood
July 14, 2017

CALIFORNIA WATER NYSE-CWT				RECENT PRICE	P/E RATIO	Trailing: 35.1 Median: 20.0	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE										
TIMELINESS	3	Lowered 12/23/16	High: 22.9	22.7	23.3	24.1	19.8	19.4	19.3	23.4	26.4	26.0	36.8	39.4		Target Price	Range		
SAFETY	3	Lowered 7/27/07	Low: 16.4	17.1	13.8	16.7	16.9	16.7	16.8	18.4	20.3	19.5	22.5	32.4		2020	2021	2022	
TECHNICAL	3	Lowered 7/14/17															64		
BETA	.75	(1.00 = Market)	LEGENDS — 1.33 x Dividends p sh divided by Interest Rate Relative Price Strength 2-for-1 split 6/11 Options: Yes Shaded area indicates recession														48		
2020-22 PROJECTIONS High Price 50 Gain (+35%) Ann'l Total Return 10% Low Price 30 Gain (-20%) Ann'l Total Return -2%																			
Insider Decisions S O N D J F M A M to Buy 1 1 1 1 1 1 1 1 1 1 Options 0 0 0 0 0 0 2 2 0 0 to Sell 0 0 0 0 0 0 1 0 1																			
Institutional Decisions 3Q2016 4Q2016 1Q2017 to Buy 75 93 97 to Sell 73 82 83 Hld's(000) 33965 34200 38886 Percent shares traded 18 12 6																			
2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 © VALUE LINE PUB. LLC 20-22																			
8.13	8.67	8.18	8.59	8.72	8.10	8.88	9.90	10.82	11.05	12.00	13.34	12.23	12.50	12.29	12.70	13.25	13.90	Revenues per sh	14.70
1.10	1.32	1.26	1.42	1.52	1.36	1.56	1.86	1.93	1.93	2.07	2.32	2.21	2.47	2.22	2.34	2.65	2.80	"Cash Flow" per sh	3.15
.47	.63	.61	.73	.74	.67	.75	.95	.98	.91	.86	1.02	1.02	1.19	.94	1.01	1.35	1.45	Earnings per sh ^A	1.75
.56	.56	.56	.57	.57	.58	.58	.59	.59	.60	.62	.63	.64	.65	.67	.69	.72	.75	Div'd Decl'd per sh ^B	.99
2.04	2.91	2.19	1.87	2.01	2.14	1.84	2.41	2.66	2.97	2.83	3.04	2.58	2.76	3.69	4.77	3.85	3.65	Cap'l Spending per sh	3.65
6.48	6.56	7.22	7.83	7.90	9.07	9.25	9.72	10.13	10.45	10.76	11.28	12.54	13.11	13.41	13.75	14.20	14.45	Book Value per sh ^C	16.00
30.36	30.36	33.86	36.73	36.78	41.31	41.33	41.45	41.53	41.67	41.82	41.98	47.74	47.81	47.88	47.97	48.25	48.50	Common Shs Outst'g ^D	50.00
27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	20.3	21.3	17.9	20.1	19.7	24.8	29.6	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	23.0
1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.31	1.29	1.34	1.14	1.13	1.04	1.25	1.56			Relative P/E Ratio	1.45
4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%	3.4%	3.5%	3.1%	2.8%	2.9%	2.3%			Avg Ann'l Div'd Yield	2.5%
CAPITAL STRUCTURE as of 3/31/17 Total Debt \$687.9 mill. Due in 5 Yrs \$174.0 mill. LT Debt \$521.7 mill. LT Interest \$35.0 mill. (44% of Cap'l)																			
Pension Assets-12/16 \$376.5 mill. Oblig. \$564.8 mill.																			
Pfd Stock None																			
Common Stock 48,022,000 shs.																			
MARKET CAP: \$1.8 billion (Mid Cap)																			
CURRENT POSITION 2015 2016 3/31/17 (\$MILL.)																			
Cash Assets 8.8 25.5 12.0 Other 118.8 116.6 116.2 Current Assets 127.6 142.1 128.2 Accts Payable 66.4 77.8 69.3 Debt Due 40.2 123.3 166.2 Other 41.9 49.1 57.9 Current Liab. 148.5 250.2 293.4																			
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '14-'16 of change (per sh) to '20-'22																			
Revenues 4.0% 2.0% 2.5% "Cash Flow" 5.0% 3.5% 5.0% Earnings 4.0% 3.0% 9.0% Dividends 1.5% 2.0% 6.5% Book Value 5.0% 5.0% 3.0%																			
QUARTERLY REVENUES (\$ mill.)^F Full Year																			
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year														
2014	110.5	158.4	191.2	137.4	597.5														
2015	122.0	144.4	193.5	138.4	588.3														
2016	121.7	152.4	184.3	151.0	609.4														
2017	122.0	165	198	155	640														
2018	140	170	205	160	675														
EARNINGS PER SHARE^A Full Year																			
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year														
2014	d.11	.36	.70	.24	1.19														
2015	.03	.21	.52	.18	.94														
2016	d.02	.24	.48	.31	1.01														
2017	.02	.35	.66	.32	1.35														
2018	.07	.38	.67	.33	1.45														
QUARTERLY DIVIDENDS PAID^B Full Year																			
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year														
2013	.16	.16	.16	.16	.64														
2014	.1625	.1625	.1625	.1625	.65														
2015	.1675	.1675	.1675	.1675	.67														
2016	.1725	.1725	.1725	.1725	.69														
2017	.18	.18																	

BUSINESS: California Water Service Group provides regulated and nonregulated water service to 482,400 customers in 100 communities in the state of California. Accounts for over 94% of total customers. Also operates in Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Ac-

quired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '16: residential, 72%; business, 20%; industrial, 4%; public authorities, 3%; other 1%. Off. and dir. own 1% of common stock (4/17 proxy). Has 1,163 employees. Pres. and CEO: Martin A. Kropelnicki Inc.: DE. Addr.: 1720 North First St., San Jose, CA 95112-4598. Tel.: 408-367-8200. Internet: www.calwatergroup.com.

California Water Service Group was unable to pick up where it left off. Subsequent to a stellar fourth-quarter performance, the West Coast water provider delivered lukewarm results to begin 2017. First-quarter share net of \$0.02 missed our mark by \$0.03, as positives from rate increases and lower operating expenses were partly offset by higher depreciation and interest costs, as well as a decrease in accrued unbilled revenues. To that end, the top line was essentially flat, year to year, at \$122 million. On a brighter note, drought conditions are starting to ease, and associated spending has noticeably declined. Once long-term water use regulations are set, we believe CWT will benefit from its recent rate hikes and increased water usage.

Decent top- and bottom-line expansion is on the horizon. Revenues are poised to advance at a 5% clip this year, while profit growth will likely be more substantial, at about 33%. Lower overall costs, rate increases, and improved operating conditions are key inputs. For 2018, year-over-year growth will probably be less pronounced, but still trending in the

right direction. **Capital spending ought to ramp up considerably through late decade, accompanied by a greater potential for acquisitions.** Over the span of two to three years, CWT has more than \$600 million at its disposal to invest on infrastructure upgrades and system improvements. Management has also indicated a desire to strategically pursue bolt-on acquisitions, should the opportunity arise. Lastly, the company has entered into a long-term agreement with the Department of Defense to acquire water assets and provide service to Travis Air Force Base commencing in 2018.

Neutrally ranked CWT shares have treaded water since our April review. At recent levels, the valuation is still rather lofty, but the dividend yield is on par with the Value Line median. Although we think better days lie ahead and near-term earnings prospects are bright, we advise investors to exercise patience at this juncture. On top of that, capital gains potential over the 3- to 5-year stretch leaves much to be desired.

Nicholas P. Patrikis July 14, 2017

(A) Basic EPS. Excl. nonrecurring gain (loss): '01, 2¢; '02, 4¢; '11, 4¢. Next earnings report due late August.
(B) Dividends historically paid in late Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(C) Incl. intangible assets. In '16 : \$21.9 mill., \$0.46/sh.
(D) In millions, adjusted for splits.
(E) Excludes non-reg. rev.

Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	35
Earnings Predictability	70

