THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY AND EXHIBITS

OF

DR. DOUGLAS H. CARLISLE

DECEMBER 3, 2012

DOCKET NO. 2012-177-WS

Application of Tega Cay Water Service, Incorporated for Adjustment of Rates and Charges and Modifications of Certain Terms and Conditions for the Provision of Water and Sewer Service

DIRECT TESTIMONY OF
DR. DOUGLAS H. CARLISLE
FOR
THE OFFICE OF REGULATORY STAFF
DOCKET NO. 2012-177-W/S
IN RE: APPLICATION OF TEGA CAY WATER SERVICE, INCORPORATED FOR ADJUSTMENT OF RATES AND CHARGES AND MODIFICATIONS OF CERTAIN TERMS AND CONDITIONS FOR THE PROVISION OF WATER AND SEWER SERVICE

Introduction, Economic Background and General Considerations

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Douglas H. Carlisle, Jr. My business address is 1401 Main Street, Columbia, SC 29201. I am the economist at the South Carolina Office of Regulatory Staff.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. My undergraduate degree is from Brown University and I have an M.A. and Ph.D. from the University of Virginia. I was employed by the United States Governmental Accountability Office for about seven years, as an instructor at Midlands Technical College and a marketing consultant for about three years and with the State of South Carolina since then. I first was employed by the State Reorganization Commission doing post-audit follow-up, then by South Carolina House of Representatives, under the Education and Public Works Committee. I next worked five years for the State Economist in the Office of Research and Statistics, permanently attached to the Board of Economic Advisors. For seven years I have worked at the Office of

Regulatory Staff. I have previously testified before the Public Service Commission of South Carolina ("Commission" or "PSC") regarding appropriate returns on equity ("ROE").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to recommend the appropriate ROE for Tega Cay Water Service, Inc. ("Tega Cay" or "the Company") to the PSC.

Q. WHAT IS YOUR RECOMMENDATION?

A. I recommend that the Company receive a return on equity within my range of 8.48% to 9.98%.

Q. WHAT CONSIDERATIONS SHOULD INFORM ALL RECOMMENDATIONS REGARDING RETURN ON EQUITY?

A. Two sets of important considerations underlie a reasonable recommendation of ROE. First are those set forth in the well known court decisions (see Exhibit DHC-1), which state that a company should have the opportunity to earn what a similarly situated company engaged in the same general line of business receives. Second, the return should reflect what the average investor would earn from the Company, given the realities of the market, the expectations of investors and the situation of the Company. The concept of the average investor is quite important because, although all ROE analysts use simplifying assumptions, the concept of the average investor cannot be eliminated. Popular media make much over "star" analysts and some even enjoy celebrity status, but such people are extremely rare and few remain exceptionally adept at predictions for very long, so actual figures, tempered by historical experience is a reasonable way to approximate what average investors would do and what returns companies would realize.

Q. ARE HIGH RETURNS OR RETURNS ABOVE AVERAGE IMPOSSIBLE TO OBTAIN?

A. No. The <u>average</u> investor in a company has very little chance of realizing high returns or returns above average. Two qualifications apply: 1) statements about returns must be adjusted for risk; and 2) any reference to particular investors and their gains realized from stocks must

keep in mind that every lucrative sale or purchase has another buyer or seller making the converse decision. Someone selling stock, for example, is selling to someone else who thinks it is time to buy the stock. My analysis seeks to determine what an investor would earn over time, given that the investor's characteristics are veiled to us.

Q. ARE ALL INVESTORS THE SAME?

A. No. The tradeoff between risk and return will vary among investors, so an ROE analyst must determine what the market indicates about such tradeoffs. Investors are individuals and none of them are perfect and market conditions will vary causing decisions and returns to vary among companies. Combined, these two reasons explain why investors do not produce identical results for all companies all the time.

Q. IS A RISK PREMIUM THE BEST BENCHMARK TO DETERMINE RISK ADJUSTMENTS FOR RETURN?

A. There have been debates for years over what the risk premium is but nothing has been dispositive. Recent financial and monetary events have aggravated this conundrum. Since the inception of the recent recession, the Federal Reserve has deliberately lowered effective interest rates by buying large quantities of U.S. Treasury securities, a strategy known as "Quantitative Easing," and then, in a refinement of its strategy, bought longer-term Treasury securities in a policy known as the "Twist." While it is clear that the Federal Reserve's actions had some impact, it is far from clear exactly what the impact is. The impact on macroeconomic indicators has been muted – inflation has remained relatively low and unemployment high – but interest rates have remained low. Market forces dampen or magnify the actions of the Federal Reserve, so it becomes hard to distinguish market forces from monetary control.

Q. IF GOVERNMENT SECURITIES ARE NOT RELIABLE BENCHMARKS, WHY NOT USE CORPORATE BONDS AS A BENCHMARK?

A. There are several problems with using corporate bonds as benchmarks for the risk-free

rate of return. The first problem is that they are not risk-free. The purpose of having ratings for bonds is to assess the risk to bondholders. The second problem is that corporate bond rates are influenced by Federal Reserve policies, so the same uncertainty about the effects of Quantitative Easing and the Twist applies to corporate bonds. A third problem is that there is an implicit and unproven assumption in using corporate bonds that there is a one-to-one relationship between debt and risk. In the current low-interest rate environment, one can make a case that more cheap debt will reduce risk, provided it is not taken to an extreme. Even if interest rates were not historically low, it is far from clear that there would be a one-to-one relationship between the risk of default on debt and risks threatening profitability. Even an arbitrage between debt and equity risks does not eliminate the question of whether the two forms of capital can be equatable by means of corporate bond interest rates, since the very nature of such trades involves parties with different perspectives on risk and perhaps different time-horizons.

Q. WHAT ARE THE MOST RELIABLE METHODS OF DETERMINING THE APPROPRIATE RETURN ON EQUITY?

A. I have used the Discounted Cash Flow Model ("DCF") and the Comparable Earnings Model ("CEM"), because I believe that they are the most reliable methods in the current economic environment.

Q. DO THE ISSUES REGARDING THE RISK PREMIUM HAVE IMPLICATIONS FOR THE COST OF CAPITAL AND CAPITAL STRUCTURE?

A. Yes. With interest rates at historic lows, the cost of Long-Term Debt should fall with them and companies should have a greater proportion of debt. I have included data on some interest rates in Exhibit DHC-11. Each company, however, faces different circumstances, depending on restrictions on debt ratios and secured indebtedness.

DCF Implementation, Discussion and Conclusions

Q. WHAT IS THE BASIC PREMISE OF THE DCF MODEL?

A. The DCF is based on the idea that the value of a company to a potential investor derives from the stream of income to be paid by the company, out to an infinite time-horizon. This concept focuses on the payment of dividends and the yield of those dividends.

Q. DOES TEGA CAY HAVE TRADED COMMON STOCK?

A. No, its stock is entirely held by Utilities, Inc., whose ultimate parent is a governmental entity established by the Province of British Columbia, Canada, for the purpose of funding that province's pensions.

Q. IF NEITHER THE COMPANY NOR ITS PARENT HAS TRADED STOCK, HOW DID YOU PERFORM YOUR ANALYSIS TO RECOMMEND A RETURN ON EQUITY?

A. To develop a fair rate of return recommendation for Tega Cay, I evaluated the return requirements of investors on the common stock of publicly-held water service companies.

Q. WHY DID YOU SELECT COMPANIES WITH PUBLICLY TRADED STOCK WHEN SELECTING YOUR PROXY GROUP?

A. First, Tega Cay has asked to be treated like a publicly traded company by applying for a rate-base ROE proceeding and by not asking for alternative treatment. Second, publicly traded water utilities are, after all, in the same line of business as the Company and so share similar risks. Third, data is far more readily available about publicly traded companies, so it is practical to use them.

Q. HOW DID YOU SELECT THE COMPANIES WITH TRADED STOCK?

A. These companies are classified as "water utilities" by Value Line, engage in water distribution and/or wastewater collection and treatment services for customers and obtain most of their revenues from utility services. There are nine such companies and they form my Proxy Group.

Q. DO YOU THINK THE PROXY GROUP IS TOO SMALL?

A. No. The purpose of a proxy group is not to represent a statistically valid sample, but rather to embody an analogous set of companies. Given the complexity of even simple companies and given the dynamism of market forces, it is highly unreasonable to expect a statistically valid sample. No two companies are identical and the multitude of business statistics and aspects of operations make even a strong statistical similarity between two companies fleeting. On the other hand, general similarities, such as being in the same business, are more enduring. For these reasons, a relatively small group of companies is appropriate in this analysis.

Q. WHAT WAS YOUR NEXT STEP AFTER SELECTING YOUR PROXY GROUP?

A. I obtained ten years' historical data on the indicators of growth: Earnings per Share ("EPS", Exhibit DHC-2); Book Value per Share ("BVPS", Exhibit DHC-3); Sales/Revenue (Exhibit DHC-4); and Dividends per Share ("DPS", Exhibit DHC-5). I computed the growth rate of each indicator for each member of my proxy group.

Q. WHY DID YOU CALCULATE THE GROWTH RATE OF EACH INDICATOR?

A. The DCF methodology involves thinking of each company as a stream of revenue from dividends, with growth rates acting as proxies for future payments. The DCF follows this formula:

$$K = D_1/P_0 + g,$$

where K=Cost of Equity, D=annual dividend payment, P=stock price, and g=growth.

Growth is not directly measurable. Stock prices are too volatile to be reliable indicators of growth. Sales, earnings, book value and dividends over the long-run reveal the growth of companies. No one of these indicators can outrun the others too long or too much without creating countervailing trends. Because the growth and the economic situation will change from year to year, I segment the data into ten-, five- and three-year intervals. I also use two measures of growth: compound and simple average.

Q. WHAT IS THE ADVANTAGE OF USING TWO MEASURES OF GROWTH?

A. A simple average or "mean" is intuitively appealing and easy to compute. An investor who reinvests every year and flawlessly reads the market might be able to approximate such returns. On the other hand, the Compound Average Growth Rate ("CAGR") or "geometric mean," while more complicated to compute, gives a much more accurate picture of realizable growth. Consider the simple example of an investment that started at $50, grew to $100, then grew another 100% to $200 and then lost 99%. The simple average would be computed on the percentage points as: (100 + 100 – 99) /3 = 33.66. An investor who actually experienced such a variation in fortune, however, would wind up with two dollars, not an annual gain of 33.66%. The CAGR, however, yields a result of "-78.46%" – a loss of 21.54% each year. This is what an investor would actually realize on such an investment – a loss. Unless the percentage change is exactly the same each year, the simple average will always yield more than the compound average. Investors have access to both, so I have included both.

Q. WHAT IS THE NEXT STEP IN THE CALCULATION?

A. I average the averages, using (1) the simple average or "mean" and (2) the median.

Q. BECAUSE YOU RELY ON HISTORICAL DATA, DOES YOUR ANALYSIS ASSUME THAT INVESTORS BELIEVE THAT FUTURE GROWTH WILL BE THE SAME AS THE PAST?

A. No. Barring some major change in technology or other similar development, investors might assume that there will not be departures from past growth, but it is certain that investors must look to the future because that is where there returns will be realized. Accordingly, I include stock analysts' predictions from three services. These predictions are averaged with the historical results to give the estimate of growth (Exhibits DHC-2 through 5).

Q. HOW ARE DIVIDENDS USED IN THIS CALCULATION?

A. I use the relationship between prices and the dividend payments, the Dividend Yield, to

add to growth to produce my estimate. Since dividend payments are on differing schedules, depending on the company, and since companies tend to increase their dividends over time, I have adjusted the Dividend Yield by half of the growth factor. **(**See Exhibit DHC-15 and as applied at DHC-6.)

Q. WHAT WAS THE RESULT OF YOUR DCF?

A. My DCF analysis produced a Cost of Equity Return on Equity of 8.48%. (See Exhibit DHC-6)

Q. IS THIS DCF RESULT ABNORMAL?

A. No. Exhibit DHC-6 shows a strong rebound in EPS for the water companies in my Proxy Group, but a slower growth in BVPS.

Looking at what composes the result – the sluggish growth in BVPS and the very mild rebound of DPS growth (see Exhibit DHC-5) – and considering the trends among the three largest companies is instructive. During a period of acquisitions and general economic growth, the largest companies have come to own systems that will need investment. During the recent recession, there was a "flight to quality" as investors sought safe investments in the midst of serious stock market losses. Utilities have proven safe over the years, so it is not surprising that their stock prices rose in the aftermath of the recession. American States Water and American Water Works had the most notable stock price increases. The result of this pattern is that dividend yields for these companies are somewhat low, compared to those of the other companies. American States Water, while it has a dividend yield of 3.2% now (Exhibit DHC-8, p.1), in the previous quarterly Value Line (Exhibit DHC-9), had a yield of only 2.8%. Between these reports, the company boosted its DPS. These companies are forecasted to increase DPS (see Exhibit DHC-5, p. 2 of 3) as they seek to recover and compete with the higher yields of Middlesex, Artesian and California Water (Exhibit DHC-6).