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CONNECTICUT WATER NDQ-CTWS				RECENT PRICE	P/E RATIO	Trailing: 26.4 Median: 20.0	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE											
TIMELINESS	2	Raised 6/30/17	High: 27.7	57.00	25.9	1.31	2.1%	Target Price Range												
SAFETY	3	New 1/18/13	Low: 20.3					2020 2021 2022												
TECHNICAL	3	Raised 7/7/17	25.6 22.4 19.3																	
BETA	.65	(1.00 = Market)	29.0 26.4 27.9 29.1 32.8 36.4 37.5 39.9 58.3 62.2																	
2020-22 PROJECTIONS				LEGENDS																
High	Price	Gain	Ann'l Total	1.30 x Dividends p sh divided by Interest Rate																
Low	60	(+5%)	Return	Relative Price Strength																
	40	(-30%)	4%	Options: Yes																
			-5%	Shaded area indicates recession																
Insider Decisions				Percent shares traded																
S O N D J F M A M				12 8 4																
to Buy																				
Options																				
to Sell																				
Institutional Decisions				3Q2016 4Q2016 1Q2017																
to Buy				51 59 48																
to Sell				48 45 56																
Hld's(000)				5226 5436 6170																
				% TOT. RETURN 6/17																
				THIS STOCK VL ARITH. INDEX																
				1 yr. 0.9 18.8																
				3 yr. 77.2 20.3																
				5 yr. 120.5 91.4																
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22	
5.93	5.77	5.91	6.04	5.81	5.68	7.05	7.24	6.93	7.65	7.93	9.47	8.29	8.45	8.58	8.77	9.00	9.60	Revenues per sh	12.80	
1.78	1.78	1.89	1.91	1.62	1.52	1.90	1.95	1.93	2.04	2.11	2.64	2.63	2.97	3.18	3.31	3.40	3.50	"Cash Flow" per sh	3.85	
1.13	1.12	1.15	1.16	.88	.81	1.05	1.11	1.19	1.13	1.13	1.53	1.66	1.92	2.04	2.08	2.20	2.35	Earnings per sh ^A	2.65	
.80	.81	.83	.84	.85	.86	.87	.88	.90	.92	.94	.96	.98	1.01	1.05	1.12	1.18	1.24	Div'd Decl'd per sh ^B	1.40	
1.86	1.98	1.49	1.58	1.96	1.96	2.24	2.44	3.28	3.06	2.61	2.79	3.02	4.11	4.29	5.93	4.50	4.35	Cap'l Spending per sh	3.35	
9.25	10.06	10.46	10.94	11.60	11.60	11.95	12.23	12.67	13.05	13.50	20.99	17.92	18.83	20.01	20.98	21.70	21.65	Book Value per sh ^D	22.80	
7.65	7.94	7.97	8.04	8.17	8.27	8.38	8.46	8.57	8.68	8.76	8.85	11.04	11.12	11.19	11.25	11.75	12.00	Common Shs Outst'g ^C	12.50	
21.5	24.3	23.5	22.9	28.6	29.0	23.0	22.2	18.4	20.7	23.0	19.4	18.4	17.5	17.6	23.3	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	19.0	
1.10	1.33	1.34	1.21	1.52	1.57	1.22	1.34	1.23	1.32	1.44	1.23	1.03	.92	.89	1.22			Relative P/E Ratio	1.20	
3.3%	3.0%	3.0%	3.1%	3.4%	3.6%	3.6%	3.6%	4.1%	3.9%	3.6%	3.2%	3.2%	3.0%	2.9%	2.3%			Avg Ann'l Div'd Yield	2.8%	
CAPITAL STRUCTURE as of 3/31/17				59.0	61.3	59.4	66.4	69.4	83.8	91.5	94.0	96.0	98.7	106	115	Revenues (\$mill)	160			
Total Debt \$210.8 mill. Due in 5 Yrs \$19.8 mill.				8.8	9.4	10.2	9.8	9.9	13.6	18.3	21.3	22.8	23.4	26.0	28.0	Net Profit (\$mill)	32.0			
LT Debt \$205.6 mill. LT Interest \$7.7 mill. (45% of Cap'l)				32.4%	27.2%	19.5%	35.2%	41.3%	32.0%	28.0%	14.4%	3.5%	9.9%	19.0%	20.0%	Income Tax Rate	28.0%			
Leases, Uncapitalized: Annual rentals \$.3 mill.				47.8%	46.9%	50.6%	49.5%	53.2%	49.0%	46.9%	45.7%	44.1%	45.4%	46.5%	47.0%	Long-Term Debt Ratio	46.5%			
Pension Assets-12/16 \$62.7 mill. Oblig. \$79.3 mill.				51.8%	52.7%	49.1%	50.2%	46.5%	50.8%	52.9%	54.1%	55.7%	54.4%	53.5%	53.0%	Common Equity Ratio	53.5%			
Pfd Stock \$0.8 mill. Pfd Divd NMF				193.2	196.5	221.3	225.6	254.2	364.6	373.6	386.8	402.4	433.8	475	490	Total Capital (\$mill)	535			
Common Stock 11,564,346 shs.				284.3	302.3	325.2	344.2	362.4	447.9	471.9	506.9	546.3	601.4	615	635	Net Plant (\$mill)	675			
MARKET CAP: \$650 million (Small Cap)				5.5%	5.9%	5.5%	5.4%	4.9%	4.8%	5.9%	6.4%	6.5%	6.3%	6.0%	6.5%	Return on Total Cap'l	7.0%			
CURRENT POSITION (SMILL.)				8.7%	9.0%	9.3%	8.6%	8.3%	7.3%	9.2%	10.1%	10.1%	9.9%	10.0%	11.0%	Return on Shr. Equity	11.5%			
Cash Assets				8.7%	9.1%	9.4%	8.7%	8.3%	7.3%	9.2%	10.2%	10.1%	9.9%	10.0%	11.0%	Return on Com Equity	11.5%			
Accounts Receivable				1.6%	1.9%	2.3%	1.6%	1.4%	2.8%	3.8%	4.8%	4.9%	4.6%	4.5%	5.0%	Retained to Com Eq	5.5%			
Other				82%	79%	76%	81%	83%	62%	59%	53%	52%	54%	53%	All Div's to Net Prof	53%				
Current Assets				BUSINESS: Connecticut Water Service, Inc. is a non-operating holding company, whose income is derived from earnings of its wholly-owned subsidiary companies (regulated water utilities). In 2016, 95% of net income was derived from these activities. Provides water services to 440,000 people in 79 municipalities throughout Connecticut and Maine. Acquired The Maine Water Company, January, 2012; Biddeford and Saco Water, December, 2012; Heritage Village, February, 2017. Inc.: Conn.. Has 266 employees. Chairman/President/Chief Executive Officer: Eric W. Thornburg. Officers and directors own 2.5% of the common stock; BlackRock, Inc., 7.2% (4/17 proxy). Address: 93 West Main Street, Clinton, CT 06413. Telephone: (860) 669-8636. Internet: www.ctwater.com.																
Accts Payable				Connecticut Water Service completed its purchase of The Avon Water Company. The cash-and-stock deal reflects a total enterprise value of just over \$40 million. Approval by the Connecticut Public Utilities Regulatory Authority was received in April, and the deal is in effect as of July 1st. Avon serves about 4,800 water customers across several communities and will retain its name, service locations, and employees. This deal comes shortly after its addition of Heritage Village (February, 2017), a transaction that is already contributing to its financials.																
Debt Due				Connecticut's first-quarter showing is encouraging. Revenues of \$22.5 million, while slightly below our call improved nicely, year over year. This result was aided by recovery costs for completed infrastructure upgrades (WICA), higher water surcharges (WISC), specifically in Maine, and the abovementioned benefit of Heritage Village. Meanwhile, operating costs declined 50 basis points compared to the previous year, thanks to lower pension and compensation expenses, as well as a continued overall focus on cost reduction. As a result, profitability rose sharply for the March period, to \$0.36 a share. For this year and next, we remain optimistic that a high single-digit rate of growth is achievable for both the top and bottom lines.																
Other				Elevated capital spending and acquisitions are likely to be the main growth drivers through decade's end. Connecticut has guided an investment budget of more than \$55 million for 2017, and is poised to reap the rewards of qualifying infrastructure upgrades and replacements through WICA and WISC. Furthermore, we expect several small-to-midsize acquisitions to surface in the coming years, as CTWS' balance sheet is fundamentally sound and can support additional tuck-in purchases.																
Current Liab.				Short-term-minded investors may find something to like here. The issue is now ranked to outperform the year-ahead broader market averages (Timeliness: 2). However, the recent valuation gives us pause. Shares of CTWS are already trading near the high end of our 3- to 5-year Target Price Range, thus limiting their appeal over the pull to 2020-2022.																
ANNUAL RATES of change (per sh)				Nicholas P. Patrikis July 14, 2017																
Past 10 Yrs.																				
Past 5 Yrs.																				
Est'd '14-'16 to '20-'22																				
Revenues																				
"Cash Flow"																				
Earnings																				
Dividends																				
Book Value																				
Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year															
	Mar.31	Jun. 30	Sep. 30	Dec. 31																
2014	20.3	25.4	27.6	20.7	94.0															
2015	20.0	26.6	28.4	21.0	96.0															
2016	21.6	26.1	29.5	21.5	98.7															
2017	22.5	28.5	32.0	23.0	106															
2018	25.0	30.0	35.0	25.0	115															
Cal-endar	EARNINGS PER SHARE ^A				Full Year															
	Mar.31	Jun. 30	Sep. 30	Dec. 31																
2014	.27	.67	.76	.22	1.92															
2015	.28	.77	.79	.20	2.04															
2016	.28	.89	.84	.07	2.08															
2017	.36	.78	.86	.20	2.20															
2018	.35	.80	.90	.30	2.35															
Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year															
	Mar.31	Jun.30	Sep.30	Dec.31																
2013	.2425	.2425	.2475	.2475	.98															
2014	.2475	.2475	.2575	.2575	1.01															
2015	.2575	.2575	.2675	.2675	1.05															
2016	.2675	.2825	.2825	.2825	1.12															
2017	.2825	.2975																		

(A) Diluted earnings. Next earnings report due late August.
 (B) Dividends historically paid in mid-March, June, September, and December. ■ Div'd reinvestment plan available.
 (C) In millions.
 (D) Includes intangibles. In 2016: \$30.4 million/\$2.70 a share.

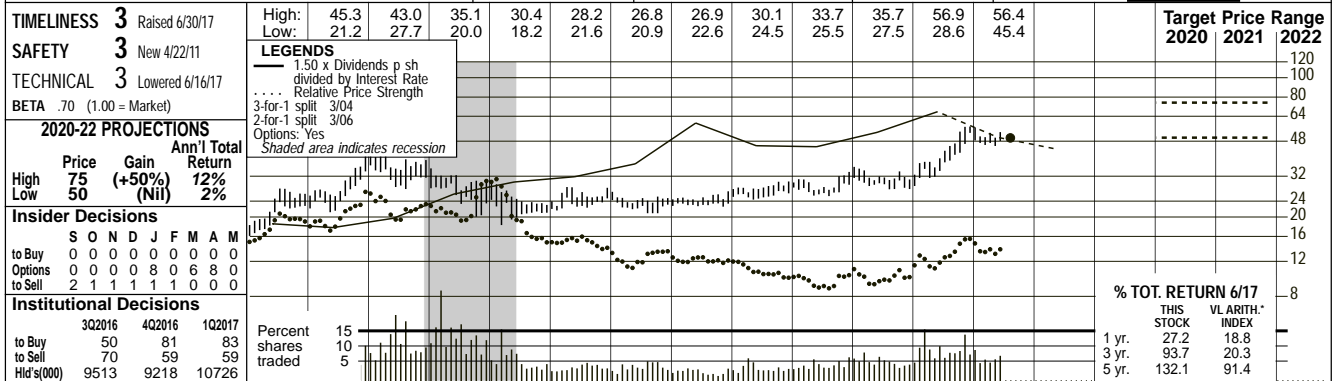
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Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	50
Earnings Predictability	90

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MIDDLESEX WATER NDQ-MSEX				RECENT PRICE	P/E RATIO	Trailing: 29.6 Median: 20.0	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
TIMELINESS	4	Lowered 7/17/17	High: 20.5	40.28	26.9	29.6	1.36	2.1%	
SAFETY	2	New 10/21/11	Low: 16.5						
TECHNICAL	3	Raised 7/14/17	20.2						
BETA	.75	(1.00 = Market)	16.9						
2020-22 PROJECTIONS			19.8						
High	50	Gain (+25%)	17.9						
Low	35	Return (-15%)	19.3						
Insider Decisions			19.4						
Institutional Decisions			19.6						
CAPITAL STRUCTURE as of 3/31/17			22.5						
Pension Assets-12/16			23.7						
MARKET CAP: \$650 million (Small Cap)			28.0						
CURRENT POSITION			44.5						
ANNUAL RATES			42.8						
Cal-endar			21.2						
EARNINGS PER SHARE			25.0						
QUARTERLY REVENUES			32.2						
QUARTERLY DIVIDENDS PAID			32.2						
BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey, Delaware, and Pennsylvania. It also operates water and wastewater systems under contract on behalf of municipal and private clients in NJ and DE. Its Middlesex System provides water services to 61,000 retail customers, primarily in Middlesex County, New Jersey. In 2016, the Middlesex System accounted for 60% of operating revenues. At 12/31/16, the company had 309 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers & directors own 3.5% of the common stock; BlackRock Institutional Trust Co., 7.2% (4/17 proxy). Add.: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.			28.0						
Middlesex Water Company posted weaker-than-anticipated financial results for the March quarter. Indeed, the first few months of the year historically leaves MSEX prone to lighter customer water usage due to the colder weather. Thus, unpredictable top-and bottom-line results are not uncommon early in the year, especially considering the company largely operates in the Northeast region of the U.S., an area that is no stranger to volatile temperatures and weather conditions. Year over year, first-quarter revenues contracted modestly, to \$30.1 million, owing to weaker consumption from New Jersey residents and commercial operators. However, its customer base expanded in its Delaware System. Earnings slipped on an annual basis, as well. Middlesex delivered share profits of \$0.27 for the period, two pennies less than the previous year. We are tempering our 2017 top-line expectation, while keeping intact our bottom-line forecast. While comparisons through yearend will likely be decent, its weaker first-quarter showing has spurred us to shave \$2 million from our full-year revenue outlook, to \$138 million. At this time, our \$1.50 per share earnings estimate remains. Infrastructure upgrades ought to be the priority going forward. Under its recently established RENEW program (part of its overall spending initiatives), the company plans to allocate nearly \$12 million in each of the next three years to bolster its water transmission capabilities by replacing old water mains, valves, and services lines throughout New Jersey. Moreover, total capital spending is poised to exceed \$200 million by the end of the decade, as upgrades to its distribution and production systems, along with some information technology updates are necessary for the long haul. The dividend yield is about average at the recent quotation. Middlesex shares have increased sharply in price since early 2016, pulling its annual dividend yield closer to that of the Value Line median. Investors would be better served looking elsewhere. This issue is unfavorably ranked (4) for the year-ahead, and offers limited upside out to 2020-2022. Nicholas P. Patrikis July 14, 2017			28.0						
(A) Diluted earnings. Next earnings report due early August.			44.5						
(B) Dividends historically paid in mid-Feb., May, Aug., and November. Div'd reinvestment plan available.			42.8						
(C) In millions, adjusted for split.			21.2						
Company's Financial Strength			25.0						
Stock's Price Stability			32.2						
Price Growth Persistence			32.2						
Earnings Predictability			32.2						

SJW GROUP NYSE:SJW **RECENT PRICE 49.91** **P/E RATIO 22.7** (Trailing: 19.3 Median: 23.0) **RELATIVE P/E RATIO 1.15** **DIV'D YLD 1.7%** **VALUE LINE**



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	12.85	14.01	13.73	15.76	14.97	16.61	16.45	15.90	Revenues per sh	19.55
1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.38	2.80	2.97	2.90	4.42	3.86	4.76	4.40	4.40	"Cash Flow" per sh	4.90
.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	1.11	1.18	1.12	2.54	1.85	2.57	2.20	2.35	Earnings per sh A	2.75
.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	.71	.73	.75	.78	.81	.87	.93	Div'd Decl'd per sh B	1.12
2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	3.75	5.67	4.68	5.02	5.24	6.95	6.00	5.50	Cap'l Spending per sh	5.00
8.17	8.40	9.11	10.11	12.72	12.48	12.90	13.99	13.66	13.75	14.20	14.71	15.92	17.75	18.83	20.61	21.20	21.60	Book Value per sh	23.90
18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	18.59	18.67	20.17	20.29	20.38	20.46	21.00	22.00	Common Shs Outst'g C	23.00
18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.1	21.2	20.4	24.3	11.2	16.6	15.7	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	22.0
.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.85	1.33	1.30	1.37	.59	.84	.83			Relative P/E Ratio	1.40
3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%	2.9%	3.0%	2.7%	2.6%	2.5%	2.0%			Avg Ann'l Div'd Yield	1.8%
CAPITAL STRUCTURE as of 3/31/17																			
Total Debt \$433.5 mill. Due in 5 Yrs \$14.3 mill.																			
LT Debt \$433.4 mill. LT Interest \$20.0 mill. (51% of Cap'l)																			
Leases, Uncapitalized: Annual rentals \$6.6 mill.																			
Pension Assets-12/16 \$113.9 mill. Oblig. \$174.1 mill.																			
Pfd Stock None.																			
Common Stock 20,498,733 shs.																			
MARKET CAP: \$1.0 billion (Mid Cap)																			
CURRENT POSITION (2015 2016 3/31/17 (\$MILL.))																			
Cash Assets		5.2	25.3	7.1															
Accts Receivable		16.4	16.4	28.5															
Other		51.8	57.9	38.1															
Current Assets		73.4	99.6	73.7															
Accts Payable		16.2	18.7	20.7															
Debt Due		38.1	14.3	.1															
Other		25.3	30.6	30.0															
Current Liab.		79.6	63.6	50.8															

BUSINESS: SJW Group engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 229,000 connections with a total population of roughly one million people in the San Jose area and 13,000 connections that reaches about 39,000 residents in the region between San Antonio and Austin, Texas. The company also offers nonregulated water-related services and owns and operates commercial real estate investments. Has about 406 employees. Officers and directors (including Nancy O. Moss) own 26.9% of outstanding shares (3/17 proxy). Chairman & C.E.O.: Richard Roth, Inc.: California. Address: 110 West Taylor Street, San Jose, CA 95110. Telephone: (408) 279-7800. Internet: www.sjwater.com.

SJW Group's top line increased hand-somely in the first quarter. On an annual basis, revenues advanced about 13%, to \$69 million, besting our \$65 million call. Higher cumulative rates from the latest California rate case decision was the main driver in the outperformance, supplemented by half a million in recorded revenues in its Water Conservation Memorandum Account (this figure can change drastically quarter to quarter). These positives easily outweighed lower customer water usage during the period (\$1.6 million). All told, we are tacking \$5 million onto our current-year revenue estimate, to \$345 million.

But profits are being squeezed, at the moment. Indeed, the company has been under pressure from several angles in recent months. Specifically, water production expenses, including higher per-unit costs for purchased water and rising groundwater extraction and energy expenses, continue to be a factor. On the operating front, SJW is experiencing loftier depreciation expenses, surging administrative costs, and unexpectedly higher property taxes. As a result, March-period share net came in at \$0.18, drastically lower than our expectation, spurring us to shave a nickel from our 2017 bottom-line estimate, to \$2.20 a share.

Nevertheless, we are maintaining our sanguine long-term outlook. In our view, some of the abovementioned operational headwinds should dissipate in the coming years. Meanwhile, we think a pickup in West Coast water consumption is probable. Lastly, the company's robust capital spending initiatives (approximately \$300 million to upgrade infrastructure and water systems) ought to help boost operating margins through decade's end.

SJW shares have been raised one notch for Timeliness, to 3 (Average). However, the stock's recent valuation leaves much to be desired. The dividend yield (1.7%) is 30 basis points below that of the broader market average, and among the lower returners in its peer group. Furthermore, much of the gains we envision over the pull to 2020-2022 appear to already be reflected in the stock price. Thus, investors would be wise to wait for a more attractive entry point.

Nicholas P. Patrikis July 14, 2017

(A) Diluted earnings. Excludes nonrecurring losses: '03, \$1.97; '04, \$3.78; '05, \$1.09; '06, \$16.36; '08, \$1.22; '10, \$0.46. GAAP accounting as of 2013. Next earnings report due late August. Quarterly earnings may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. Div'd rein-vestment plan available.
(C) In millions, adjusted for stock splits.

Company's Financial Strength B+
Stock's Price Stability 75
Price Growth Persistence 25
Earnings Predictability 45

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YORK WATER NDQ-YORW				RECENT PRICE	P/E RATIO		Trailing: 37.9 Median: 24.0		RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
TIMELINESS	4	Raised 6/2/17	High: 21.0	35.25	34.2	34.2	34.2	1.73	1.8%		
SAFETY	3	Lowered 7/17/15	Low: 15.3								
TECHNICAL	3	Lowered 6/23/17	18.5								
BETA	.80	(1.00 = Market)	15.5								
2020-22 PROJECTIONS			16.5								
High	40	Gain (+15%)	18.0								
Low	25	Return (-30%)	9.7								
Insider Decisions			12.8								
Institutional Decisions			18.1								
CAPITAL STRUCTURE as of 3/31/17			18.5								
MARKET CAP: \$450 million (Small Cap)			22.0								
CURRENT POSITION (\$MILL)			24.3								
ANNUAL RATES of change (per sh)			26.7								
QUARTERLY REVENUES (\$ mill.)			39.8								
EARNINGS PER SHARE			39.9								
QUARTERLY DIVIDENDS PAID											
BUSINESS: The York Water Company is the oldest investor-owned regulated water utility in the United States. It has operated continuously since 1816. As of December 31, 2016, the company's average daily availability was 35.4 million gallons and its service territory had an estimated population of 196,000. Has more than 67,000 customers. Residential customers accounted for 63% of 2016 revenues.											
York Water was unable to generate any meaningful growth in the first quarter. Year over year, its top- and bottom-line figures of \$11.3 million and \$0.20 a share, respectively, were relatively flattish. March-period revenues were likely held back due to lower consumption (seasonality), more than offsetting positive contributions from its recent acquisition of West York Borough sewer. Meanwhile, its penny improvement on the bottom line can largely be attributed to a lower effective tax rate (discussed below), as operating costs in the first quarter were nearly 40% of total revenues.											
We still think the company is on track to post solid gains this year. However, we are lowering our estimates. We now look for revenues of \$50 million, or a 5% annual advance, and earnings of \$1.03 a share, representing a 12% improvement over the prior-year tally.											
Higher capital expenditures should trigger favorable tax deductions under the IRS tangible property rules. We are beginning to see this bear fruit, as York's effective tax rate in the first quarter declined significantly thanks to greater qualifying expenditures (first-quarter capex rose three times, year over year.) Looking forward, the company's plan to ramp up spending to approximately \$23 million this year remains in reach, with next year's investment allocation slowing slightly, to \$16 million. Moreover, capital spending on pipes, facilities, and pumping stations ought to help lift operating margins this year and next.											
At this juncture, the issue does not fit the needs of income-seekers quite like it has in the past. As a result of the stock's year-and-a-half-long run-up in price, YORW shares presently offer a yield that is below the broader market average, even though the company has raised its annual payout, year after year.											
Based on our Timeliness Ranking System, York stock is an unfavorable selection for relative year-ahead price performance (4). What's more, appreciation potential three to five years hence is unenticing, as much of the gains we foresee over that time frame have already been factored into the price. Thus, we advise investors to take a pass, for now.											
Nicholas P. Patrikis											
July 14, 2017											

(A) Diluted earnings. Next earnings report due late August.
(B) Dividends historically paid in late-December, February, June, and September.

(C) In millions, adjusted for splits.

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Company's Financial Strength	B+
Stock's Price Stability	70
Price Growth Persistence	55
Earnings Predictability	95

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Indian Hills Utility Operating Company, Inc.
Summary of Risk Premium Models for the
Proxy Group of Eight Water Companies

	<u>Proxy Group of Eight Water Companies</u>
Predictive Risk Premium Model (PRPM) (1)	11.81 %
Risk Premium Using an Adjusted Total Market Approach (2)	<u>9.68 %</u>
Average	<u><u>10.75 %</u></u>

Notes:

- (1) From page 2 of this Sub-Schedule.
- (2) From page 3 of this Sub-Schedule.