What these components and trends show is that the companies face constraints on growth, both from the need to add book value and from the need to offer competitive dividend payments. Although investors might conceivably flee riskier stocks for water utilities, the countervailing need to keep dividend yields competitive places a limit on the potential impact of such a possibility.

CEM Implementation, Discussion and Conclusions

Q. WHAT IS THE BASIC PREMISE OFTHE CEM?

A. The CEM views companies as "factories" for earning money and the "machinery" of these factories has a value – derived from a cost – represented by BVPS. The cost of goods and services is the input and growth in them that produces a rate of growth upon which investors may rely. There is no one interpretation or method under the CEM, so CEM analyses tend to be very judgmental. While there is nothing wrong with interpreting results and using judgment in performing analyses, I have used a definite method because it provides clear reasoning, especially in light of the contrast between the CEM and DCF.

Q. EXPLAIN THE CONTRAST BETWEEN THE DCF AND CEM.

A. The two models rely upon two contrasting approaches in social science methodology: the Most Similar Systems Design and the Least Similar Systems Design.[1] The former seeks entities – in this case, companies – that are similar in most respects so that extraneous factors can be eliminated and only relevant ones remain – in this case, growth and dividend yields. The latter methodology seeks very different entities (companies) with the view that what these different entities have in common will answer a research question, in this case what return investors can hope to receive from an investment.

[1] Adam Przeworski and Henry Teune, The Logic of Comparative Social Inquiry (reprint of 1970 edition), Pennsylvania State University\Krieger, 2001, Chapter 2.

Q. WHAT IS THE COMMON FACTOR AMONG THE COMPANIES YOU CHOSE?

A. The common factor is similar risk as measured by the covariance of the companies with the overall market or a proxy for the market, a statistic known as "Beta" ("β"). Utility companies tend to fluctuate less than the overall market, so they experience neither the highs nor the lows in returns that most other companies experience. This method eliminates utility companies to prevent circularity and ensures a comparison of a variety of companies having in common only risks similar to water companies' risks. I achieved this similarity by selecting companies on the basis of their having β's in the same range as those of the water companies in my DCF Proxy Group.

Q. WHY DID YOU USE SIMLAR RISK TO EXPLAIN TOTAL RETURNS?

Under normal conditions, total returns would give a good indicator of expected returns for water companies. These are not normal conditions, and the CEM does not rely upon total returns, but rather upon growth in book value. This less direct indicator of returns assumes a certain degree of consistency in the relationship between growth and return. A requirement of the CEM is a long time-horizon. I used 10 years of historical data and three to five years of forward-looking data which has the advantage of making any transformational change in the relationship between BVPS growth and return less likely. In addition, my analysis selected a large number of companies whose individual idiosyncrasies should offset one another.

Q. HOW DID YOU PERFORM THE CEM ANALYSIS?

A. I selected companies whose current Value Line β's fell within the range of those of my DCF Proxy Group water companies and eliminated any companies whose 10-year β's were 0.15 below the minimum Proxy Group β or 0.15 above the maximum Proxy Group β. I eliminated those companies that had neither a 10-year BVPS growth rate nor a projected BVPS growth rate. I eliminated all foreign, financial and utility companies as indicated by Value Line. This selection process produced a group of 148 companies (see Exhibit DHC-7, p. 1-7).

Once the group had been selected, I calculated the mean and median of their historical and projected BVPS growth and averaged them. I next stratified the companies by the β range of the DCF Proxy Group companies and averaged the result, again for both historical and projected BVPS growth rates. I averaged the unstratified results with the stratified results. Last, I weighted the stratified result by the number of DCF Proxy Group companies in each stratum and averaged those results. Finally, I averaged the average unstratified with average stratified result to produce the indicated cost of equity or recommended ROE (See Exhibit DHC7, p. 7). All of these averages eliminate the effects of outliers and dynamic changes over time that may cause BVPS growth or β's to vary.

Q. WHAT WAS THE RESULT OF THE CEM ANALYSIS?

A. The CEM analysis indicates an ROE of 9.98%.

Q. DO YOU CONSIDER THIS AN ABNORMAL RESULT?

A. No. It is above the midpoint of recent electric rate-case ROE's granted by the Commission. I recommend that the Commission consider my range in light of the following observations on cost of debt and capital structure.

Cost of Debt and Capital Structure

Q. WHY ARE CAPITAL STRUCTURE AND COST OF DEBT PARTICULARLY RELEVANT UNDER CURRENT CIRCUMSTANCES?

A. The costs of various forms of debt are at long-term lows. For example, the last time Baa rated (Moody's rating service, as reported by the Federal Reserve) corporate debt was at its current rate was when Lyndon B. Johnson was President and the United States was involved in the Viet Nam War (see Exhibit DHC-10). Under these circumstances, companies have the ability to obtain cheap debt and lower their interest payments.. A somewhat higher Long-Term Debt-to-Capital ratio is appropriate under these circumstances.

Q. WHAT IS THE COST OF LONG-TERM DEBT IDENTIFIED BY TEGA CAY IN ITS APPLICATION?

A. Leaving aside flotation costs, it is 6.58%.

Q. WHAT IS THE CURRENT INTEREST RATE FOR BAA CORPORATE BONDS?

A. According to November 1, 2012 edition of *Blue Chip* (see Exhibit DHC-11) the current interest rate was 4.53%.

Q. HAVE ANY UTILITY COMPANIES OPERATING IN SOUTH CAROLINA FLOATED DEBT FOR THIS RATE OR LOWER?

A. Yes. This year, SCE&G established a revolving credit arrangement of LIBOR plus a maximum adder of 1.65%, as an option. Last year, Duke Energy issued bonds at 3.9%. Another, smaller water company has an effective floating rate around 3.5%. Such instances are not unique.

Q. ARE THERE ANY RECENT RATE CASES FOR A LARGE WATER COMPANY WITH A LONG-TERM DEBT RATE UNDER 6.00%?

A. Yes. The Arizona-American Water Company, a wholly owned subsidiary of American Water Works Company received an order from the Arizona Corporation Commission based on a Long-Term Debt rate of 5.66%. (See Exhibit DHC-12, p. 3 of 3.) I note that the Rate of Return was 7.1%, partly because Short-Term Debt was allowed in the capital structure and the short-term debt rate was 0.41%.

Q. DO YOU HAVE AN EXAMPLE OF THE RATES PAID BY A COMPANY WITH FEWER CUSTOMERS THAN UTILITIES, INC.?

A. Yes. In its Securities and Exchange Commission filing as of December 31, 2011, York Water Company had an implied rate of 6.06%. Even allowing for a small portion of cheaper Short-Term Debt payments in this figure, it is significantly under 6.58%. Consider York Water Company's statement in its filing [underlined for emphasis – note that the 7.1% is the rate of

increase, not the interest rate]:

Interest on debt for 2011 increased $348, or 7.1%, from $4,906 for 2010 to $5,254 for 2011. The increase was primarily due to interest of $577 on the 5.00% Senior Notes, Series 2010A, issued in October of 2010. Offsetting the increase were lower interest payments of $149 on the Company's lines of credit due to reduced borrowings, lower interest of $67 due to retirement of the 3.75% Industrial Development Authority Revenue Refunding Bonds, Series 1995, in June of 2010 and other lower interest expense of $13. During 2011, there were no borrowings under the lines of credit. The average interest rate on the lines of credit was 1.54% for 2010 on average debt outstanding of $7,191. Interest expense in 2012 is expected to remain consistent with 2011.

From this statement, I conclude that at least one small company has been able to obtain lower interest rates than Tega Cay's parent company. A look at York Water's selected financial data reveals their Long-Term Debt rate has averaged 5.63% in the period 2007 through 2011 (See Exhibit DHC-13.)

Q. WHAT WOULD HAPPEN IF YOUR ROE WERE ADJUSTED TO REFLECT THE RATE OF RETURN TEGA CAY WOULD RECEIVE UNDER A 6.00% RATE ON LONG-TERM DEBT?

A. I calculate that it would lower the ROE by about 60 basis points. (See Exhibit DHC-14.)

Q. WOULD YOU CONSIDER A COST OF LONG-TERM DEBT OF 6.58% TO BE UNREASONABLE?

A. Yes, in my opinion it is unreasonable. Interest rates are at historic lows (Exhibit DHC-10) and Tega Cay a subsidiary that has to pass along the financing decisions of its parent company to the ratepayer. Tega Cay has filed in its Application a greater portion of Equity in its capital structure than it did in its previous rate case. For these reasons, I recommend the Commission weigh the issue of the Company's Long-Term Debt rate in its decision.

Q. PLEASE SUMMARIZE YOUR DCF AND CEM RESULTS.

A. My DCF result was 8.48% and my CEM result was 9.98%.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Office of Regulatory Staff
Standards for Rate-Setting and Returns
Tega Cay Water Service, Inc.
Docket # 2012-177-WS

Although not an attorney, I note that there are legal cases whose general principals provide guidance regarding returns on equity. Excerpts below set these forth.

The Supreme Court of the United States set standards in two landmark decisions. In the first case, *Bluefield Water Works Improvement Co. v. Pub. Serv. Comm'n*, the Court declared:

> *A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise money for the proper discharge of its duties.*[1]

The Court's opinion in *Bluefield* was later reinforced by the decision in another case, *Fed. Power Comm'n v. Hope Natural Gas Co.*:

> *[T]he fixing of "just and reasonable" rates, involves a balancing of the investor and consumer interests…. From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital cost of the business. These include service on the debt and dividends on the stock….. By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and attract capital.*[2]

The Court stated in *Hope* that regulation does not guarantee profitability and, in the Permian Basin Cases[3], that, although investor interests are certainly relevant to rate-setting but not dispositive.

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[1] *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n of West Virginia*, 262 U.S. 679, 6923 (1923).

[2] *Fed. Power Comm'n v. Hope Natural Gas Co.,* 320 U.S. 591, 603 (1944).

[3] *Permian Basin Area Rate Cases*, 390 U.S. 747 (1966).

Office of Regulatory Staff

Tega Cay Water Service, Inc.

Earnings per Share -- Historical Data

Docket # 2012-177-WS

$ per share

COMPANIES \ YEARS	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
American States Water	**$1.35**	**$1.34**	**$0.78**	**$1.05**	**$1.32**	**$1.33**	**$1.62**	**$1.55**	**$1.62**	**$2.22**	**$2.23**	***$2.45***
American Water Works								**$1.10**	**$1.25**	**$1.53**	**$1.72**	***$2.15***
Aqua America	**$0.51**	**$0.54**	**$0.57**	**$0.64**	**$0.71**	**$0.70**	**$0.71**	**$0.73**	**$0.77**	**$0.90**	**$1.03**	***$1.05***
Artesian Resources		**$0.76**	**$0.64**	**$0.72**	**$0.81**	**$0.97**	**$0.90**	**$0.86**	**$0.97**	**$1.00**	**$0.83**	***$1.16***
California Water	**$0.47**	**$0.63**	**$0.61**	**$0.73**	**$0.74**	**$0.67**	**$0.75**	**$0.95**	**$0.98**	**$0.91**	**$0.86**	***$0.95***
Connecticut Water Service	**$1.13**	**$1.12**	**$1.15**	**$1.16**	**$0.88**	**$0.81**	**$1.05**	**$1.11**	**$1.19**	**$1.13**	**$1.13**	***$1.41***
Middlesex Water	**$0.66**	**$0.73**	**$0.61**	**$0.73**	**$0.71**	**$0.82**	**$0.87**	**$0.89**	**$0.72**	**$0.96**	**$0.84**	***$0.85***
SJW Corp.	**$0.77**	**$0.78**	**$0.91**	**$0.87**	**$1.12**	**$1.19**	**$1.04**	**$1.08**	**$0.81**	**$0.84**	**$1.11**	***$1.05***
York Water Co.	**$0.43**	**$0.40**	**$0.47**	**$0.49**	**$0.56**	**$0.58**	**$0.57**	**$0.57**	**$0.64**	**$0.71**	**$0.71**	***$0.71***

*Note: *2012 numbers based on two quarters of actual and two quarters of estimates.*

Source: Value Line, Exhibit DHC-8

Ratios of Change over Previous Year

COMPANIES \ YEARS	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
American States Water	1.05	0.99	0.58	1.35	1.26	1.01	1.22	0.96	1.05	1.37	1.00	1.10
American Water Works									1.14	1.22	1.12	1.25
Aqua America	1.09	1.06	1.06	1.12	1.11	0.99	1.01	1.03	1.05	1.17	1.14	1.02
Artesian Resources			0.84	1.13	1.13	1.20	0.93	0.96	1.13	1.03	0.83	1.40
California Water	0.69	1.34	0.97	1.20	1.01	0.91	1.12	1.27	1.03	0.93	0.95	1.10
Connecticut Water Service	1.04	0.99	1.03	1.01	0.76	0.92	1.30	1.06	1.07	0.95	1.00	1.25
Middlesex Water	1.29	1.11	0.84	1.20	0.97	1.15	1.06	1.02	0.81	1.33	0.88	1.01
SJW Corp.	1.33	1.01	1.17	0.96	1.29	1.06	0.87	1.04	0.75	1.04	1.32	0.95
York Water Co.		0.92	1.18	1.04	1.14	1.04	0.98	1.00	1.12	1.11	1.00	1.00

Office of Regulatory Staff

Tega Cay Water Service, Inc.

Earnings per Share -- Historical Summary

Docket # 2012-177-WS

	10-yr Averages		5-yr. Averages		3-Yr. Averages		
COMPANIES	**Compound**	**Simple**	**Compound**	**Simple**	**Compound**	**Simple**	
American States Water	6.22%	8.86%	8.63%	11.56%	14.78%	15.78%	
American Water Works					19.81%	19.94%	
Aqua America	6.88%	7.04%	8.14%	7.17%	10.89%	11.09%	
Artesian Resources	4.32%	5.59%	5.21%	4.50%	6.14%	8.62%	
California Water	4.19%	4.80%	4.84%	6.60%	-1.03%	-0.72%	
Connecticut Water Service	2.33%	3.37%	6.07%	10.38%	5.82%	6.58%	
Middlesex Water	1.53%	2.73%	-0.46%	1.89%	5.69%	7.34%	
SJW Corp.	3.02%	4.39%	0.19%	-0.55%	9.04%	10.15%	
York Water Co.	5.91%	6.11%	4.49%	3.58%	3.52%	3.65%	
Means	4.30%	5.36%	4.64%	5.64%	8.30%	9.16%	**Average of Period Averages**
Medians	4.26%	5.20%	5.02%	5.55%	6.14%	8.62%	
Average of Mean & Median		4.78%		5.21%		8.05%	6.02%

Office of Regulatory Staff

Tega Cay Water Service, Inc.

Earnings per Share -- Estimates & Overall Summary

Docket # 2012-177-WS

	Value Line*			
COMPANIES	**$'s**	**%'s**	**Zacks‡**	**Yahoo†**
American States Water	2.80	3.89%	4.00%	6.00%
American Water Works	2.40	3.19%	7.80%	8.31%
Aqua America	1.35	7.44%	6.73%	6.60%
Artesian Resources	1.19	2.59%	4.00%	2.59%
California Water	1.30	9.38%	5.00%	5.00%
Connecticut Water Service	1.41	0.00%	6.10%	-0.84%
Middlesex Water	1.25	11.65%	2.70%	20.9%
SJW Corp.	1.35	7.44%	14.00%	29.1%
York Water Co.	0.79	11.27%	4.90%	11.3%
		6.32%	6.14%	9.89%
		7.44%	5.00%	6.60%
		6.88%	**5.57%**	**8.24%**

**Value Line, see Exhibit DHC-8; % =Compound Annual Growth Rate*

† "Yahoo"=Yahoo!Finance web site *‡ "Zacks"=Zacks web site*

Office of Regulatory Staff

Tega Cay Water Service, Inc.

BVPS -- Historical Data

Docket # 2012-177-WS

$ per share

COMPANIES \ YEARS	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
American States Water	$13.22	$14.05	$13.97	$15.01	$15.72	$16.64	$17.53	$17.95	$19.39	$20.26	$21.68	$22.80
American Water Works								$25.64	$22.91	$23.59	$24.14	$25.40
Aqua America	$4.15	$4.36	$5.34	$5.89	$6.30	$6.96	$7.32	$7.82	$8.12	$8.51	$9.01	$9.25
Artesian Resources		$9.65	$9.01	$9.26	$9.60	$10.15	$11.66	$11.86	$12.15	$12.44	$13.12	
California Water	$6.48	$6.56	$7.22	$7.83	$7.90	$9.07	$9.25	$9.72	$10.13	$10.45	$10.76	$11.05
Connecticut Water Service	$9.25	$10.06	$10.46	$10.94	$11.52	$11.60	$11.95	$12.23	$12.67	$13.05	$13.50	
Middlesex Water	$7.11	$7.39	$7.60	$8.02	$8.26	$9.52	$10.05	$10.03	$10.33	$11.13	$11.27	$11.80
SJW Corp.	$8.17	$8.40	$9.11	$10.11	$10.72	$12.48	$12.90	$13.99	$13.66	$13.75	$14.20	$15.30
York Water Co.	$3.79	$3.90	$4.06	$4.65	$4.85	$5.84	$5.97	$6.14	$6.92	$7.19	$7.45	

*Note: *2012 numbers based on two quarters of actual and two quarters of estimates.*

Source: Value Line, Exhibit DHC-8

Ratios of Change over Previous Year

COMPANIES \ YEARS	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
American States Water	1.04	1.06	0.99	1.07	1.05	1.06	1.05	1.02	1.08	1.04	1.07	1.05
American Water Works									0.89	1.03	1.02	1.05
Aqua America	1.08	1.05	1.22	1.10	1.07	1.10	1.05	1.07	1.04	1.05	1.06	1.03
Artesian Resources			0.93	1.03	1.04	1.06	1.15	1.02	1.02	1.02	1.05	
California Water	1.00	1.01	1.10	1.08	1.01	1.15	1.02	1.05	1.04	1.03	1.03	1.03
Connecticut Water Service	1.04	1.09	1.04	1.05	1.05	1.01	1.03	1.02	1.04	1.03	1.03	
Middlesex Water	1.02	1.04	1.03	1.06	1.03	1.15	1.06	1.00	1.03	1.08	1.01	1.05
SJW Corp.	1.03	1.03	1.08	1.11	1.06	1.16	1.03	1.08	0.98	1.01	1.03	1.08
York Water Co.		1.03	1.04	1.15	1.04	1.20	1.02	1.03	1.13	1.04	1.04	

Office of Regulatory Staff

Tega Cay Water Service, Inc.

Book Value per Share -- Historical Summary, Estimates & Overall Summary

Docket # 2012-177-WS

	10-yr Averages		5-yr. Averages		3-Yr. Averages	
COMPANIES	**Compound**	**Simple**	**Compound**	**Simple**	**Compound**	**Simple**
American States Water	**4.96%**	**4.99%**	**5.40%**	**5.42%**	**5.55%**	**5.55%**
American Water Works					**3.50%**	**3.51%**
Aqua America	**7.81%**	**7.94%**	**4.79%**	**4.80%**	**4.44%**	**4.45%**
Artesian Resources		[1]	***5.27%***	***5.38%*** [1]	***3.42%***	***3.43%*** [1]
California Water	**5.35%**	**5.43%**	**3.62%**	**3.62%**	**2.94%**	**2.94%**
Connecticut Water Service	***3.85%***	***3.87%*** [1]	***3.08%***	***3.08%*** [1]	***3.35%***	***3.35%*** [1]
Middlesex Water	**4.79%**	**4.87%**	**3.26%**	**3.30%**	**4.53%**	**4.57%**
SJW Corp.	**6.18%**	**6.30%**	**3.47%**	**3.55%**	**3.85%**	**3.89%**
York Water Co.	***6.99%***	***7.15%*** [1]	***4.99%***	***5.06%*** [1]	***6.66%***	***6.74%*** [1]
Means	**5.71%**	**5.79%**	**4.24%**	**4.28%**	**4.25%**	**4.27%**
Medians	**5.35%**	**5.43%**	**4.21%**	**4.21%**	**3.85%**	**3.89%**
Average of Mean & Median		**5.57%**		**4.23%**		**4.07%**

	Average of Period Averages
	4.62%

[1] Mixture of actual and estimated BVPS for 2012 was not available for Artesian Resources, Connecticut Water Svc., and York Water Co. Historical growth for those three companies was based on one-year earlier periods of time.

Office of Regulatory Staff

Tega Cay Water Service, Inc.

BVPS -- Estimates & Summary

Docket # 2012-177-WS

	Value Line*	
COMPANIES	**$'s**	**%'s**
American States Water	$23.80	1.23%
American Water Works	$26.70	1.44%
Aqua America	$10.85	4.66%
Artesian Resources		
California Water	$12.75	4.17%
Connecticut Water Service		
Middlesex Water	$13.60	4.14%
SJW Corp.	$17.15	3.32%
York Water Co.		
		3.16%
		3.32%
		3.24%

*Source: Exhibit DHC-8

Office of Regulatory Staff

Tega Cay Water Service, Inc.

Sales/Revenues -- Historical Data

Docket # 2012-177-WS

$-000,000's

COMPANIES \ YEARS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
American States Water	$209.20	$212.70	$228.00	$236.20	$268.60	$301.40	$318.70	$361.00	$398.90	$419.30	$445.00
American Water Works							$2,336.90	$2,440.70	$2,710.70	$2,666.20	$2,905.00
Aqua America	$322.00	$367.20	$442.00	$496.80	$533.50	$602.50	$627.00	$670.50	$726.10	$712.00	$780.00
Artesian Resources	$34.60	$36.30	$39.60	$45.30	$47.30	$52.50	$56.20	$60.90	$64.90	$65.10	
California Water	$263.20	$277.10	$315.60	$320.70	$334.70	$367.10	$410.30	$449.50	$460.40	$501.80	$545.00
Connecticut Water Service	$45.80	$47.10	$48.50	$47.50	$46.90	$59.00	$61.30	$59.40	$66.40	$69.40	
Middlesex Water	$61.90	$64.10	$71.00	$74.60	$81.10	$86.10	$91.00	$91.20	$102.70	$102.00	$105.00
SJW Corp.	$145.70	$149.70	$166.90	$180.10	$189.20	$206.60	$220.30	$216.10	$215.60	$239.00	$255.00
York Water Co.	$19.60	$20.90	$22.50	$26.80	$28.70	$31.40	$32.80	$37.00	$39.00	$40.60	

*Note: *Figures for 2012 are based on a mixture of actual figures for known quarters and estimates for remaining quarters.*

Source: Value Line, Exhibit DHC-8

Ratios of Change over Previous Year

COMPANIES \ YEARS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
American States Water	1.06	1.02	1.07	1.04	1.14	1.12	1.06	1.13	1.10	1.05	1.06
American Water Works								1.04	1.11	0.98	1.09
Aqua America	1.05	1.14	1.20	1.12	1.07	1.13	1.04	1.07	1.08	0.98	1.10
Artesian Resources	1.08	1.05	1.09	1.14	1.04	1.11	1.07	1.08	1.07	1.00	
California Water	1.07	1.05	1.14	1.02	1.04	1.10	1.12	1.10	1.02	1.09	1.09
Connecticut Water Service	1.01	1.03	1.03	0.98	0.99	1.26	1.04	0.97	1.12	1.05	
Middlesex Water	1.04	1.04	1.11	1.05	1.09	1.06	1.06	1.00	1.13	0.99	1.03
SJW Corp.	1.07	1.03	1.11	1.08	1.05	1.09	1.07	0.98	1.00	1.11	1.07
York Water Co.	1.01	1.07	1.08	1.19	1.07	1.09	1.04	1.13	1.05	1.04	

Office of Regulatory Staff

Tega Cay Water Service, Inc.

Sales/Revenues -- Historical Summary

Docket # 2012-177-WS

	10-yr Averages		5-yr. Averages		3-Yr. Averages		
COMPANIES	**Compound**	**Simple**	**Compound**	**Simple**	**Compound**	**Simple**	
American States Water	**7.84%**	**7.91%**	**8.10%**	**8.15%**	**7.22%**	**7.25%**	
American Water Works					**5.98%**	**6.13%**	
Aqua America	**9.25%**	**9.40%**	**5.30%**	**5.38%**	**5.17%**	**5.30%**	
Artesian Resources	***7.36%***	***7.42%*** [1]	***6.60%***	***6.66%*** [1]	***5.02%***	***5.08%*** [1]	
California Water	**7.55%**	**7.62%**	**8.22%**	**8.27%**	**6.63%**	**6.68%**	
Connecticut Water Service	***4.34%***	***4.63%*** [1]	***8.15%***	***8.58%*** [1]	***4.22%***	***4.40%*** [1]	
Middlesex Water	**5.43%**	**5.50%**	**4.05%**	**4.16%**	**4.81%**	**4.96%**	
SJW Corp.	**5.76%**	**5.84%**	**4.30%**	**4.41%**	**5.67%**	**5.77%**	
York Water Co.	***7.66%***	***7.77%*** [1]	***7.18%***	***7.24%*** [1]	***7.37%***	***7.44%*** [1]	
Means	**6.90%**	**7.01%**	**6.49%**	**6.60%**	**5.79%**	**5.89%**	**Period**
Medians	**7.46%**	**7.52%**	**6.89%**	**6.95%**	**5.67%**	**5.77%**	**Averages**
Average of Mean & Median		**7.22%**		**6.73%**		**5.78%**	**6.58%**

[1] Mixture of actual and estimated Sales/Revenue not available for Artesian Resources, Connecticut Water Svc., and York Water Co. Historical growth for those three companies was based on one-year earlier periods of time.

Office of Regulatory Staff

Tega Cay Water Service, Inc.