Indian Hills Utility Operating Company, Inc.
Indicated ROE
Derived by the Predictive Risk Premium Model (1)

	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Proxy Group of Eight Water Companies	LT Average Predicted Variance	Spot Predicted Variance	Average Predicted Variance	GARCH Coefficient	Predicted Risk Premium (2)	Risk-Free Rate (3)	Indicated ROE (4)
American States Water Co.	0.39%	0.32%	0.35%	1.75220	7.61%	3.56%	11.17%
American Water Works Company Inc	NMF	NMF	NMF	5.62006	NMF	3.56%	NMF
Aqua America Inc	0.45%	0.24%	0.35%	2.28087	10.01%	3.56%	13.57%
California Water Service Group	0.32%	0.29%	0.30%	1.93020	7.17%	3.56%	10.73%
Connecticut Water Service Inc	0.29%	0.22%	0.26%	1.88384	6.04%	3.56%	9.60%
Middlesex Water Co.	0.29%	0.43%	0.36%	2.01400	9.06%	3.56%	12.62%
SJW Corp	0.42%	0.41%	0.41%	1.56705	7.99%	3.56%	11.55%
York Water Co.	0.47%	0.42%	0.44%	2.09126	11.62%	3.56%	15.18%
						Average	<u>12.06%</u>
						Median	<u>11.55%</u>
						Average of Mean and Median	<u>11.81%</u>

NMF = Not Meaningful Figure

Notes:

- (1) The Predictive Risk Premium Model uses historical data to generate a predicted variance and a GARCH coefficient. The historical data used are the equity risk premiums for the first available trading month as reported by Bloomberg Professional Service.
- (2) $(1 + (\text{Column [3]} * \text{Column [4]})^{1.2}) - 1$.
- (3) From note 2 on page 2 of Sub-Schedule DWD-5.
- (4) Column [5] + Column [6].

Indian Hills Utility Operating Company, Inc.
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

<u>Line No.</u>		<u>Proxy Group of Eight Water Companies</u>
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	4.57 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds	<u>0.26</u> (2)
3.	Adjusted Prospective Yield on A Rated Public Utility Bonds	4.83 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	<u>0.06</u> (3)
5.	Adjusted Prospective Bond Yield	4.89 %
6.	Equity Risk Premium (4)	<u>4.79</u>
7.	Risk Premium Derived Common Equity Cost Rate	<u><u>9.68</u></u> %

- Notes:
- (1) Consensus forecast of Moody's Aaa Rated Corporate bonds from Blue Chip Financial Forecasts (see pages 10-11 of this Sub-Schedule).
 - (2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0.26% from page 4 of this Sub-Schedule.
 - (3) Adjustment to reflect the A2 / A3 Moody's LT issuer rating of the proxy group of eight water companies as shown on page 5 of this Sub-Schedule. The 0.06% upward adjustment is derived by taking 1/6 of the spread between A2 and A3 Public Utility Bonds ($1/6 * 0.37\% = 0.06\%$) as derived from page 4 of this Sub-Schedule.
 - (4) From page 7 of this Sub-Schedule.

Indian Hills Utility Operating Company, Inc.
Interest Rates and Bond Spreads for
Moody's Corporate and Public Utility Bonds

Selected Bond Yields

	[1]	[2]	[3]
	<u>Aaa Rated Corporate Bond</u>	<u>A Rated Public Utility Bond</u>	<u>Baa Rated Public Utility Bond</u>
Aug-2017	3.63 %	3.86 %	4.23 %
Jul-2017	3.70	3.99	4.36
Jun-2017	<u>3.68</u>	<u>3.94</u>	<u>4.32</u>
Average	<u><u>3.67 %</u></u>	<u><u>3.93 %</u></u>	<u><u>4.30 %</u></u>

Selected Bond Spreads

A Rated Public Utility Bonds Over Aaa Rated Corporate Bonds:
0.26 % (1)

Baa Rated Public Utility Bonds Over A Rated Public Utility Bonds:
0.37 % (2)

Notes:

- (1) Column [2] - Column [1].
- (2) Column [3] - Column [2].

Source of Information:

Bloomberg Professional Service

Indian Hills Utility Operating Company, Inc.
Comparison of Long-Term Issuer Ratings for
Proxy Group of Eight Water Companies

	<u>Moody's</u>		<u>Standard & Poor's</u>	
	<u>Long-Term Issuer Rating</u>		<u>Long-Term Issuer Rating</u>	
	<u>August 2017</u>		<u>August 2017</u>	
<u>Proxy Group of Eight Water Companies</u>	<u>Long-Term Issuer Rating</u>	<u>Numerical Weighting(1)</u>	<u>Long-Term Issuer Rating</u>	<u>Numerical Weighting(1)</u>
American States Water Co. (2)	A2	6.0	A+	5.0
American Water Works Company Inc (3)	A3	7.0	A	6.0
Aqua America Inc (4)	NR	--	A+	5.0
California Water Service Group (5)	NR	--	A+	5.0
Connecticut Water Service Inc (6)	NR	--	A	6.0
Middlesex Water Co.	NR	--	A	6.0
SJW Corp (7)	NR	--	A	6.0
York Water Co.	NR	--	A-	7.0
Average	<u>A2/A3</u>	<u>6.5</u>	<u>A</u>	<u>5.8</u>

Notes:

- (1) From page 6 of this Sub-Schedule.
- (2) Ratings that of Golden State Water Company.
- (3) Ratings that of New Jersey and Pennsylvania American Water Companies.
- (4) Ratings that of Aqua Pennsylvania, Inc.
- (5) Ratings that of California Water Service Company.
- (6) Ratings that of Connecticut Water Company.
- (7) Ratings that of San Jose Water Company.

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

Numerical Assignment for
Moody's and Standard & Poor's Bond Ratings

<u>Moody's Bond Rating</u>	<u>Numerical Bond Weighting</u>	<u>Standard & Poor's Bond Rating</u>
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-
B1	14	B+
B2	15	B
B3	16	B-

Indian Hills Utility Operating Company, Inc.
Judgment of Equity Risk Premium for
Proxy Group of Eight Water Companies

<u>Line No.</u>		<u>Proxy Group of Eight Water Companies</u>
1.	Calculated equity risk premium based on the total market using the beta approach (1)	5.60 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	<u>3.98</u>
3.	Average equity risk premium	<u><u>4.79 %</u></u>

Notes: (1) From page 8 of this Sub-Schedule.
(2) From page 12 of this Sub-Schedule.

Indian Hills Utility Operating Company, Inc.
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for the
Proxy Group of Eight Water Companies

<u>Line No.</u>	<u>Equity Risk Premium Measure</u>	<u>Proxy Group of Eight Water Companies</u>
<u>Ibbotson-Based Equity Risk Premiums:</u>		
1.	Ibbotson Equity Risk Premium (1)	5.56 %
2.	Regression on Ibbotson Risk Premium Data (2)	7.41
3.	Ibbotson Equity Risk Premium based on PRPM (3)	<u>5.96</u>
4.	Average Ibbotson Equity Risk Premium	<u><u>6.31</u></u>
<u>Value Line-Based Equity Risk Premiums:</u>		
5.	Equity Risk Premium Based on Value Line Summary and Index (4)	5.07
6.	Equity Risk Premium Based on Value Line S&P 500 Companies (5)	<u>9.56</u>
7.	Average Value Line Equity Risk Premium	<u><u>7.32</u></u>
<u>Bloomberg-Based Equity Risk Premium:</u>		
8.	Equity Risk Premium Based on Bloomberg S&P 500 Companies (6)	<u><u>9.08</u></u>
9.	Conclusion of Equity Risk Premium (7)	7.57 %
10.	Adjusted Beta (8)	<u>0.74</u>
11.	Forecasted Equity Risk Premium	<u><u>5.60 %</u></u>

Notes provided on page 9 of this Sub-Schedule.

Indian Hills Utility Operating Company, Inc.
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for the
Proxy Group of Eight Water Companies

Notes:

- (1) Based on the arithmetic mean historical monthly returns on large company common stocks from Ibbotson® SBBI® 2017 Market Report minus the arithmetic mean monthly yield of Moody's average Aaa and Aa corporate bonds from 1926-2016.
- (2) This equity risk premium is based on a regression of the monthly equity risk premiums of large company common stocks relative to Moody's average Aaa and Aa rated corporate bond yields from 1928-2016 referenced in Note 1 above.
- (3) The Predictive Risk Premium Model (PRPM) is discussed in the accompanying direct testimony. The Ibbotson equity risk premium based on the PRPM is derived by applying the PRPM to the monthly risk premiums between Ibbotson large company common stock monthly returns and average Aaa and Aa corporate monthly bond yields, from January 1928 through August 2017.
- (4) The equity risk premium based on the Value Line Summary and Index is derived by subtracting the average consensus forecast of Aaa corporate bonds of 4.57% (from page 3 of this Sub-Schedule) from the projected 3-5 year total annual market return of 9.64% (described fully in note 1 on page 2 of Sub-Schedule DWD-5).
- (5) Using data from Value Line for the S&P 500, an expected total return of 14.13% was derived based upon expected dividend yields and long-term earnings growth estimates as a proxy for capital appreciation. Subtracting the average consensus forecast of Aaa corporate bonds of 4.57% results in an expected equity risk premium of 9.56%.
- (6) Using data from the Bloomberg Professional Service for the S&P 500, an expected total return of 13.65% was derived based upon expected dividend yields and long-term earnings growth estimates as a proxy for capital appreciation. Subtracting the average consensus forecast of Aaa corporate bonds of 4.57% results in an expected equity risk premium of 9.08%.
- (7) Average of lines 4, 7, and 8.
- (8) Average of mean and median beta from Sub-Schedule DWD-5.

Sources of Information:

Stocks, Bonds, Bills, and Inflation - 2017 SBBI Yearbook, John Wiley & Sons, Inc.
Industrial Manual and Mergent Bond Record Monthly Update.
Value Line Summary and Index
Blue Chip Financial Forecasts, June 1, 2017 and September 1, 2017
Bloomberg Professional Services