Sales/Revenues -- Estimates & Overall Summary

Docket # 2012-177-WS

	Value Line*			
COMPANIES	**$'s**	**%'s**	**Yahoo†**	**Zacks**
American States Water	545	5.96%	3.20%	9.77%
American Water Works	3450	5.04%	3.10%	5.26%
Aqua America	950	5.80%	5.80%	5.51%
Artesian Resources			4.10%	6.04%
California Water	675	6.30%	4.30%	8.12%
Connecticut Water Service			11.40%	8.55%
Middlesex Water	145	9.66%	7.20%	4.69%
SJW Corp.	315	6.22%	7.30%	3.02%
York Water Co.			4.70%	4.70%
		6.50%	5.68%	6.18%
		6.09%	4.70%	5.51%
		6.29%	**5.19%**	**5.85%**

**numbers in the left column are actual predictions*

† "Yahoo"=Yahoo!Finance web site; 1-year estimates

Office of Regulatory Staff

Tega Cay Water Service, Inc.

DPS -- Historical Data

Docket # 2012-177-WS

$ per share

COMPANIES \ YEARS	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
American States Water	**$0.87**	**$0.87**	**$0.88**	**$0.89**	**$0.90**	**$0.91**	**$0.96**	**$1.00**	**$1.01**	**$1.04**	**$1.10**	**$1.27**
American Water Works								**$0.80**	**$0.82**	**$0.86**	**$0.91**	**$0.98**
Aqua America	**$0.30**	**$0.32**	**$0.35**	**$0.37**	**$0.40**	**$0.44**	**$0.48**	**$0.51**	**$0.55**	**$0.59**	**$0.62**	**$0.66**
Artesian Resources	**$0.49**	**$0.52**	**$0.53**	**$0.55**	**$0.58**	**$0.61**	**$0.66**	**$0.71**	**$0.72**	**$0.75**	**$0.76**	**$0.79**
California Water	**$0.56**	**$0.56**	**$0.56**	**$0.57**	**$0.57**	**$0.58**	**$0.58**	**$0.59**	**$0.59**	**$0.60**	**$0.62**	**$0.63**
Connecticut Water Service	**$0.80**	**$0.81**	**$0.83**	**$0.84**	**$0.85**	**$0.86**	**$0.87**	**$0.88**	**$0.90**	**$0.92**	**$0.94**	***$0.96***
Middlesex Water	**$0.62**	**$0.63**	**$0.65**	**$0.66**	**$0.67**	**$0.68**	**$0.69**	**$0.70**	**$0.71**	**$0.72**	**$0.73**	**$0.74**
SJW Corp.	**$0.43**	**$0.46**	**$0.49**	**$0.51**	**$0.53**	**$0.57**	**$0.61**	**$0.65**	**$0.66**	**$0.68**	**$0.69**	**$0.71**
York Water Co.	**$0.34**	**$0.35**	**$0.37**	**$0.39**	**$0.42**	**$0.45**	**$0.48**	**$0.49**	**$0.51**	**$0.52**	**$0.53**	**$0.54**

Note: American Water Works began paying dividends in mid-2008, after it became publicly traded; these are pro-rated to a full year. Source of all data: Exhibit DHC-8

*Note: *Figures for 2012 are based on a mixture of actual figures for known quarters and estimates for remaining quarters.*

Ratios of Change over Previous Year

COMPANIES \ YEARS	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
American States Water		1.00	1.01	1.01	1.01	1.01	1.05	1.04	1.01	1.03	1.06	1.15
American Water Works									1.03	1.05	1.06	1.08
Aqua America		1.07	1.09	1.06	1.08	1.10	1.09	1.06	1.08	1.07	1.05	1.06
Artesian Resources		1.05	1.03	1.04	1.05	1.05	1.08	1.08	1.01	1.04	1.01	1.04
California Water		1.00	1.00	1.02	1.00	1.02	1.00	1.02	1.00	1.02	1.03	1.02
Connecticut Water Service		1.01	1.02	1.01	1.01	1.01	1.01	1.01	1.02	1.02	1.02	
Middlesex Water		1.02	1.03	1.02	1.02	1.01	1.01	1.01	1.01	1.01	1.01	1.01
SJW Corp.		1.07	1.07	1.04	1.04	1.08	1.07	1.07	1.02	1.03	1.01	1.03
York Water Co.		1.03	1.06	1.05	1.08	1.07	1.07	1.02	1.04	1.02	1.02	

Office of Regulatory Staff

Tega Cay Water Service, Inc.

DPS -- Historical Data Summary

Docket # 2012-177-WS

	10-yr Averages		5-yr. Averages		3-Yr. Averages		
COMPANIES	**Compound**	**Simple**	**Compound**	**Simple**	**Compound**	**Simple**	
American States Water	**3.86%**	**3.94%**	**5.76%**	**5.87%**	**7.93%**	**8.06%**	
American Water Works					**6.12%**	**6.13%**	
Aqua America	**7.51%**	**7.52%**	**6.58%**	**6.58%**	**6.27%**	**6.27%**	
Artesian Resources	**4.38%**	**4.40%**	**3.71%**	**3.74%**	**3.23%**	**3.24%**	
California Water	**1.18%**	**1.19%**	**1.67%**	**1.67%**	**2.21%**	**2.21%**	
Connecticut Water Service	***1.63%***	***1.63%*** [1]	***1.79%***	***1.80%*** [1]	***2.22%***	***2.22%*** [1]	
Middlesex Water	**1.62%**	**1.62%**	**1.41%**	**1.41%**	**1.39%**	**1.39%**	
SJW Corp.	**4.44%**	**4.46%**	**3.08%**	**3.10%**	**2.46%**	**2.47%**	
York Water Co.	***4.54%***	***4.56%***	***3.33%***	***3.34%*** [1]	***2.65%***	***2.66%***	
Means	**3.64%**	**3.66%**	**3.42%**	**3.44%**	**3.83%**	**3.85%**	**Period**
Medians	**4.12%**	**4.17%**	**3.20%**	**3.22%**	**2.65%**	**2.66%**	**Averages**
Average of Mean & Median		**3.90%**		**3.32%**		**3.25%**	**3.49%**

***** based on DPS paid

[1] DPS for 2012 based on three quarters actual and last quarter assumed to be the same dividend as the third quarter.

Office of Regulatory Staff

Tega Cay Water Service, Inc.

DPS -- Estimates & Summary

Docket # 2012-177-WS

COMPANIES	DPS Projection*	Compound %
American States Water	1.60	6.82%
American Water Works	1.25	7.20%
Aqua America	0.80	5.65%
Artesian Resources		
California Water	0.72	3.89%
Connecticut Water Service		
Middlesex Water	0.80	2.25%
SJW Corp.	0.80	3.47%
York Water Co.		
	Mean	4.88%
	Median	4.77%
Average of Mean & Median		**4.82%**

Average of Historical & Projected DPS Growth **4.16%**

*Source: Exhibit DHC-8

Office of Regulatory Staff

Tega Cay Water Service, Inc.

DCF Summary

Docket # 2012-177-WS

Indicator	Historical	Projected	Average
EPS	6.02%	6.90%	6.46%
BVPS	4.62%	3.24%	3.93%
Sales/Rev.	6.58%	5.78%	6.18%
DPS	3.49%	4.82%	4.16%
			5.18%
			3.13%
			0.16%
		DCF	**8.48%**

Source: Exhibits DHC-2 - DHC-5

Company	Dividend Yield
American States Water	3.20%
American Water Works	2.70%
Aqua America	2.70%
Artesian Resources	3.40%
California Water	3.40%
Connecticut Water Service	3.10%
Middlesex Water	3.80%
SJW Corp.	2.90%
York Water Co.	3.00%
	3.13%

Source: Exhibit DHC-8

Office of Regulatory Staff

Tega Cay Water Service, Inc.

CEM

Docket # 2012-177-WS

Company	Industry Name	β	Book Value Yearly Growth, 10-Year	10-Year β	Projected Book Value Growth Rate	Total Return 2011	Total Return 2010	Proj 3-5 Yr Dividend Yield	Dividend Yield
Aaron's Inc.	Retail Store	0.85	15.00	0.74	9.50	31.13	36.35	0.30	0.23
Advance Auto Parts	Retail Automotive	0.85	18.00	0.67	12.00	5.66	63.95	0.50	0.35
Analogic Corp.	Precision Instrument	0.85	4.00	0.71	5.00	16.70	29.69	0.60	0.53
Bemis Co.	Packaging & Container	0.85	8.00	0.71	5.00	-5.02	13.70	1.80	3.01
BMC Software	Computer Software	0.85	2.00	0.78	14.00	-30.46	17.56		0.00
CACI Int'l	IT Services	0.85	17.50	0.85	12.50	4.72	9.31		0.00
Career Education	Educational Services	0.85	15.50	0.95	4.00	-61.55	-11.07		0.00
Cerner Corp.	Healthcare Information	0.85	15.50	0.70	17.50	29.30	14.92		0.00
Copart, Inc.	Retail Automotive	0.85	14.50	0.89	10.50	28.22	1.99		0.00
Cyberonics	Med Supp Invasive	0.85	10.00	0.63	13.50	8.00	51.76		0.00
Fred's Inc. 'A'	Retail Store	0.85	8.00	0.92	7.00	7.63	36.73	1.80	2.00
Haverty Furniture	Retail (Hardlines)	0.85	3.00	0.79	5.50	-14.50	-4.59	1.50	1.06
Henry (Jack) & Assoc.	IT Services	0.85	15.00	0.80	13.00	16.87	27.92	1.30	1.21
Int'l Business Mach.	Computers/Peripherals	0.85	4.00	0.85	23.00	27.42	14.28	1.70	1.83
Knight Transportation	Trucking	0.85	15.00	0.81	4.50	-16.46	0.97	1.40	1.63
Life Technologies	Med Supp Non-Invasive	0.85	7.00	0.84	8.00	-29.89	6.28		0.00
Mattel, Inc.	Recreation	0.85	6.50	0.89	7.50	13.02	31.40	3.60	3.35
Medtronic, Inc.	Med Supp Invasive	0.85	12.50	0.76	12.00	5.81	-13.81	2.00	2.53
Navigant Consulting	Industrial Services	0.85	8.00	0.82	9.00	24.02	-38.09		0.00
Northrop Grumman	Aerospace/Defense	0.85	4.50	0.88	6.50	-6.62	19.62	3.20	3.19
NutriSystem Inc.	Food Processing	0.85	39.50	0.78	2.00	-35.14	-30.05	2.80	6.96
OSI Systems	Precision Instrument	0.85	9.50	0.90	11.50	34.16	33.29		0.00
Paychex, Inc.	IT Services	0.85	9.50	0.90	8.50	1.47	5.38	2.90	4.02
Rollins, Inc.	Industrial Services	0.85	14.50	0.48	14.00	14.14	56.20	1.70	1.50
Shenandoah Telecom.	Telecom. Services	0.85	9.50	0.92	6.50	-42.59	-6.44	1.50	2.04

Office of Regulatory Staff

Tega Cay Water Service, Inc.

CEM

Docket # 2012-177-WS

Company	Industry Name	β	Book Value Yearly Growth, 10-Year	10-Year β	Projected Book Value Growth Rate	Total Return 2011	Total Return 2010	Proj 3-5 Yr Dividend Yield	Dividend Yield
St. Jude Medical	Med Supp Invasive	0.85	16.00	0.68	13.50	-18.12	16.23	1.60	2.40
United Parcel Serv.	Air Transport	0.85	-1.50	0.81	17.00	3.88	30.29	2.30	3.12
Varian Medical Sys.	Med Supp Invasive	0.85	17.50	0.82	20.00	-3.10	47.88		0.00
Vertex Pharmac.	Biotechnology	0.85	-3.50	0.63	26.00	-5.20	-18.25		0.00
Washington Post	Newspaper	0.85	7.50	0.91	3.50	-12.24	2.07	1.30	2.95
3M Company	Diversified Co.	0.80	10.00	0.85	12.00	-2.84	7.07	2.60	2.69
Advisory Board	Information Services	0.80		0.52	17.50	55.81	55.40		0.00
Alexion Pharmac.	Drug	0.80	10.50	0.76	23.50	77.53	64.99		0.00
Alliant Techsystems	Aerospace/Defense	0.80	14.50	0.72	13.00	-22.24	-15.68	1.20	1.44
Automatic Data Proc.	IT Services	0.80	5.00	0.77	8.00	20.11	11.62	2.20	2.89
Cardinal Health	Med Supp Non-Invasive	0.80	6.50	0.73	6.00	8.12	21.40	2.20	2.32
Chemed Corp.	Diversified Co.	0.80	7.50	0.60	10.00	-18.56	33.64	1.10	1.04
Computer Prog. & Sys.	Healthcare Information	0.80	15.00	0.42	18.50	11.86	5.23	1.80	3.48
CVS Caremark Corp.	Pharmacy Services	0.80	18.50	0.80	6.50	18.95	9.10	1.70	1.41
Ecolab Inc.	Chemical (Specialty)	0.80	11.00	0.67	16.00	16.26	14.64	1.20	1.16
Exxon Mobil Corp.	Petroleum (Integrated)	0.80	11.00	0.57	12.50	18.71	10.14	2.20	2.52
Forest Labs.	Drug	0.80	18.50	0.75	6.00	-5.38	-0.41		0.00
Forrester Research	Information Services	0.80	6.00	0.83	8.50	-3.83	48.68	1.50	1.90
Genuine Parts	Auto Parts	0.80	3.00	0.70	8.50	23.23	40.51	3.10	3.25
Heartland Express	Trucking	0.80	7.00	0.72	11.00	-10.32	12.68	0.70	0.59
Int'l Flavors & Frag.	Chemical (Specialty)	0.80	2.00	0.79	11.00	-3.81	38.03	1.80	2.13
Landauer, Inc.	Precision Instrument	0.80	10.00	0.78	3.50	-10.59	1.18	4.80	3.87
Lilly (Eli)	Drug	0.80	6.50	0.73	9.00	25.15	3.71	5.00	3.84
Lockheed Martin	Aerospace/Defense	0.80	-6.00	0.73	2.00	20.69	-3.84	5.10	4.92

Office of Regulatory Staff

Tega Cay Water Service, Inc.

CEM

Docket # 2012-177-WS

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ManTech Int'l 'A'	IT Services	0.80		0.52	7.00	-22.73	-14.50	1.10	3.77
MAXIMUS Inc.	Industrial Services	0.80	6.50	0.87	7.00	27.17	32.24	1.20	0.79
Merck & Co.	Drug	0.80	11.00	0.71	1.50	9.54	2.86	3.80	3.63
Monster Beverage	Beverage	0.80	42.00	0.51	27.50	76.24	36.15	1.20	0.00
NIKE, Inc. 'B'	Shoe	0.80	12.50	0.78	11.00	14.48	31.22	1.70	1.58
Papa John's Int'l	Restaurant	0.80	6.50	0.52	12.50	36.03	18.58		0.00
PetSmart, Inc.	Retail (Hardlines)	0.80	14.00	0.86	13.00	30.39	51.32	1.10	1.04
Questar Corp.	Natural Gas (Div.)	0.80	5.50	0.44	-1.50	18.04	-57.17	3.00	3.33
ResMed Inc.	Med Supp Non-Invasive	0.80	26.50	0.70	14.50	-26.67	32.54		1.65
Ross Stores	Retail (Softlines)	0.80	14.00	0.78	22.00	52.00	49.87	1.20	0.92
Schein (Henry)	Med Supp Non-Invasive	0.80	14.00	0.61	10.00	4.95	16.71		0.00
Stryker Corp.	Med Supp Invasive	0.80	23.50	0.85	10.00	-6.13	7.89	0.80	1.62
Sturm, Ruger & Co.	Recreation	0.80		0.50	23.00	122.54	61.14	2.20	3.31
Synopsys, Inc.	Computer Software	0.80	10.00	0.95	8.50	1.08	20.78		0.00
Teleflex Inc.	Med Supp Invasive	0.80	9.50	0.87	6.50	16.63	2.27	1.60	2.01
TJX Companies	Retail (Softlines)	0.80	14.00	0.61	11.00	47.35	23.06	1.10	1.11
United Natural Foods	Retail/Wholesale Food	0.80	17.00	0.80	11.00	9.08	37.17		0.00
Universal Corp.	Tobacco	0.80	8.00	0.88	5.00	18.44	-6.99	4.00	3.93
Walgreen Co.	Pharmacy Services	0.80	14.00	0.83	4.00	-13.31	8.14	2.50	3.11
Waste Management	Environmental	0.80	5.50	0.62	1.50	-7.72	12.14	3.40	4.44
West Pharmac. Svcs.	Med Supp Non-Invasive	0.80	10.00	0.78	9.00	-6.74	6.92	1.80	1.42
Wolverine World Wide	Shoe	0.80	7.00	0.97	15.00	13.24	18.91	1.20	1.15
World Wrestling Ent.	Entertainment	0.80	-1.00	0.74	2.50	-30.06	1.83	4.10	5.90

Office of Regulatory Staff

Tega Cay Water Service, Inc.

CEM

Docket # 2012-177-WS

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AT&T Inc.	Telecom. Services	0.75	7.50	0.77	6.00	9.01	11.64	4.30	5.19
Biogen Idec Inc.	Drug	0.75	19.00	0.73	3.00	64.13	25.33		0.00
Boston Beer 'A'	Beverage	0.75	11.00	0.77	20.50	14.17	104.06		0.00
Celgene Corp.	Drug	0.75	33.50	0.64	14.00	14.31	6.21		0.00
Costco Wholesale	Retail Store	0.75	10.50	0.72	8.00	16.73	23.67	1.30	1.14
Dean Foods	Food Processing	0.75	-5.00	0.64	5.50	26.70	-51.00		0.00
Endo Health Solns.	Drug	0.75		0.61	13.00	-3.30	74.03		0.00
Greatbatch, Inc.	Electronics	0.75	8.50	0.81	9.50	-8.49	25.59		0.00
Healthcare Svcs.	Industrial Services	0.75	7.00	0.53	4.00	12.90	18.35	3.60	2.92
Hot Topic, Inc.	Retail (Softlines)	0.75	9.00	0.60	1.50	9.36	14.45	2.40	3.71
IAC/InterActiveCorp	Internet	0.75	-4.00	0.97	8.00	48.87	40.14	1.60	1.91
McKesson Corp.	Med Supp Non-Invasive	0.75	9.00	0.68	10.00	11.78	13.80	1.00	0.95
Myriad Genetics	Biotechnology	0.75	10.50	0.79	14.00	-8.32	-12.46		0.00
O'Reilly Automotive	Retail Automotive	0.75	17.00	0.48	14.00	32.32	58.50		0.00
Peet's Coffee & Tea	Food Processing	0.75	19.50	0.76	16.00	50.17	25.16		0.00
Pfizer, Inc.	Drug	0.75	15.50	0.67	4.00	28.77	0.31	3.90	3.44
PSS World Medical	Med Supp Non-Invasive	0.75	1.50	0.89	12.50	7.04	0.00		0.00
Quest Diagnostics	Medical Services	0.75	15.00	0.52	9.00	8.38	-10.14	1.20	1.16
Raytheon Co.	Aerospace/Defense	0.75	-2.00	0.67	7.50	9.19	-8.70	3.40	3.59
Silgan Holdings	Packaging & Container	0.75		0.53	18.50	9.13	25.47	1.10	1.12
Strayer Education	Educational Services	0.75	26.00	0.67	7.00	-33.73	-27.06	3.40	7.19
Techne Corp.	Biotechnology	0.75	14.00	0.75	8.00	5.55	-2.56	1.40	1.73

Office of Regulatory Staff

Tega Cay Water Service, Inc.

CEM

Docket # 2012-177-WS

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Village Super Market	Retail/Wholesale Food	0.75	9.00	0.50	7.50	-12.82	28.93	2.70	2.65
Watson Pharmac.	Drug	0.75	6.50	0.53	9.50	16.83	30.40		0.00
AmerisourceBergen	Med Supp Non-Invasive	0.70	13.00	0.61	9.50	10.32	32.39	0.50	1.31
Amgen	Biotechnology	0.70	19.50	0.52	9.00	18.18	-2.95	1.60	1.77
Baxter Int'l Inc.	Med Supp Invasive	0.70	7.50	0.60	8.50	0.05	-11.56	2.10	2.93
Bristol-Myers Squibb	Drug	0.70	6.50	0.61	6.00	39.43	8.74	3.40	4.03
Brown-Forman 'B'	Beverage	0.70	7.50	0.61	11.00	17.78	34.57	2.10	1.53
Carriage Services	Funeral Services	0.70	-1.50	0.92	8.00	17.00	23.41	0.80	0.91
Casey's Gen'l Stores	Retail/Wholesale Food	0.70	7.00	0.62	17.00	22.75	34.67	1.20	1.30
Coca-Cola Bottling	Beverage	0.70	15.00	0.49	17.50	7.09	4.86	1.00	1.46
Comtech Telecom.	Telecom. Equipment	0.70	22.50	0.75	10.00	6.84	-20.12	4.50	4.53
DaVita Inc.	Medical Services	0.70	20.00	0.58	16.50	9.10	18.30		0.00
DeVry Inc.	Educational Services	0.70	17.50	0.60	8.00	-19.33	-15.05	0.80	1.44
Edwards Lifesciences	Med Supp Invasive	0.70	11.50	0.50	11.00	-12.54	86.16		0.00
FTI Consulting	Industrial Services	0.70	23.50	0.43	5.00	13.79	-20.95		0.00
Gilead Sciences	Drug	0.70	32.00	0.57	7.50	12.94	-16.25		0.00
ITT Educational	Educational Services	0.70	13.50	0.65	28.00	-10.68	-33.63		0.00
J&J Snack Foods	Food Processing	0.70	10.00	0.68	8.00	11.57	21.94	1.20	1.03
Monro Muffler Brake	Retail Automotive	0.70	10.00	0.52	11.00	13.23	56.56	1.10	1.24
Nash Finch Co.	Retail/Wholesale Food	0.70	6.50	0.76	3.50	-29.59	16.85	2.70	3.80
Owens & Minor	Med Supp Non-Invasive	0.70	12.50	0.48	9.00	-3.01	5.42	2.80	3.15
Perrigo Co.	Drug	0.70	10.00	0.70	17.50	54.17	59.73	0.30	0.27
PetMed Express	Pharmacy Services	0.70	43.50	0.86	3.00	-39.13	3.42	5.20	5.67

Office of Regulatory Staff

Tega Cay Water Service, Inc.

CEM

Docket # 2012-177-WS

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Safeway Inc.	Retail/Wholesale Food	0.70	2.00	0.73	-3.00	-3.88	7.26	2.80	4.53
Sherwin-Williams	Retail Building Supply	0.70	4.00	0.70	14.00	8.52	38.63	1.90	1.22
Smucker (J.M.)	Food Processing	0.70	15.50	0.55	6.00	22.16	9.10	2.30	2.43
Spartan Stores	Retail/Wholesale Food	0.70	1.00	0.42	7.50	10.78	20.24	0.90	2.20
Sysco Corp.	Retail/Wholesale Food	0.70	9.50	0.76	13.00	3.48	7.96	2.30	3.50
Tootsie Roll Ind.	Food Processing	0.70	5.00	0.63	4.00	-14.81	10.29	1.10	1.23
Verizon Communic.	Telecom. Services	0.70	1.50	0.70	4.00	18.23	14.98	3.50	4.66
Waste Connections	Environmental	0.70	12.50	0.51	7.50	21.58	24.21	1.30	1.22
WD-40 Co.	Household Products	0.70	12.50	0.63	7.50	2.90	28.11	2.70	2.66
Becton, Dickinson	Med Supp Invasive	0.65	11.50	0.61	6.50	-9.70	9.39	2.20	2.39
ConAgra Foods	Food Processing	0.65	4.50	0.65	6.00	21.41	1.49	3.00	3.53
Harris Teeter Super.	Retail/Wholesale Food	0.65	6.50	0.76	9.50	17.27	45.29	1.40	1.50
Heinz (H.J.)	Food Processing	0.65	6.00	0.53	12.00	13.34	18.86	3.40	3.59
Hormel Foods	Food Processing	0.65	11.00	0.41	10.50	16.39	36.03	1.80	2.15
ICU Medical	Med Supp Invasive	0.65	11.50	0.59	6.50	23.29	0.17		0.00
Johnson & Johnson	Med Supp Non-Invasive	0.65	11.50	0.48	11.50	9.89	-0.58	3.40	3.43
Laboratory Corp.	Medical Services	0.65	15.00	0.45	13.50	-2.22	17.48		0.00
Mondelez Int'l	Food Processing	0.65	6.00	0.56	6.50	22.64	20.39	1.70	1.96
Sanderson Farms	Food Processing	0.65	14.50	0.59	8.50	29.96	-5.94	1.50	1.51
Weis Markets	Retail/Wholesale Food	0.65	2.50	0.64	5.50	4.58	14.55	2.50	2.92
Coca-Cola	Beverage	0.60	12.00	0.52	6.50	9.44	19.03	2.60	2.91
Dollar Tree, Inc.	Retail Store	0.60	13.50	0.65	18.50	48.20	74.16		0.00
Kroger Co.	Retail/Wholesale Food	0.60	7.50	0.53	10.00	10.34	10.86	2.10	2.37
McCormick & Co.	Food Processing	0.60	14.50	0.45	12.00	10.96	31.25	2.00	2.20
McDonald's Corp.	Restaurant	0.60	6.50	0.59	5.00	34.66	26.93	3.10	3.53
PepsiCo, Inc.	Beverage	0.60	10.00	0.50	9.50	4.75	8.59	2.00	3.21

Office of Regulatory Staff

Tega Cay Water Service, Inc.