Consensus Forecasts Of U.S. Interest Rates And Key Assumptions¹

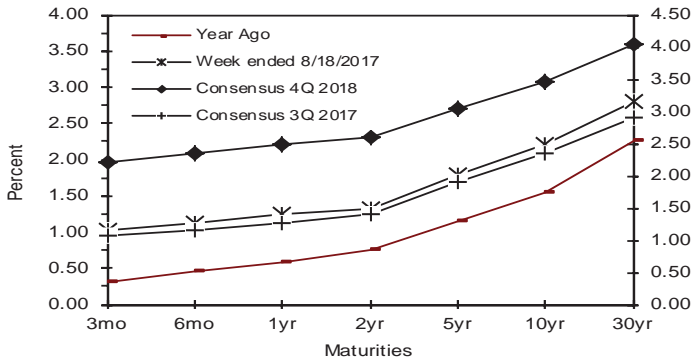
	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week Ending				Average For Month				Latest Qtr	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018
Interest Rates	Aug 18	Aug 11	Aug 4	Jul 28	Jul	Jun	May	2Q 2017	2017	2017	2018	2018	2018	2018
Federal Funds Rate	1.16	1.16	1.15	1.16	1.15	1.03	0.90	0.94	1.15	1.25	1.46	1.63	1.84	2.03
Prime Rate	4.25	4.25	4.25	4.25	4.25	4.13	4.00	4.04	4.25	4.34	4.53	4.70	4.90	5.09
LIBOR, 3-mo.	1.32	1.31	1.31	1.31	1.31	1.26	1.18	1.20	1.33	1.47	1.68	1.86	2.06	2.27
Commercial Paper, 1-mo.	1.09	1.11	1.10	1.11	1.10	1.00	0.84	0.89	1.15	1.27	1.48	1.67	1.89	2.11
Treasury bill, 3-mo.	1.02	1.04	1.08	1.13	1.09	1.00	0.90	0.90	1.06	1.18	1.38	1.56	1.76	1.95
Treasury bill, 6-mo.	1.13	1.15	1.14	1.13	1.13	1.11	1.03	1.03	1.15	1.30	1.51	1.68	1.90	2.09
Treasury bill, 1 yr.	1.24	1.22	1.23	1.23	1.23	1.20	1.12	1.12	1.26	1.44	1.65	1.83	2.03	2.20
Treasury note, 2 yr.	1.33	1.34	1.35	1.37	1.38	1.33	1.31	1.29	1.41	1.60	1.79	1.96	2.16	2.31
Treasury note, 5 yr.	1.78	1.80	1.81	1.85	1.88	1.77	1.85	1.82	1.90	2.09	2.26	2.40	2.57	2.70
Treasury note, 10 yr.	2.22	2.24	2.27	2.30	2.32	2.19	2.31	2.27	2.34	2.52	2.69	2.83	2.98	3.08
Treasury note, 30 yr.	2.80	2.82	2.85	2.89	2.89	2.81	2.97	2.91	2.91	3.06	3.24	3.36	3.50	3.59
Corporate Aaa bond	3.77	3.77	3.77	3.79	3.81	3.81	3.99	3.93	3.81	4.00	4.22	4.41	4.57	4.66
Corporate Baa bond	4.36	4.35	4.34	4.36	4.39	4.39	4.57	4.52	4.49	4.70	4.93	5.12	5.29	5.44
State & Local bonds	3.33	3.35	3.39	3.38	3.43	3.37	3.51	3.48	3.51	3.69	3.92	4.08	4.22	4.34
Home mortgage rate	3.89	3.90	3.93	3.92	3.97	3.90	4.01	3.99	3.99	4.14	4.34	4.48	4.64	4.77

	History								Consensus Forecasts-Quarterly					
	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018
Key Assumptions	2015	2015	2016	2016	2016	2016	2017	2017	2017	2017	2018	2018	2018	2018
Major Currency Index	91.8	93.1	93.3	89.6	90.3	93.7	94.4	93.0	89.6	89.5	89.7	89.8	89.8	89.8
Real GDP	1.6	0.5	0.6	2.2	2.8	1.8	1.2	2.6	2.7	2.4	2.3	2.4	2.3	2.2
GDP Price Index	1.4	0.8	0.3	2.4	1.4	2.0	2.0	1.0	1.7	2.0	2.1	2.0	2.1	2.1
Consumer Price Index	1.5	0.4	0.1	2.3	1.8	3.0	3.1	-0.3	1.5	2.2	2.2	2.1	2.2	2.4

Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data: Treasury rates from the Federal Reserve Board's H.15; AAA-AA and A-BBB corporate bond yields from Bank of America-Merrill Lynch and are 15+ years, yield to maturity; State and local bond yields from Bank of America-Merrill Lynch, A-rated, yield to maturity; Mortgage rates from Freddie Mac, 30-year, fixed; LIBOR quotes from Intercontinental Exchange. All interest rate data is sourced from Haver Analytics. Historical data for Fed's Major Currency Index is from FRSR H.10. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).

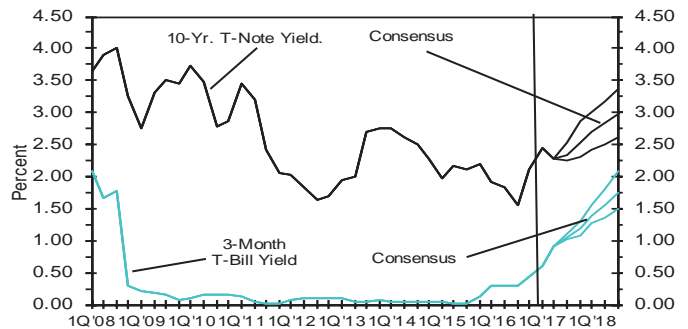
U.S. Treasury Yield Curve

Week ended August 18, 2017 and Year Ago v.s.
 3Q 2017 and 4Q 2018 Consensus Forecasts



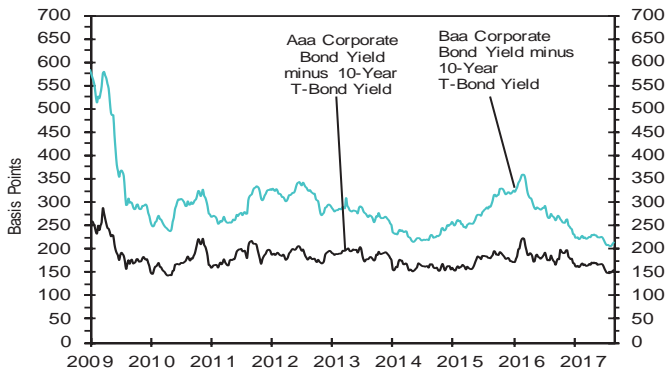
U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average) Forecast



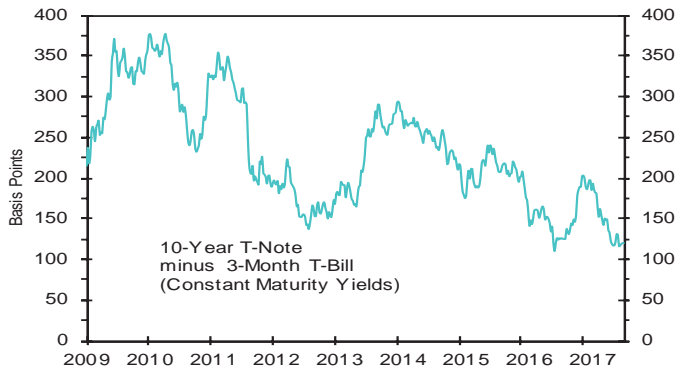
Corporate Bond Spreads

As of week ended August 18, 2017



U.S. Treasury Yield Curve

As of week August 18, 2017



Long-Range Survey:

The table below contains the results of our twice-annual long-range CONSENSUS survey. There are also Top 10 and Bottom 10 averages for each variable. Shown are consensus estimates for the years 2019 through 2023 and averages for the five-year periods 2019-2023 and 2024-2028. Apply these projections cautiously. Few if any economic, demographic and political forces can be evaluated accurately over such long time spans.

		-----Average For The Year-----					Five-Year Averages	
		2019	2020	2021	2022	2023	2019-2023	2024-2028
Interest Rates								
1. Federal Funds Rate	CONSENSUS	2.6	2.9	2.9	2.9	2.9	2.8	3.0
	Top 10 Average	3.1	3.5	3.4	3.5	3.5	3.4	3.5
	Bottom 10 Average	2.0	2.3	2.3	2.3	2.4	2.3	2.4
2. Prime Rate	CONSENSUS	5.6	5.9	5.9	5.9	5.9	5.8	6.0
	Top 10 Average	6.1	6.5	6.5	6.5	6.5	6.4	6.5
	Bottom 10 Average	5.0	5.3	5.3	5.2	5.3	5.2	5.4
3. LIBOR, 3-Mo.	CONSENSUS	2.9	3.1	3.2	3.1	3.2	3.1	3.2
	Top 10 Average	3.4	3.7	3.7	3.7	3.8	3.7	3.8
	Bottom 10 Average	2.4	2.6	2.6	2.5	2.6	2.5	2.6
4. Commercial Paper, 1-Mo.	CONSENSUS	2.7	3.0	3.0	3.0	3.1	3.0	3.1
	Top 10 Average	3.2	3.5	3.5	3.6	3.6	3.5	3.6
	Bottom 10 Average	2.2	2.5	2.5	2.4	2.5	2.4	2.6
5. Treasury Bill Yield, 3-Mo.	CONSENSUS	2.5	2.8	2.8	2.8	2.9	2.8	2.9
	Top 10 Average	3.1	3.4	3.4	3.4	3.5	3.3	3.5
	Bottom 10 Average	1.9	2.2	2.3	2.2	2.3	2.2	2.3
6. Treasury Bill Yield, 6-Mo.	CONSENSUS	2.6	2.9	3.0	3.0	3.0	2.9	3.0
	Top 10 Average	3.2	3.6	3.5	3.6	3.6	3.5	3.6
	Bottom 10 Average	2.0	2.4	2.4	2.4	2.4	2.3	2.4
7. Treasury Bill Yield, 1-Yr.	CONSENSUS	2.8	3.1	3.1	3.1	3.1	3.0	3.2
	Top 10 Average	3.4	3.7	3.7	3.7	3.7	3.6	3.7
	Bottom 10 Average	2.1	2.5	2.5	2.5	2.5	2.4	2.5
8. Treasury Note Yield, 2-Yr.	CONSENSUS	2.9	3.2	3.3	3.3	3.3	3.2	3.3
	Top 10 Average	3.5	3.9	3.9	3.9	3.9	3.8	4.0
	Bottom 10 Average	2.3	2.6	2.7	2.6	2.6	2.6	2.7
10. Treasury Note Yield, 5-Yr.	CONSENSUS	3.3	3.5	3.5	3.6	3.6	3.5	3.6
	Top 10 Average	3.9	4.2	4.2	4.2	4.2	4.1	4.3
	Bottom 10 Average	2.7	2.9	2.9	3.0	3.0	2.9	3.0
11. Treasury Note Yield, 10-Yr.	CONSENSUS	3.6	3.8	3.8	3.9	3.9	3.8	3.9
	Top 10 Average	4.2	4.5	4.4	4.5	4.5	4.4	4.6
	Bottom 10 Average	2.9	3.1	3.1	3.2	3.3	3.1	3.3
12. Treasury Bond Yield, 30-Yr.	CONSENSUS	4.2	4.3	4.4	4.4	4.4	4.3	4.5
	Top 10 Average	4.9	5.0	5.0	5.0	5.0	5.0	5.1
	Bottom 10 Average	3.5	3.7	3.7	3.8	3.8	3.7	3.8
13. Corporate Aaa Bond Yield	CONSENSUS	5.2	5.4	5.4	5.4	5.5	5.4	5.5
	Top 10 Average	5.7	5.9	5.9	6.0	5.9	5.9	6.0
	Bottom 10 Average	4.7	4.9	4.9	4.9	5.0	4.9	5.1
13. Corporate Baa Bond Yield	CONSENSUS	6.1	6.3	6.3	6.3	6.3	6.3	6.4
	Top 10 Average	6.8	7.0	6.9	7.0	6.9	6.9	7.0
	Bottom 10 Average	5.5	5.6	5.7	5.6	5.8	5.6	5.7
14. State & Local Bonds Yield	CONSENSUS	4.6	4.7	4.7	4.7	4.7	4.7	4.8
	Top 10 Average	5.1	5.3	5.2	5.3	5.3	5.2	5.3
	Bottom 10 Average	4.2	4.2	4.2	4.1	4.1	4.2	4.2
15. Home Mortgage Rate	CONSENSUS	5.3	5.5	5.5	5.5	5.5	5.4	5.6
	Top 10 Average	5.9	6.2	6.1	6.2	6.1	6.1	6.2
	Bottom 10 Average	4.6	4.8	4.8	4.7	4.9	4.8	4.9
A. FRB - Major Currency Index	CONSENSUS	93.8	93.2	93.1	93.0	92.7	93.2	92.5
	Top 10 Average	96.5	96.6	96.9	97.1	97.2	96.9	97.1
	Bottom 10 Average	91.0	89.7	89.2	88.7	88.1	89.3	88.1
		-----Year-Over-Year, % Change-----					Five-Year Averages	
		2019	2020	2021	2022	2023	2019-2023	2024-2028
B. Real GDP	CONSENSUS	2.2	2.0	2.0	2.0	2.0	2.0	2.1
	Top 10 Average	2.6	2.4	2.4	2.4	2.3	2.4	2.3
	Bottom 10 Average	1.7	1.6	1.6	1.6	1.6	1.6	1.8
C. GDP Chained Price Index	CONSENSUS	2.2	2.1	2.1	2.0	2.0	2.1	2.0
	Top 10 Average	2.5	2.3	2.3	2.2	2.2	2.3	2.3
	Bottom 10 Average	1.9	1.9	1.9	1.9	1.7	1.8	1.9
D. Consumer Price Index	CONSENSUS	2.3	2.3	2.3	2.3	2.2	2.2	2.2
	Top 10 Average	2.6	2.6	2.5	2.5	2.4	2.5	2.4
	Bottom 10 Average	1.9	2.0	2.0	2.1	1.8	2.0	2.0