CEM

Docket # 2012-177-WS

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Procter & Gamble	**Household Products**	**0.60**	**19.00**	**0.43**	**3.00**	**7.04**	**9.36**	**3.00**	**3.21**
Snyder's-Lance	**Food Processing**	**0.60**	**6.50**	**0.65**	**7.00**	**-0.87**	**8.52**	**2.70**	**2.53**
Altria Group	**Tobacco**	**0.55**	**-12.00**	**0.49**	**11.00**	**27.66**	**33.92**	**5.80**	**5.48**
Kellogg	**Food Processing**	**0.55**	**10.00**	**0.42**	**17.50**	**2.18**	**-1.01**	**2.70**	**3.35**
Reynolds American	**Tobacco**	**0.55**	**-5.50**	**0.49**	**5.50**	**34.41**	**31.43**	**5.40**	**5.71**
148		**0.75**	**10.77**	**0.68**	**9.96**	**9.91**	**16.68**	**2.21**	**1.91**
		0.75	**10.00**	**0.69**	**9.00**	**9.49**	**14.60**	**1.95**	**1.60**
			10.39		**9.48**				
β Ranges of DCF Proxy				**9.93**		*Average of Means and Medians*			
Group	Number of Companies	%							
<.7	5	56%	**8.30**		**10.50**				
>.69<.76	3	33%	**11.72**		**9.55**				
>.75	1	11%	**10.68**		**10.09**				
	9		**10.23**		**10.04**	*Stratified Averages*			
				10.14					
				10.04					
			9.70		**10.14**	*Weighted, Stratified Averages*			
				9.92		*Overall Weighted Stratified Average*			
				9.98		*Average of Weighted and Unweighted Averages*			

Source: Value Line database from on-line subscription

AMER. STATES WATER NYSE-AWR

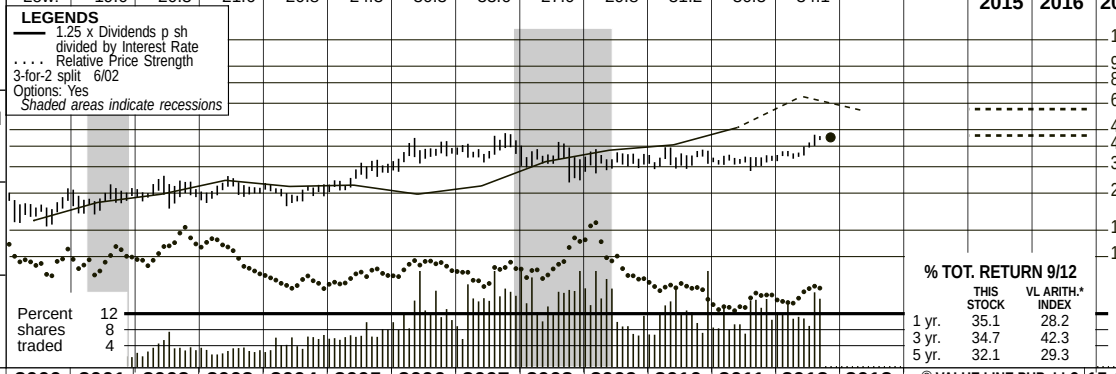
RECENT PRICE **44.03** | P/E RATIO **18.2** (Trailing: 17.5 Median: 22.0) | RELATIVE P/E RATIO **1.20** | DIV'D YLD **3.2%** | VALUE LINE

TIMELINESS 3 Lowered 9/28/12
SAFETY 2 Raised 7/20/12
TECHNICAL 3 Raised 10/12/12
BETA .70 (1.00 = Market)

High:	26.4	29.0	29.0	26.8	34.6	43.8	46.1	42.0	38.8	39.6	36.4	45.4
Low:	19.0	20.3	21.6	20.8	24.3	30.3	33.6	27.0	29.8	31.2	30.5	34.1

Target Price Range
2015 | 2016 | 2017

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 6/02
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+35%)	11%
Low	45	(Nil)	4%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	5	2	0	2	2	0	4	2	0
to Sell	5	2	0	2	2	0	4	2	0

Institutional Decisions

	4Q2011	1Q2012	2Q2012
to Buy	86	69	83
to Sell	40	63	50
Hld's(000)	11493	11810	11968

% TOT. RETURN 9/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	35.1	28.2
3 yr.	34.7	42.3
5 yr.	32.1	29.3

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.76	17.49	18.42	19.48	21.41	22.24	*23.40*	*23.45*	Revenues per sh	*27.80*
1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.89	3.31	3.37	3.40	4.23	4.26	*4.60*	*5.00*	"Cash Flow" per sh	*5.50*
1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	1.55	1.62	2.22	2.23	*2.45*	*2.50*	Earnings per sh A	*2.80*
.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.00	1.01	1.04	1.10	*1.27*	*1.44*	Div'd Decl'd per sh B■	*1.60*
2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	4.45	4.18	4.24	4.26	*4.20*	*4.40*	Cap'l Spending per sh	*5.10*
11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	17.95	19.39	20.26	21.68	*22.80*	*23.15*	Book Value per sh	*23.80*
13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.23	17.30	18.53	18.63	18.85	*19.00*	*19.20*	Common Shs Outst'g C	*19.60*
12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	15.7	15.7	*Bold figures are*		Avg Ann'l P/E Ratio	*19.0*
.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.41	1.00	1.01	*Value Line*		Relative P/E Ratio	*1.25*
5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	2.9%	3.0%	3.0%	*estimates*		Avg Ann'l Div'd Yield	*2.6%*

CAPITAL STRUCTURE as of 6/30/12
Total Debt $341.7 mill. **Due in 5 Yrs** $280.0 mill.
LT Debt $341.5 mill. **LT Interest** $24.0 mill.
(LT interest earned: 5.5x: total interest coverage: 5.2x) (44% of Cap'l)

Leases, Uncapitalized: Annual rentals $3.3 mill.

Pension Assets-12/11 $92.9 mill. **Oblig.** $146.1 mill.

Pfd Stock None.

Common Stock 18,923,668 shs. as of 8/3/12

MARKET CAP: $825 million (Small Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
209.2	212.7	228.0	236.2	268.6	301.4	318.7	361.0	398.9	419.3	*445*	*460*	Revenues ($mill)	*545*
20.3	11.9	16.5	22.5	23.1	28.0	26.8	29.5	41.4	42.0	*45.0*	*48.0*	Net Profit ($mill)	*55.0*
38.9%	43.5%	37.4%	47.0%	40.5%	42.6%	37.8%	38.9%	43.2%	41.7%	*42.5%*	*42.0%*	Income Tax Rate	*40.0%*
- -	- -	- -	- -	12.2%	8.5%	6.9%	3.2%	5.8%	5.8%	*5.0%*	*5.0%*	AFUDC % to Net Profit	*5.0%*
52.0%	52.0%	47.7%	50.4%	48.6%	46.9%	46.2%	45.9%	44.3%	45.4%	*43.0%*	*43.0%*	Long-Term Debt Ratio	*42.0%*
48.0%	48.0%	52.3%	49.6%	51.4%	53.1%	53.8%	54.1%	55.7%	54.6%	*57.0%*	*57.0%*	Common Equity Ratio	*58.0%*
444.4	442.3	480.4	532.5	551.6	569.4	577.0	665.0	677.4	749.1	*760*	*780*	Total Capital ($mill)	*805*
563.3	602.3	664.2	713.2	750.6	776.4	825.3	866.4	855.0	896.5	*935*	*980*	Net Plant ($mill)	*1080*
6.5%	4.6%	5.2%	5.4%	6.0%	6.7%	6.4%	5.9%	7.6%	6.0%	*6.0%*	*6.0%*	Return on Total Cap'l	*7.0%*
9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	*10.5%*	*11.0%*	Return on Shr. Equity	*12.0%*
9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	*10.5%*	*11.0%*	Return on Com Equity	*12.0%*
3.3%	NMF	1.0%	2.8%	2.7%	3.9%	3.1%	3.2%	5.8%	5.2%	*5.0%*	*5.0%*	Retained to Com Eq	*5.0%*
65%	113%	84%	67%	67%	58%	64%	61%	47%	49%	*56%*	*58%*	All Div'ds to Net Prof	*57%*

CURRENT POSITION ($MILL.)	2010	2011	6/30/12
Cash Assets	4.2	1.3	25.9
Other	200.8	164.3	150.0
Current Assets	205.0	165.6	175.9
Accts Payable	36.2	37.9	39.1
Debt Due	61.3	.3	.2
Other	81.3	66.2	60.3
Current Liab.	178.8	104.4	99.6
Fix. Chg. Cov.	428%	401%	390%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	5.0%	7.5%	*4.5%*
"Cash Flow"	5.5%	9.5%	*4.5%*
Earnings	4.5%	11.5%	*5.5%*
Dividends	2.0%	2.5%	*7.5%*
Book Value	5.0%	5.0%	*4.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	79.6	93.6	101.5	86.3	361.0
2010	88.4	95.5	111.3	103.7	398.9
2011	94.3	109.8	119.9	95.3	419.3
2012	106.6	114.3	*124*	*100.1*	*445*
2013	*105*	*116*	*131*	*108*	*460*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	.28	.64	.52	.18	1.62
2010	.45	.47	.62	.68	2.22
2011	.37	.68	.83	.36	2.24
2012	.53	.79	*.80*	*.33*	*2.45*
2013	*.50*	*.75*	*.85*	*.40*	*2.50*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.250	.250	.250	.250	1.00
2009	.250	.250	.250	.260	1.01
2010	.260	.260	.260	.260	1.04
2011	.260	.280	.280	.280	1.10
2012	.280	.280	.355		

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Sold Chaparral City Water of Arizona (6/11). Has 703 employees. Officers & directors own 2.9% of common stock (4/12 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls. Inc: CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.

American States Water's bottom-line momentum will likely carry into the back half of the year. Indeed, share earnings in the first half of 2012 increased 17%, driven by the Golden State Water unit and an increase in Contracted Services activity. Construction activity and favorable changes in cost estimates at the Fort Bragg military base also contributed to the improved results. Going forward, we expect the company to remain focused on expanding the Contracted Services business, as it provides more favorable growth prospects compared to its Water and Electric businesses. In fact, we believe AWR's 50-year contract with Fort Bragg through its American States Utility Services subsidiary could provide a nice opportunity. We expect this longer-term relationship with the U.S. government to bolster the company's chances in booking more water and electric projects on other military bases.

Recent rate cases will provide some clarity for the coming years. In June, the Golden State Water case (which deals with general rates in 2013-2015) reached a proposed settlement between Golden State Water Company and two consumer advocacy groups. The agreement pends the approval of California Public Utilities Commission (CPUC) and nearly resolves all issues in the case. The decision would generate close to $9 million in additional annual revenue starting in 2013, compared to 2012 adopted revenues. Proposed rates are set to increase $8.0 million and $6.0 million in 2014 and 2015, respectively.

The ASUS operations have helped boost the quarterly dividend. The dividend has been increased to $0.36 from $0.28 due to ASUS' board of directors approval to help fund a portion of AWR's upcoming dividend. We anticipate that the subsidiary will continue to partially fund the company's dividend.

The Timeliness rank of this issue is 3 (Average). Income investors might find the stock of interest, as the dividend yield offers above-average return when compared to the *Value Line* median. However, we advise longer-term investors to look elsewhere, due to the below-average capital appreciation potential.

Michael Collins *October 19, 2012*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 14¢; '05, 25¢; '06, 6¢; '08, (27¢); '10, (45¢) '11, 20¢. Next earnings report due early November. Quarterly egs. may not add due to rounding.
(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	90
Price Growth Persistence	65
Earnings Predictability	90

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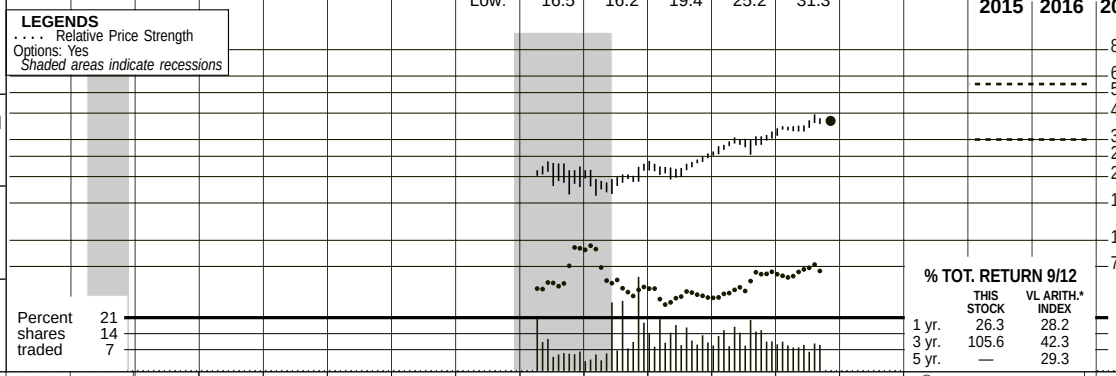
AMERICAN WATER NYSE-AWK

RECENT PRICE **36.75** | P/E RATIO **16.7** (Trailing: 18.8 Median: NMF) | RELATIVE P/E RATIO **1.10** | DIV'D YLD **2.7%** | VALUE LINE

TIMELINESS 2 Lowered 10/19/12
SAFETY 3 New 7/25/08
TECHNICAL 3 Raised 10/12/12
BETA .65 (1.00 = Market)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
High:								23.7	23.0	25.8	32.8	39.4
Low:								16.5	16.2	19.4	25.2	31.3

LEGENDS
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+50%)	13%
Low	30	(-20%)	-1%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	0	0	7	0	2	1	0
to Sell	2	0	0	0	7	0	2	0	0

Institutional Decisions

	4Q2011	1Q2012	2Q2012
to Buy	181	164	176
to Sell	136	163	162
Hld's(000)	138169	141669	140028

% TOT. RETURN 9/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	26.3	28.2
3 yr.	105.6	42.3
5 yr.	—	29.3

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	13.08	13.84	14.61	13.98	15.49	15.18	*16.40*	*16.55*	Revenues per sh	*18.15*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	.65	d.47	2.87	2.89	3.56	3.74	*4.25*	*4.30*	"Cash Flow" per sh	*4.70*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	d.97	d2.14	1.10	1.25	1.53	1.72	*2.15*	*2.20*	Earnings per sh A	*2.40*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	.40	.82	.86	.91	*.98*	*1.04*	Div'd Decl'd per sh B■	*1.25*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	4.31	4.74	6.31	4.50	4.38	5.27	*5.35*	*5.30*	Cap'l Spending per sh	*5.00*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	23.86	28.39	25.64	22.91	23.59	24.14	*25.40*	*25.70*	Book Value per sh D	*26.70*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	160.00	160.00	160.00	174.63	175.00	175.66	*177.00*	*180.00*	Common Shs Outst'g C	*190.00*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	18.9	15.6	14.6	16.7	*Bold figures are*		Avg Ann'l P/E Ratio	*19.0*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	1.14	1.04	.93	1.05	*Value Line*		Relative P/E Ratio	*1.25*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	1.9%	4.2%	3.8%	3.1%	*estimates*		Avg Ann'l Div'd Yield	*2.8%*
						- -	- -	- -	- -	2093.1	2214.2	2336.9	2440.7	2710.7	2666.2	*2905*	*2975*	Revenues ($mill)	*3450*
						- -	- -	- -	- -	d155.8	d342.3	187.2	209.9	267.8	304.9	*380*	*395*	Net Profit ($mill)	*450*
						- -	- -	- -	- -	- -	- -	37.4%	37.9%	40.4%	39.5%	*41.0%*	*40.0%*	Income Tax Rate	*39.0%*
						- -	- -	- -	- -	- -	- -	- -	- -	12.5%	10.0%	*10.0%*	*10.0%*	AFUDC % to Net Profit	*15.0%*
						- -	- -	- -	- -	56.1%	50.9%	53.1%	56.9%	56.8%	55.6%	*54.0%*	*53.0%*	Long-Term Debt Ratio	*54.5%*
						- -	- -	- -	- -	43.9%	49.1%	46.9%	43.1%	43.2%	44.2%	*46.0%*	*47.0%*	Common Equity Ratio	*45.5%*
						- -	- -	- -	- -	8692.8	9245.7	8750.2	9289.0	9561.3	9601.5	*9750*	*9825*	Total Capital ($mill)	*11150*
						- -	- -	- -	- -	8720.6	9318.0	9991.8	10524	11059	11021	*11600*	*12175*	Net Plant ($mill)	*13750*
						- -	- -	- -	- -	NMF	NMF	3.7%	3.8%	4.4%	4.7%	*5.5%*	*5.5%*	Return on Total Cap'l	*6.0%*
						- -	- -	- -	- -	NMF	NMF	4.6%	5.2%	6.5%	7.2%	*8.5%*	*8.5%*	Return on Shr. Equity	*9.0%*
						- -	- -	- -	- -	NMF	NMF	4.6%	5.2%	6.5%	7.2%	*8.5%*	*8.5%*	Return on Com Equity	*9.0%*
						- -	- -	- -	- -	NMF	NMF	3.0%	1.8%	2.8%	3.5%	*4.5%*	*4.5%*	Retained to Com Eq	*4.0%*
						- -	- -	- -	- -	- -	- -	34%	65%	56%	52%	*46%*	*47%*	All Div'ds to Net Prof	*53%*

CAPITAL STRUCTURE as of 6/30/12
Total Debt $5685.4 mill. **Due in 5 Yrs** $407.6 mill.
LT Debt $5203.1 mill. **LT Interest** $292.0 mill.
(Total interest coverage: 3.5x) (54% of Cap'l)

Leases, Uncapitalized: Annual rentals $21.5 mill.
Pension Assets-12/11 $981.1 mill
Oblig. $1402.0 mill.
Pfd Stock $19.3 mill. **Pfd Div'd** $.7 mill

Common Stock 176,430,023 shs.
as of 7/26/12

MARKET CAP: $6.5 billion (Large Cap)

CURRENT POSITION ($MILL.)	2010	2011	6/30/12
Cash Assets	13.1	14.2	12.9
Other	521.2	1383.5	593.5
Current Assets	534.3	1397.7	606.4
Accts Payable	199.2	243.7	183.9
Debt Due	44.8	543.9	482.3
Other	530.5	701.5	357.8
Current Liab.	774.5	1489.1	1018.0
Fix. Chg. Cov.	237%	256%	*300%*

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	- -	- -	*3.5%*
"Cash Flow"	- -	- -	*5.5%*
Earnings	- -	- -	*8.0%*
Dividends	- -	- -	*6.5%*
Book Value	- -	- -	*2.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	550.2	612.7	680.0	597.8	2440.7
2010	588.1	671.2	786.9	664.5	2710.7
2011	596.7	668.8	760.9	639.8	2666.2
2012	618.6	745.6	*825.8*	*715*	*2905*
2013	*640*	*740*	*860*	*735*	*2975*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	.19	.32	.52	.21	1.25
2010	.18	.42	.71	.23	1.53
2011	.23	.42	.73	.34	1.72
2012	.28	.66	*.81*	*.40*	*2.15*
2013	*.33*	*.65*	*.80*	*.42*	*2.20*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	- -	- -	.20	.20	.40
2009	.20	.20	.21	.21	.82
2010	.21	.21	.22	.22	.86
2011	.22	.23	.23	.23	.91
2012	.23	.23	.25		

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 30 states and Canada. Its nonregulated business assists municipalities and military bases with the maintenance and upkeep as well. Regulated operations made up 88.9% of 2011 revenues. New Jersey is its biggest market accounting for 20.9% of revenues. Has roughly 7,000 employees. Depreciation rate, 2.5% in '11. BlackRock, Inc., owns 7.4% of the common stock outstanding. Off. & dir. own less than 1% (3/12 Proxy). President & CEO; Jeffry Sterba. Chairman; George Mackenzie. Address: 1025 Laurel Oak Road, Voorhees, NJ 08043. Telephone: 856-346-8200. Internet: www.amwater.com.

American Water Works posted record earnings in the second quarter. The nation's largest publicly traded water utility recorded profits of $0.66 a share, 57% better than the year before. Revenue growth of 12% trounced expectations, thanks to favorable weather and strong pumpage, while costs remained relatively steady. The earlier portfolio optimization helped, removing less profitable businesses from the mix, but maybe more impressive was that management was able to keep maintenance costs under control.

We have raised our full-year share-net estimate by $0.20, but only tweaked our second-half call slightly upward. Our overall decision was largely a result of the aforementioned success. Although we believe that the top line will continue to benefit from favorable regulatory rulings, it is hard to imagine the cost base not rising going forward. Indeed, the company is slated to make a number of infrastructure upgrades as a result of aging systems. Thus, we look for costs to begin to mount, thereby cutting into margins, despite efforts to keep expenses in check.

This stock ought to interest momentum accounts. AWK is ranked 2 (Above Average) for Timeliness based on the recent earnings strength. Growth is likely to remain solid over the next six to 12 months, too, benefiting from a supportive regulatory body and more-streamlined operations. The company will probably not have to seek much outside financing in the near term, either, as the proceeds from divestitures ease capital burdens a bit.

That said, we are a bit more skeptical about growth prospects further out. Specifically, we worry about the American's financial situation and the capital-intensive nature of this business. The company is slated to spend over $900 million on its infrastructure this year, and we do not envision that figure trending much lower in the years ahead. This endeavor will easily eat up any cash reserves and cash flow being generated by operations. Management will have to float more debt and stock in order to meet these obligations, but such actions will temper investor gains. The dividend is better than that of the average issue covered in our *Survey*, but not of the average utility provider.

Andre J. Costanza *October 19, 2012*

(A) Diluted earnings. Excludes nonrecurring losses: '08, $4.62; '09, $2.63; '11, $0.07. Discontinued operations: '06, (4¢); '11, 3¢; '12, (10¢). Next earnings report due early Nov. Quarterly earnings may not sum due to rounding.
(B) Dividends paid in March, June, September, and December. ■ Div. reinvestment available.
(C) In millions.
(D) Includes intangibles. In 2011: $1.195 billion, $9.80/share.

Company's Financial Strength	B
Stock's Price Stability	95
Price Growth Persistence	85
Earnings Predictability	15

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AQUA AMERICA NYSE-WTR

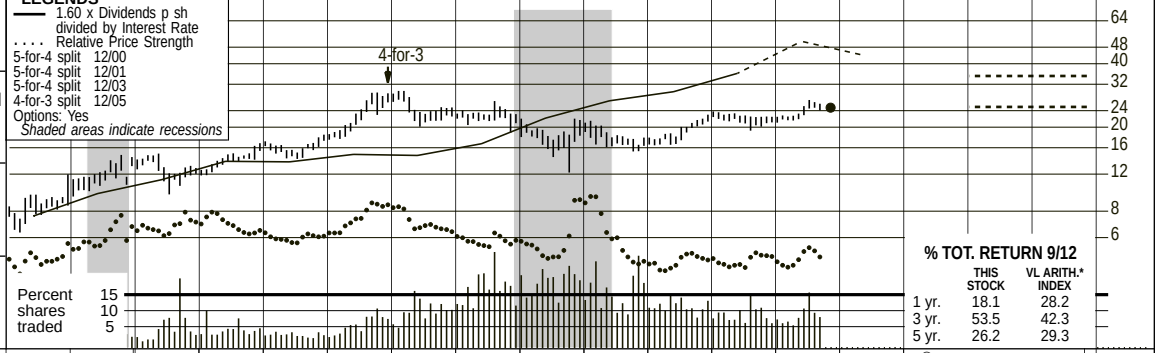
RECENT PRICE **24.79** | P/E RATIO **23.2** (Trailing: 23.6 / Median: 25.0) | RELATIVE P/E RATIO **1.53** | DIV'D YLD **2.7%** | VALUE LINE

TIMELINESS 2 Raised 10/5/12
SAFETY 2 Raised 4/20/12
TECHNICAL 3 Lowered 9/14/12
BETA .60 (1.00 = Market)

High:	14.8	15.0	16.8	18.5	29.2	29.8	26.6	22.0	21.5	23.0	23.8	26.9
Low:	9.4	9.6	11.8	14.2	17.5	20.1	18.9	12.2	15.4	16.5	19.3	21.1

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.60 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
5-for-4 split 12/00
5-for-4 split 12/01
5-for-4 split 12/03
4-for-3 split 12/05
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+40%)	11%
Low	25	(Nil)	3%

Insider Decisions

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

Institutional Decisions

	4Q2011	1Q2012	2Q2012
to Buy	119	114	112
to Sell	92	104	108
Hld's(000)	55535	57767	60392

% TOT. RETURN 9/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	18.1	28.2
3 yr.	53.5	42.3
5 yr.	26.2	29.3

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.52	4.63	4.91	5.26	5.13	*5.55*	*5.80*	Revenues per sh	*6.60*
.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	1.61	1.78	1.84	*1.90*	*2.05*	"Cash Flow" per sh	*2.30*
.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	.77	.90	1.03	*1.05*	*1.15*	Earnings per sh A	*1.35*
.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	.55	.59	.62	*.66*	*.71*	Div'd Decl'd per sh B■	*.80*
.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	1.79	1.98	2.08	2.37	2.38	*2.40*	*2.50*	Cap'l Spending per sh	*2.55*
2.69	2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	7.32	7.82	8.12	8.51	9.01	*9.25*	*9.75*	Book Value per sh	*10.85*
65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	133.40	135.37	136.49	137.97	138.87	*140.90*	*141.90*	Common Shs Outst'g C	*143.90*
15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	21.1	*Bold figures are*		Avg Ann'l P/E Ratio	*21.0*
.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.34	1.36	*Value Line*		Relative P/E Ratio	*1.40*
4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	3.1%	3.1%	*estimates*		Avg Ann'l Div'd Yield	*2.7%*

CAPITAL STRUCTURE as of 6/30/12
Total Debt $1613.8 mill. **Due in 5 Yrs** $300 mill.
LT Debt $1569.5 mill. **LT Interest** $65.0 mill.
(LT interest earned: 4.5x; total interest coverage: 4.5x) (53% of Cap'l)

Pension Assets-12/11 $148.9 mill. **Oblig.** $237.1 mill.