Indian Hills Utility Operating Company, Inc.
Derivation of Mean Equity Risk Premium Based Studies
Using Holding Period Returns and
Projected Market Appreciation of the S&P Utility Index

<u>Line No.</u>		<u>Implied Equity Risk Premium</u>
	<u>Equity Risk Premium based on S&P Utility Index Holding Period Returns (1):</u>	
1.	Historical Equity Risk Premium	3.96 %
2.	Regression of Historical Equity Risk Premium (2)	5.62
3.	Forecasted Equity Risk Premium Based on PRPM (3)	<u>4.03</u>
4.	Average Equity Risk Premium Using S&P Holding Period Returns	<u>4.53 %</u>
	<u>Equity Risk Premium based on Projected Market Appreciation of the S&P Utility Index</u>	
5.	Forecasted Equity Risk Premium based on Projected Total Return on the S&P Utilities Index (Value Line Data) (4)	<u>4.15</u>
6.	Forecasted Equity Risk Premium based on Projected Total Return on the S&P Utilities Index (Bloomberg Data) (5)	<u>3.27</u>
7.	Average Equity Risk Premium (6)	<u>3.98 %</u>

- Notes: (1) Based on S&P Public Utility Index monthly total returns and Moody's Public Utility Bond average monthly yields from 1928-2016. Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.
- (2) This equity risk premium is based on a regression of the monthly equity risk premiums of the S&P Utility Index relative to Moody's A rated public utility bond yields from 1928 - 2016 referenced in note 1 above.
- (3) The Predictive Risk Premium Model (PRPM) is applied to the risk premium of the monthly total returns of the S&P Utility Index and the monthly yields on Moody's A rated public utility bonds from January 1928 - August 2017.
- (4) Using data from Value Line for the S&P Utilities Index, an expected return of 8.98% was derived based on expected dividend yields and long-term growth estimates as a proxy for market appreciation. Subtracting the expected A rated public utility bond yield of 4.83%, calculated on line 3 of page 3 of this Sub-Schedule results in an equity risk premium of 4.15%. (8.98% - 4.83% = 4.15%)
- (5) Using data from Bloomberg Professional Service for the S&P Utilities Index, an expected return of 8.10% was derived based on expected dividend yields and long-term growth estimates as a proxy for market appreciation. Subtracting the expected A rated public utility bond yield of 4.83%, calculated on line 3 of page 3 of this Sub-Schedule results in an equity risk premium of 3.27%. (8.10% - 4.83% = 3.27%)
- (6) Average of Lines 4 through 6.

Indian Hills Utility Operating Company, Inc.
Indicated Common Equity Cost Rate Through Use
of the Traditional Capital Asset Pricing Model (CAPM) and Empirical Capital Asset Pricing Model (ECAPM)

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Eight Water Companies	Value Line Adjusted Beta	Bloomberg Adjusted Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
American States Water Co.	0.75	0.71	0.73	8.60 %	3.56 %	9.84 %	10.42 %	10.13 %
American Water Works Company Inc	0.60	0.57	0.59	8.60	3.56	8.63	9.52	9.08
Aqua America Inc	0.70	0.62	0.66	8.60	3.56	9.24	9.97	9.60
California Water Service Group	0.75	0.75	0.75	8.60	3.56	10.01	10.55	10.28
Connecticut Water Service Inc	0.65	0.70	0.68	8.60	3.56	9.41	10.10	9.75
Middlesex Water Co.	0.75	0.94	0.85	8.60	3.56	10.87	11.19	11.03
SJW Corp	0.70	0.84	0.77	8.60	3.56	10.18	10.68	10.43
York Water Co.	0.80	1.00	0.90	8.60	3.56	11.30	11.52	11.41
Mean			<u>0.74</u>			<u>9.94 %</u>	<u>10.49 %</u>	<u>10.21 %</u>
Median			<u>0.74</u>			<u>9.92 %</u>	<u>10.48 %</u>	<u>10.21 %</u>
Average of Mean and Median			<u>0.74</u>			<u>9.93</u>	<u>10.49</u>	<u>10.21 %</u>

Notes on page 2 of this Sub-Schedule.

Indian Hills Utility Operating Company, Inc.
Notes to Accompany the Application of the CAPM and ECAPM

Notes:

- (1) The market risk premium (MRP) is derived by using six different measures from three sources: Ibbotson, Value Line, and Bloomberg as illustrated below:

Historical Data MRP Estimates:

Measure 1: Ibbotson Arithmetic Mean MRP (1926-2016)

Arithmetic Mean Monthly Returns for Large Stocks 1926-2016:	11.97 %
Arithmetic Mean Income Returns on Long-Term Government Bonds:	5.17
MRP based on Ibbotson Historical Data:	6.80 %

Measure 2: Application of a Regression Analysis to Ibbotson Historical Data (1926-2016)

8.62 %

Measure 3: Application of the PRPM to Ibbotson Historical Data: (January 1926 - August 2017)

6.75 %

Average Historical Data MRP 7.39 %

Value Line MRP Estimates:

Measure 4: Value Line Projected MRP (Thirteen weeks ending September 01, 2017)

Total projected return on the market 3-5 years hence*:	9.64 %
Projected Risk-Free Rate (see note 2):	3.56
MRP based on Value Line Summary & Index:	6.08 %

*Forecasted 3-5 year capital appreciation plus expected dividend yield

Measure 5: Value Line Projected Return on the Market based on the S&P 500

Total return on the Market based on the S&P 500:	14.13 %
Projected Risk-Free Rate (see note 2):	3.56
MRP based on Value Line data	10.57 %

Average Value Line MRP: 8.33 %

Measure 6: Bloomberg Projected MRP

Total return on the Market based on the S&P 500:	13.65 %
Projected Risk-Free Rate (see note 2):	3.56
MRP based on Bloomberg data	10.09 %

Average of Value Line, Ibbotson, and Bloomberg MRP: 8.60 %

- (2) For reasons explained in the direct testimony, the appropriate risk-free rate for cost of capital purposes is the average forecast of 30 year Treasury Bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts. (See pages 10-11 of Sub-Schedule DWD-4.) The projection of the risk-free rate is illustrated below:

Third Quarter 2017	2.91 %
Fourth Quarter 2017	3.06
First Quarter 2018	3.24
Second Quarter 2018	3.36
Third Quarter 2018	3.50
Fourth Quarter 2018	3.59
2019-2023	4.30
2024-2028	4.50
	3.56 %

- (3) Average of Column 6 and Column 7.

Sources of Information:

Value Line Summary and Index
Blue Chip Financial Forecasts, June 1, 2017 and September 1, 2017
Stocks, Bonds, Bills, and Inflation - 2017 SBBI Yearbook, John Wiley & Sons, Inc.
Bloomberg Professional Services

Indian Hills Operating Company, Inc.
Basis of Selection of the Group of Non-Price Regulated Companies
Comparable in Total Risk to the Utility Proxy Group

The criteria for selection of the proxy group of seventeen non-price regulated companies was that the non-price regulated companies be domestic and reported in Value Line Investment Survey (Standard Edition).

The proxy group of seventeen non-price regulated companies were then selected based on the unadjusted beta range of 0.34 – 0.70 and residual standard error of the regression range of 2.3533 – 2.8069 of the water proxy group.

These ranges are based upon plus or minus two standard deviations of the unadjusted beta and standard error of the regression. Plus or minus two standard deviations captures 95.50% of the distribution of unadjusted betas and residual standard errors of the regression.

The standard deviation of the water industry's residual standard error of the regression is 0.1134. The standard deviation of the standard error of the regression is calculated as follows:

$$\text{Standard Deviation of the Std. Err. of the Regr.} = \frac{\text{Standard Error of the Regression}}{\sqrt{2N}}$$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years, N = 259

$$\text{Thus, } 0.1134 = \frac{2.5801}{\sqrt{518}} = \frac{2.5801}{22.7596}$$

Source of Information: Value Line, Inc., June 2017
Value Line Investment Survey (Standard Edition)

Indian Hills Utility Operating Company, Inc.
Basis of Selection of Comparable Risk
Domestic Non-Price Regulated Companies

	[1]	[2]	[3]	[4]
<u>Proxy Group of Eight Water Companies</u>	<u>Value Line Adjusted Beta</u>	<u>Unadjusted Beta</u>	<u>Residual Standard Error of the Regression</u>	<u>Standard Deviation of Beta</u>
American States Water Co.	0.75	0.58	2.7924	0.0973
American Water Works Company Inc	0.60	0.39	1.9839	0.0691
Aqua America Inc	0.70	0.47	2.2248	0.0775
California Water Service Group	0.75	0.56	2.5374	0.0884
Connecticut Water Service Inc	0.65	0.41	2.3746	0.0827
Middlesex Water Co.	0.75	0.57	2.8058	0.0978
SJW Corp	0.70	0.53	2.9297	0.1021
York Water Co.	0.80	0.62	2.9920	0.1042
Average	<u>0.71</u>	<u>0.52</u>	<u>2.5801</u>	<u>0.0899</u>
Beta Range (+/- 2 std. Devs. of Beta) 2 std. Devs. of Beta	0.34 0.18	0.70		
Residual Std. Err. Range (+/- 2 std. Devs. of the Residual Std. Err.)	2.3533	2.8069		
Std. dev. of the Res. Std. Err.	0.1134			
2 std. devs. of the Res. Std. Err.	0.2268			

Source of Information: Valueline Proprietary Database, June 2017

Indian Hills Utility Operating Company, Inc.
Proxy Group of Non-Price Regulated Companies
Comparable in Total Risk to the
Proxy Group of Eight Water Companies

	[1]	[2]	[3]	[4]
<u>Proxy Group of Seventeen Non-Price Regulated Companies</u>	<u>VL Adjusted Beta</u>	<u>Unadjusted Beta</u>	<u>Residual Standard Error of the Regression</u>	<u>Standard Deviation of Beta</u>
ABM Industries Inc.	0.80	0.65	2.4419	0.0851
Bright Horizons Fami	0.85	0.70	2.4641	0.0949
Cheesecake Factory	0.85	0.70	2.5709	0.0896
CBOE Holdings	0.70	0.50	2.5345	0.0883
Chemed Corp.	0.85	0.70	2.8000	0.0976
CME Group	0.75	0.60	2.4401	0.0850
Forrester Research	0.70	0.53	2.7803	0.0969
Genpact Limited	0.75	0.57	2.7009	0.0941
Hormel Foods	0.75	0.58	2.4245	0.0845
Intercontinental Exc	0.80	0.63	2.3619	0.0823
Lancaster Colony	0.80	0.65	2.3708	0.0826
Lilly (Eli)	0.75	0.60	2.5343	0.0883
Mercury General	0.70	0.53	2.5576	0.0891
O'Reilly Automotive	0.80	0.69	2.6083	0.0909
Pinnacle Foods	0.80	0.67	2.5855	0.1007
Target Corp.	0.80	0.67	2.5354	0.0883
WD-40 Co.	0.80	0.64	2.4838	0.0865
Average	<u>0.78</u>	<u>0.62</u>	<u>2.5400</u>	<u>0.0900</u>
Proxy Group of Eight Water Companies	<u>0.71</u>	<u>0.52</u>	<u>2.5801</u>	<u>0.0899</u>

Source of Information:

Valueline Proprietary Database, June 2017

Indian Hills Utility Operating Company, Inc.
Summary of Cost of Equity Models Applied to
Proxy Group of Seventeen Non-Price Regulated Companies
Comparable in Total Risk to the
Proxy Group of Eight Water Companies

<u>Principal Methods</u>	<u>Proxy Group of Seventeen Non- Price Regulated Companies</u>
Discounted Cash Flow Model (DCF) (1)	12.73 %
Risk Premium Model (RPM) (2)	11.18
Capital Asset Pricing Model (CAPM) (3)	10.79
	Mean <u><u>11.57</u></u> %
	Median <u><u>11.18</u></u> %
	Average of Mean and Median <u><u>11.38</u></u> %

Notes:

- (1) From page 2 of this Sub-Schedule.
- (2) From page 3 of this Sub-Schedule.
- (3) From page 6 of this Sub-Schedule.

Indian Hills Utility Operating Company, Inc.
DCF Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the
Proxy Group of Eight Water Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Seventeen Non-Price Regulated Companies	Average Dividend Yield	Value Line Projected Five Year Growth in EPS	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth Rate in EPS	Adjusted Dividend Yield	Indicated Common Equity Cost Rate (1)
ABM Industries Inc.	1.58 %	14.50 %	NA %	NA %	5.10 %	9.80 %	1.66 %	11.46 %
Bright Horizons Fami	-	19.50	17.19	20.00	NA	18.90	-	NA
Cheesecake Factory	1.77	8.50	10.55	14.30	10.55	10.98	1.87	12.85
CBOE Holdings	1.15	12.50	NA	16.80	18.28	15.86	1.24	17.10
Chemed Corp.	0.56	13.50	NA	10.00	NA	11.75	0.59	12.34
CME Group	2.12	8.50	8.90	10.60	8.90	9.23	2.22	11.45
Forrester Research	1.90	10.00	12.00	12.00	12.00	11.50	2.01	13.51
Genpact Limited	0.85	13.00	11.12	10.00	11.12	11.31	0.90	12.21
Hormel Foods	2.02	10.50	3.94	9.30	3.95	6.92	2.09	9.01
Intercontinental Exc	1.22	12.00	13.45	11.00	13.45	12.48	1.30	13.78
Lancaster Colony	1.79	7.00	NA	NA	3.00	5.00	1.83	6.83
Lilly (Eli)	2.54	11.00	11.25	10.60	11.25	11.03	2.68	13.71
Mercury General	4.43	14.00	26.50	26.50	26.50	23.38	4.95	28.33
O'Reilly Automotive	-	13.00	14.14	13.80	14.14	13.77	-	NA
Pinnacle Foods	2.16	NA	11.03	9.30	11.03	10.45	2.27	12.72
Target Corp.	4.56	4.50	(3.33)	4.70	(3.33)	4.60	4.66	9.26
WD-40 Co.	1.81	8.00	NA	10.00	13.00	10.33	1.90	12.23
							Mean	13.12 %
							Median	12.34 %
							Average of Mean and Median	12.73 %

NA= Not Available
NMF= Not Meaningful Figure

(1) The application of the DCF model to the domestic, non-price regulated comparable risk companies is identical to the application of the DCF to the utility proxy group. The dividend yield is derived by using the 60 day average price and the spot indicated dividend as of August 31, 2017. The dividend yield is then adjusted by 1/2 the average projected growth rate in EPS, which is calculated by averaging the 5 year projected growth in EPS provided by Value Line, www.reuters.com, www.zacks.com, and www.yahoo.com (excluding any negative growth rates) and then adding that growth rate to the adjusted dividend yield.

Source of Information:
Value Line Investment Survey:
www.reuters.com Downloaded on 08/31/2017
www.zacks.com Downloaded on 08/31/2017
www.yahoo.com Downloaded on 08/31/2017

Indian Hills Utility Operating Company, Inc.
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

<u>Line No.</u>		<u>Proxy Group of Seventeen Non- Price Regulated Companies</u>
1.	Prospective Yield on Baa Rated Corporate Bonds (1)	5.33 %
2.	Adjustment to Reflect Bond rating Difference of Non-Price Regulated Companies (2)	<u>(0.36)</u>
3.	Adjusted Prospective Bond Yield	4.97
4.	Equity Risk Premium (3)	<u>6.21</u>
5.	Risk Premium Derived Common Equity Cost Rate	<u><u>11.18 %</u></u>

Notes: (1) Average forecast of Baa corporate bonds based upon the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated June 1, 2017 and September 1, 2017 (see pages 10 and 11 of Sub-Schedule DWD-4). The estimates are detailed below.

Third Quarter 2017	4.49 %
Fourth Quarter 2017	4.70
First Quarter 2018	4.93
Second Quarter 2018	5.12
Third Quarter 2018	5.29
Fourth Quarter 2018	5.44
2019-2023	6.30
2024-2028	<u>6.40</u>
Average	<u><u>5.33 %</u></u>

(2) The average yield spread of Baa rated corporate bonds over A corporate bonds for the three months ending August 2017. To reflect the A2/A3 average rating of the non-utility proxy group, the prospective yield on Baa corporate bonds must be adjusted by 5/6 of the spread between A and Baa corporate bond yields as shown below:

	A Corp. Bond Yield		Baa Corp. Bond Yield		Spread
Aug-2017	3.88 %		4.31 %		0.43 %
Jul-2017	3.98		4.39		0.41
Jun-2017	3.93		4.37		<u>0.44</u>
	Average yield spread				<u>0.43 %</u>
	5/6 of spread				<u><u>0.36 %</u></u>

(3) From page 5 of this Sub-Schedule.

Indian Hills Utility Operating Company, Inc.
Comparison of Long-Term Issuer Ratings for the
Proxy Group of Seventeen Non-Price Regulated Companies of Comparable risk to the
Proxy Group of Eight Water Companies

<u>Proxy Group of Seventeen Non-Price Regulated Companies</u>	<u>Moody's Long-Term Issuer Rating August 2017</u>		<u>Standard & Poor's Long-Term Issuer Rating August 2017</u>	
	<u>Long-Term Issuer Rating</u>	<u>Numerical Weighting (1)</u>	<u>Long-Term Issuer Rating</u>	<u>Numerical Weighting (1)</u>
ABM Industries Inc.	NR	--	NR	--
Bright Horizons Fami	NR	--	NR	--
Cheesecake Factory	NR	--	NR	--
CBOE Holdings	Baa1	8.0	BBB+	8.0
Chemed Corp.	WR	--	NR	--
CME Group	Aa3	4.0	AA-	4.0
Forrester Research	NR	--	NR	--
Genpact Limited	NR	--	BBB-	10.0
Hormel Foods	A1	5.0	A	6.0
Intercontinental Exc	A2	6.0	A	6.0
Lancaster Colony	NR	--	NR	--
Lilly (Eli)	A2	6.0	AA-	4.0
Mercury General	Baa2	9.0	NR	--
O'Reilly Automotive	Baa1	8.0	BBB+	8.0
Pinnacle Foods	NR	--	BB-	13.0
Target Corp.	A2	6.0	A	6.0
WD-40 Co.	NR	--	NR	--
Average	<u>A2/A3</u>	<u>6.5</u>	<u>A-</u>	<u>7.2</u>

Notes:

(1) From page 6 of Sub-Schedule DWD-4.

Source of Information:

Bloomberg Professional Services

Indian Hills Utility Operating Company, Inc.
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
Proxy Group of Seventeen Non-Price Regulated Companies of Comparable risk to the
Proxy Group of Eight Water Companies

<u>Line No.</u>	<u>Equity Risk Premium Measure</u>	<u>Proxy Group of Seventeen Non- Price Regulated Companies</u>
<u>Ibbotson-Based Equity Risk Premiums:</u>		
1.	Ibbotson Equity Risk Premium (1)	5.56 %
2.	Regression on Ibbotson Risk Premium Data (2)	7.41
3.	Ibbotson Equity Risk Premium based on PRPM (3)	<u>5.96</u>
4.	Average Ibbotson Equity Risk Premium	<u><u>6.31</u></u>
<u>Value Line-Based Equity Risk Premiums:</u>		
5.	Equity Risk Premium Based on <u>Value Line</u> Summary and Index (4)	5.07
6.	Equity Risk Premium Based on <u>Value Line</u> S&P 500 Companies (5)	<u>9.56</u>
7.	Average <u>Value Line</u> Equity Risk Premium	<u><u>7.32</u></u>
<u>Bloomberg-Based Equity Risk Premium:</u>		
8.	Equity Risk Premium Based on Bloomberg S&P 500 Companies (6)	<u><u>9.08</u></u>
9.	Conclusion of Equity Risk Premium (7)	7.57 %
10.	Adjusted Beta (8)	<u>0.82</u>
11.	Forecasted Equity Risk Premium	<u><u>6.21</u></u> %

Notes:

- (1) From note 1 of page 9 of Sub-Schedule DWD-4.
- (2) From note 2 of page 9 of Sub-Schedule DWD-4.
- (3) From note 3 of page 9 of Sub-Schedule DWD-4.
- (4) From note 4 of page 9 of Sub-Schedule DWD-4.
- (5) From note 5 of page 9 of Sub-Schedule DWD-4.
- (6) From note 6 of page 9 of Sub-Schedule DWD-4.
- (7) Average of lines 4, 7, and 8.
- (8) Average of mean and median beta from page 6 of this Sub-Schedule.

Sources of Information:

Stocks, Bonds, Bills, and Inflation - 2017 SBBI Yearbook, John Wiley & Sons, Inc.
Value Line Summary and Index
Blue Chip Financial Forecasts, June 1, 2017 and September 1, 2017
Bloomberg Professional Services

Indian Hills Utility Operating Company, Inc.
Traditional CAPM and ECAPM Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the
Proxy Group of Eight Water Companies

Proxy Group of Seventeen Non-Price Regulated Companies	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
	Value Line Adjusted Beta	Bloomberg Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
ABM Industries Inc.	0.80	0.91	0.86	8.60 %	3.56 %	10.96 %	11.26 %	11.11 %
Bright Horizons Fami	0.85	1.03	0.94	8.60	3.56	11.65	11.77	11.71
Cheesecake Factory	0.75	0.84	0.79	8.60	3.56	10.35	10.81	10.58
CBOE Holdings	0.70	0.79	0.74	8.60	3.56	9.92	10.48	10.20
Chemed Corp.	0.85	1.09	0.97	8.60	3.56	11.90	11.97	11.94
CME Group	0.75	0.90	0.83	8.60	3.56	10.70	11.06	10.88
Forrester Research	0.70	1.06	0.88	8.60	3.56	11.13	11.39	11.26
Genpact Limited	0.70	0.76	0.73	8.60	3.56	9.84	10.42	10.13
Hormel Foods	0.75	0.60	0.67	8.60	3.56	9.32	10.03	9.68
Intercontinental Exc	0.80	0.89	0.85	8.60	3.56	10.87	11.19	11.03
Lancaster Colony	0.80	0.76	0.78	8.60	3.56	10.27	10.74	10.51
Lilly (Eli)	0.75	0.77	0.76	8.60	3.56	10.10	10.61	10.35
Mercury General	0.70	0.95	0.82	8.60	3.56	10.61	11.00	10.81
O'Reilly Automotive	0.80	0.94	0.87	8.60	3.56	11.04	11.32	11.18
Pinnacle Foods	0.80	0.73	0.76	8.60	3.56	10.10	10.61	10.35
Target Corp.	0.80	0.85	0.82	8.60	3.56	10.61	11.00	10.81
WD-40 Co.	0.80	0.79	0.79	8.60	3.56	10.35	10.81	10.58
Mean			0.82			10.57 %	10.97 %	10.77 %
Median			0.82			10.61 %	11.00 %	10.81 %
Average of Mean and Median			0.82			10.59 %	10.99 %	10.79 %

Notes:

- (1) From Sub-Schedule DWD-5, note 1.
- (2) From Sub-Schedule DWD-5, note 2.
- (3) Average of CAPM and ECAPM cost rates.

Company Cost of Capital Calculation
Indicated Return on Common Equity based on
Differences in Leverage
and Weighted Average Cost of Capital

[A]	[B]	[C]	[D]	[E]
<u>Description</u>	<u>Weight (%) (1)</u>	<u>Cost</u>	<u>Weighted Cost (2)</u>	<u>Pre-Tax Weighted Cost</u>
ROE Applicable to the Proxy Group of Eight Water Companies				
Long-Term Debt	46.13%	14.00% (3)	6.46%	6.46%
Equity	53.87%	10.35% (4)	5.58%	9.16% (5)
Weighted Average Cost of Capital			<u>12.04%</u>	<u>15.62%</u>
	<u>Weight (%) (6)</u>	<u>Cost</u>	<u>Weighted Cost (2)</u>	<u>Pre-Tax Weighted Cost</u>
ROE Applicable to Indian Hills Capital Structure				
Long-Term Debt	77.12%	14.00% (3)	10.80%	10.80%
Common Equity	22.88%	12.84% (9)	2.94% (8)	4.82% (7)
Weighted Average Cost of Capital			<u>13.73%</u>	<u>15.62%</u>
Indicated Financial Risk Adjustment		2.490%		

- Notes:
- (1) Average capital structure maintained by the Proxy Group of Eight Water Utilities used to derive the indicated cost of common equity.
 - (2) Column [B] * Column [C].
 - (3) Actual cost of long-term debt of Indian Hills.
 - (4) Indicated common equity cost rate derived from the market data of the Proxy Group of Eight Water Companies from page 2 of Sub-Schedule DWD-1.
 - (5) Assuming a composite Federal and State income tax rate of 39.06%, the pre-tax weighted cost of common equity based on the recommended common equity cost rate of 10.35% and average proxy group capital structure is: 9.16%. $9.16\% = 5.58\% / (1 - 0.3906)$.
 - (6) From page 1 of Sub-Schedule DWD-1
 - (7) Pre-tax weighted cost rate of common equity equals the pre-tax overall weighted cost rate (15.62%) minus the weighted cost rate of debt (10.80%). $15.62\% - 10.80\% = 4.82\%$.
 - (8) Pre-tax weighted overall cost of capital multiplied by (1 - effective tax rate). $4.82\% \times (1 - 39.06\%) = 2.94\%$
 - (9) Weighted cost of common equity calculated as the pre-tax weighted cost of common equity, 2.94%, divided by the Company's actual equity ratio, 22.88%. $12.84\% = 2.94\% / 22.88\%$.

Indian Hills Utility Operating Company, Inc.
Portfolio Ranks by Size and Risk Premiums over CAPM Results
as Compiled by Duff and Phelps 2017 Guide to Cost of Capital

Portfolio Rank by Size	B-1		B-2		B-3		B-4		B-5		B-6		B-7		B-8	
	Average Mkt. Value (in \$millions)	Smoothed Premium over CAPM	Average Book Val. (in \$millions)	Smoothed Premium over CAPM	5 yr Average Net Inc. (in \$millions)	Smoothed Premium over CAPM	MVIC (in \$millions)	Smoothed Premium over CAPM	Total Assets (in \$millions)	Smoothed Premium over CAPM	5 yr Average EBITDA (in \$millions)	Smoothed Premium over CAPM	Sales (in \$millions)	Smoothed Premium over CAPM	Average Number of Employees	Smoothed Premium over CAPM
1	\$ 238,299	-1.78%	\$ 67,532	0.98%	\$ 10,101	0.54%	\$ 277,921	-1.02%	\$ 161,117	52.00%	\$ 22,452	0.87%	\$ 123,791	0.88%	341,434	0.43%
2	60,613	-0.16%	21,719	1.68%	2,747	1.48%	77,365	0.28%	51,936	1.39%	6,905	1.65%	38,382	1.75%	107,466	1.40%
3	35,630	0.47%	14,074	1.68%	1,735	1.81%	46,877	0.79%	35,110	1.69%	4,343	1.96%	22,044	2.17%	64,944	1.82%
4	23,756	0.95%	9,200	2.22%	1,183	2.08%	32,471	1.16%	25,351	1.95%	3,136	2.17%	17,114	2.35%	46,747	2.09%
5	17,471	1.32%	6,875	2.40%	853	2.31%	24,248	1.45%	18,141	2.20%	2,192	2.41%	13,286	2.54%	34,256	2.35%
6	13,871	1.59%	5,488	2.54%	627	2.53%	18,506	1.79%	14,376	2.36%	1,632	2.60%	10,376	2.73%	26,595	2.57%
7	11,594	1.80%	4,590	2.65%	516	2.67%	15,426	1.91%	11,035	2.59%	1,338	2.74%	8,400	2.88%	22,447	2.71%
8	9,463	2.04%	3,716	2.89%	408	2.84%	13,457	2.05%	9,004	2.74%	1,133	2.85%	6,977	3.02%	18,590	2.86%
9	7,822	2.27%	3,112	2.89%	340	2.97%	10,762	2.28%	7,861	2.85%	934	2.97%	5,938	3.14%	15,489	3.02%
10	6,482	2.49%	2,586	3.01%	295	3.07%	8,658	2.50%	6,771	2.96%	799	3.08%	5,106	3.25%	13,344	3.14%
11	5,637	2.66%	2,266	3.09%	244	3.21%	7,453	2.65%	5,710	3.09%	667	3.20%	4,435	3.36%	11,841	3.24%
12	4,791	2.85%	2,012	3.16%	213	3.31%	6,455	2.79%	4,998	3.19%	578	3.29%	3,740	3.48%	10,389	3.35%
13	3,915	3.09%	1,751	3.25%	185	3.41%	5,466	2.96%	4,290	3.31%	478	3.29%	3,184	3.60%	9,004	3.47%
14	3,329	3.28%	1,500	3.34%	160	3.51%	4,718	3.11%	3,661	3.43%	411	3.52%	2,771	3.71%	7,588	3.61%
15	2,897	3.45%	1,303	3.43%	141	3.60%	4,043	3.27%	3,160	3.55%	371	3.59%	2,509	3.78%	6,511	3.74%
16	2,508	3.62%	1,174	3.50%	119	3.73%	3,541	3.40%	2,735	3.66%	327	3.67%	2,276	3.85%	5,710	3.85%
17	2,130	3.81%	1,030	3.58%	100	3.85%	3,075	3.55%	2,345	3.78%	287	3.76%	1,980	3.96%	4,908	3.98%
18	1,842	3.99%	861	3.69%	84	3.97%	2,587	3.72%	1,927	3.93%	253	3.84%	1,670	4.08%	4,194	4.11%
19	1,584	4.17%	711	3.81%	67	4.14%	2,109	3.93%	1,621	4.06%	211	3.96%	1,412	4.21%	3,507	4.26%
20	1,313	4.39%	577	3.94%	52	4.31%	1,696	4.15%	1,363	4.19%	164	4.13%	1,181	4.34%	2,908	4.42%
21	1,023	4.69%	479	4.05%	42	4.47%	1,323	4.40%	1,069	4.38%	125	4.31%	696	4.49%	2,328	4.60%
22	731	5.08%	385	4.19%	34	4.62%	1,014	4.67%	801	4.60%	94	4.49%	797	4.63%	1,797	4.82%
23	532	5.46%	303	4.34%	24	4.86%	738	4.99%	600	4.82%	74	4.66%	589	4.86%	1,281	5.10%
24	370	5.89%	207	4.57%	15	5.20%	513	5.36%	429	5.08%	51	4.90%	407	5.13%	871	5.42%
25	121	7.22%	76	5.19%	5	6.02%	163	6.52%	161	5.83%	17	5.63%	129	5.99%	305	6.30%

Proxy Group of Eight Water
Companies

Indian Hills Utility
Operating Company, Inc.

Indicated Risk Premium
Relative to Ms. Freely's
Water Proxy Group

Sources of Information:
Duff & Phelps 2017 Valuation Handbook Exhibit B-1 through B-8
SNL Financial
Company Form 10-K

Portfolio Ranking	B-1 Value	Portfolio Ranking	B-2 Value	Portfolio Ranking	B-3 Value	Portfolio Ranking	B-4 Value	Portfolio Ranking	B-5 Value	Portfolio Ranking	B-6 Value	Portfolio Ranking	B-7 Value	Portfolio Ranking	B-8 Value	Portfolio Ranking
14	\$ 3,383	14	\$ 1,152	16	\$ 104	17	\$ 4,769	14	\$ 3,961	13-14	\$ 302	16-17	\$ 723	21-22	1,417	22-23
25	\$ 1.30	25	\$ 0.43	25	NA	NA	\$ 2.94	25	\$ 2.23	25	NA	NA	\$ 0.07	25	6	25
3.94%		1.69%		NA		NA	Indicated Size Risk Premium	3.41%		2.46%	NA		1.43%		1.34%	