Pfd Stock None
Common Stock 139,733,913 shares as of 7/20/12
MARKET CAP: $3.5 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
322.0	367.2	442.0	496.8	533.5	602.5	627.0	670.5	726.1	712.0	*780*	*825*	Revenues ($mill)	*950*
62.7	67.3	80.0	91.2	92.0	95.0	97.9	104.4	124.0	143.1	*145*	*160*	Net Profit ($mill)	*195*
38.5%	39.3%	39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	32.9%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
- -	- -	- -	- -	- -	- -	- -	- -	2.9%	3.1%	*3.0%*	*3.0%*	AFUDC % to Net Profit	*2.0%*
54.2%	51.4%	50.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	53.0%	*52.0%*	*50.0%*	Long-Term Debt Ratio	*46.0%*
45.8%	48.6%	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.0%	*48.0%*	*50.0%*	Common Equity Ratio	*54.0%*
1076.2	1355.7	1497.3	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2647.3	*2715*	*2760*	Total Capital ($mill)	*2885*
1490.8	1824.3	2069.8	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3612.9	*3785*	*3960*	Net Plant ($mill)	*4320*
7.6%	6.4%	6.7%	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.8%	*5.5%*	*6.0%*	Return on Total Cap'l	*4.5%*
12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.4%	*11.0%*	*11.5%*	Return on Shr. Equity	*12.5%*
12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.4%	*11.0%*	*11.5%*	Return on Com Equity	*12.5%*
5.2%	4.2%	4.6%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	*4.0%*	*4.5%*	Retained to Com Eq	*5.0%*
59%	59%	57%	56%	63%	67%	70%	72%	65%	60%	*65%*	*63%*	All Div'ds to Net Prof	*59%*

CURRENT POSITION ($MILL.)	2010	2011	6/30/12
Cash Assets	5.9	8.2	5.1
Receivables	85.9	81.1	99.0
Inventory (AvgCst)	9.2	11.2	11.7
Other	44.4	220.0	31.4
Current Assets	145.4	320.5	147.2
Accts Payable	45.3	68.3	42.0
Debt Due	28.5	80.4	44.3
Other	149.9	277.0	126.0
Current Liab.	223.7	425.7	212.3
Fix. Chg. Cov.	290%	367%	328%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	8.0%	7.5%	*4.5%*
"Cash Flow"	8.5%	8.0%	*5.0%*
Earnings	6.5%	4.5%	*7.0%*
Dividends	7.5%	8.0%	*5.0%*
Book Value	9.0%	7.0%	*4.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	154.5	167.3	180.8	167.9	670.5
2010	160.5	178.5	207.8	179.3	726.1
2011	163.6	178.3	197.3	172.7	712.0
2012	170.2	198.2	*210*	*201.6*	*780*
2013	*180*	*210*	*215*	*220*	*825*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.14	.19	.25	.19	.77
2010	.16	.22	.32	.20	.90
2011	.22	.27	.30	.25	1.03
2012	.20	.30	*.35*	*.20*	*1.05*
2013	*.22*	*.29*	*.39*	*.25*	*1.15*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.125	.125	.125	.135	.51
2009	.135	.135	.135	.145	.55
2010	.145	.145	.145	.155	.59
2011	.155	.155	.155	.165	.63
2012	.165	.165	.165		

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '11: residential, 59.5%; commercial, 14.5%; industrial & other, 26.0%. Officers and directors own 1.5% of the common stock (4/12 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

Aqua America will likely grow at a mediocre pace in the back half of the year. Indeed, management expects share earnings to come in at $0.30 in the third quarter. This share-net figure would represent a flat year-over-year performance. That said, we are looking for the company to top expectations, due to the historically hot weather in August and September. Going forward, the non-regulated segment should continue to represent a larger portion of total income. On the cost side, the company has improved its operation and maintenance expense-to-revenue ratio on a year-over-year basis. This ratio will likely marginally improve, as the company consolidates its markets.

The Marcellus shale water pipeline venture should bolster longer-term profitability. We anticipate natural gas drilling in the U.S. to grow at a nice clip, as LNG export facilities are expected to come on line in the coming years. Aqua America and Penn Virginia's joint venture for a pipeline in Pennsylvania is progressing nicely. Construction on phase II of the pipeline is expected to be completed by the end of the year, at a cost of $20 million. The project will likely be completed by the end of 2014, and is expected to add $0.10 a share to 2014 and 2015 bottom-line results. However, further declines in natural gas prices would likely hurt drilling prospects and could throw a wrench in the company's underlying projections.

The company should realize operational efficiencies from its portfolio restructuring. Aqua America has offered to sell its Florida operations to the Florida Governmental Utility Authority for $95 million. This move would narrow its list of states served to eight, with the majority of its revenue generated from the Ohio, Pennsylvania, and New Jersey markets. We think the company's entrance into the Texas market should pay dividends, as favorable demographic trends and a burgeoning oil & gas industry stand to persist.

The stock is set to outperform the broader market averages in the near term. However, for longer-term investors the issue offers minimal capital appreciation potential and a below-average dividend yield compared to its peers.

Michael Collins *October 19, 2012*

(A) Diluted egs. Excl. nonrec. gains (losses): '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Next earnings report due late October.

(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	B++
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	100

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ARTESIAN RES. CORP. NDQ--ARTNA

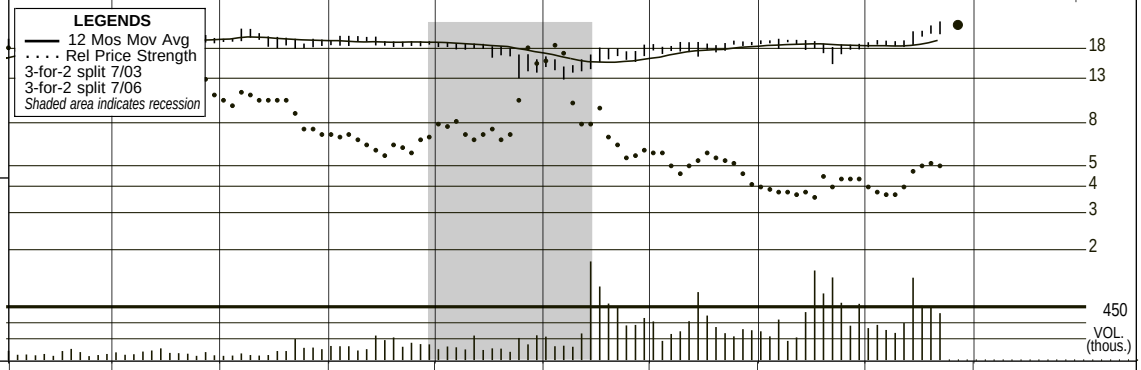
RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
23.28	21.8	1.33	3.4%	VALUE LINE

RANKS

PERFORMANCE	3	Average
Technical	3	Average
SAFETY	2	Above Average
BETA .55		(1.00 = Market)

Financial Strength	B+
Price Stability	100
Price Growth Persistence	60
Earnings Predictability	90

20.04	22.62	22.33	20.67	19.31	18.73	19.59	19.99	24.43	High
15.18	17.20	17.90	18.26	13.00	12.81	16.43	15.16	18.20	Low



© VALUE LINE PUBLISHING LLC	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013/2014
SALES PER SH	6.67	7.52	7.77	7.20	7.59	8.11	8.48	7.56	--	
"CASH FLOW" PER SH	1.42	1.56	1.75	1.57	1.65	1.84	1.92	1.64	--	
EARNINGS PER SH	.72	.81	.97	.90	.86	.97	1.00	.83	***1.16*** [A,B]	***1.19*** [C]***/NA***
DIV'DS DECL'D PER SH	.55	.58	.61	.66	.71	.72	.75	.76	--	
CAP'L SPENDING PER SH	4.82	3.35	5.08	3.66	6.09	2.32	2.57	1.83	--	
BOOK VALUE PER SH	9.26	9.60	10.15	11.66	11.86	12.15	12.44	13.12	--	
COMMON SHS OUTST'G (MILL)	5.93	6.02	6.09	7.30	7.40	7.51	7.65	8.61	--	
AVG ANN'L P/E RATIO	25.4	24.2	20.3	21.5	20.1	16.4	18.2	22.5	***20.1***	***19.6/NA***
RELATIVE P/E RATIO	1.34	1.28	1.10	1.14	1.21	1.09	1.16	1.41	--	
AVG ANN'L DIV'D YIELD	3.0%	2.9%	3.1%	3.4%	4.1%	4.5%	4.1%	4.1%	--	
SALES ($MILL)	39.6	45.3	47.3	52.5	56.2	60.9	64.9	65.1	--	***Bold figures***
OPERATING MARGIN	--	100.0%	45.6%	45.6%	45.1%	46.9%	46.5%	45.5%	--	***are consensus***
DEPRECIATION ($MILL)	4.0	4.4	4.6	5.2	5.8	6.6	7.0	7.4	--	***earnings***
NET PROFIT ($MILL)	4.4	5.0	6.1	6.3	6.4	7.3	7.6	6.7	--	***estimates***
INCOME TAX RATE	39.6%	39.9%	39.0%	39.8%	40.8%	40.1%	40.0%	40.8%	--	***and, using the***
NET PROFIT MARGIN	11.1%	11.1%	12.8%	11.9%	11.4%	11.9%	11.7%	10.4%	--	***recent prices,***
WORKING CAP'L ($MILL)	d8.7	d1.8	d8.8	2.5	d20.9	d23.3	d27.9	d11.4	--	***P/E ratios.***
LONG-TERM DEBT ($MILL)	82.4	92.4	92.1	91.8	107.6	106.0	105.1	106.5	--	
SHR. EQUITY ($MILL)	54.9	57.8	61.8	85.1	87.8	91.2	95.1	113.0	--	
RETURN ON TOTAL CAP'L	5.1%	5.3%	5.8%	5.3%	4.7%	5.2%	5.6%	4.6%	--	
RETURN ON SHR. EQUITY	8.0%	8.7%	9.8%	7.4%	7.3%	8.0%	8.0%	6.0%	--	
RETAINED TO COM EQ	2.1%	2.7%	3.8%	2.1%	1.4%	2.1%	2.0%	.5%	--	
ALL DIV'DS TO NET PROF	74%	69%	61%	71%	81%	74%	75%	92%	--	

[A]*No. of analysts changing earn. est. in last 5 days: 0 up, 0 down, consensus 5-year earnings growth not available.* [B]*Based upon 4 analysts' estimates.* [C]*Based upon 4 analysts' estimates.*

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	2.0%	-11.0%
"Cash Flow"	2.5%	-14.0%
Earnings	2.5%	-17.0%
Dividends	5.0%	1.5%
Book Value	5.5%	5.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/10	15.0	16.0	18.0	15.9	64.9
12/31/11	14.8	16.5	17.7	16.1	65.1
12/31/12	16.7	17.9			
12/31/13					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/09	.22	.27	.28	.20	.97
12/31/10	.22	.24	.38	.16	1.00
12/31/11	.14	.23	.26	.20	.83
12/31/12	.29	.32	***.35***	***.21***	
12/31/13	***.26***				

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2009	.178	.178	.178	.187	.72
2010	.187	.188	.188	.189	.75
2011	.19	.19	.19	.193	.76
2012	.193	.198	.198	.203	

INSTITUTIONAL DECISIONS

	4Q'11	1Q'12	2Q'12
to Buy	39	24	38
to Sell	16	20	21
Hld's(000)	2691	2733	2943

ASSETS ($mill.)	2010	2011	6/30/12
Cash Assets	.2	.3	.4
Receivables	5.1	8.6	7.6
Inventory	1.2	1.5	1.4
Other	7.5	2.9	1.5
Current Assets	14.0	13.3	10.9
Property, Plant & Equip, at cost	414.6	435.0	- -
Accum Depreciation	69.2	77.4	- -
Net Property	345.4	357.6	363.2
Other	12.1	7.8	8.0
Total Assets	371.5	378.7	382.1
LIABILITIES ($mill.)			
Accts Payable	3.4	2.8	2.9
Debt Due	30.6	13.8	11.8
Other	7.9	8.1	8.3
Current Liab	41.9	24.7	23.0

LONG-TERM DEBT AND EQUITY as of 6/30/12

Total Debt $117.9 mill. **Due in 5 Yrs.** NA
LT Debt $106.0 mill.
Including Cap. Leases NA
(48% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability $.5 mill. in '11 vs. $.5 mill. in '10

Pfd Stock None **Pfd Div'd Paid** None

Common Stock 8,659,509 shares
(52% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: Artesian Resources Corporation, through its subsidiaries, provides water, wastewater, and engineering services on the Delmarva Peninsula. It distributes and sells water to residential, commercial, industrial, municipal, and utility customers in Delaware, Maryland, and Pennsylvania. The company also offers water for public and private fire protection to customers in its service territories. In addition, it provides contract water and wastewater services, water and sewer service line protection plans, and wastewater management services, as well as design, construction, and engineering services. As of December 31, 2011, the company served approximately 78,600 metered water customers through 1,148 miles of transmission and distribution mains. Artesian Water Company, the principal subsidiary, is the oldest and largest investor-owned public water utility on the Delmarva Peninsula, and has been providing water service since 1905. Has 226 employees. Chairman, C.E.O. & President: Dian C. Taylor. Address: 664 Churchmans Rd., Newark, DE 19702. Tel.: (302) 453-6900. Internet: http://www.artesianwater.com.

J.V.

October 19, 2012

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 9/30/2012

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
8.81%	26.06%	38.08%	56.14%	50.41%

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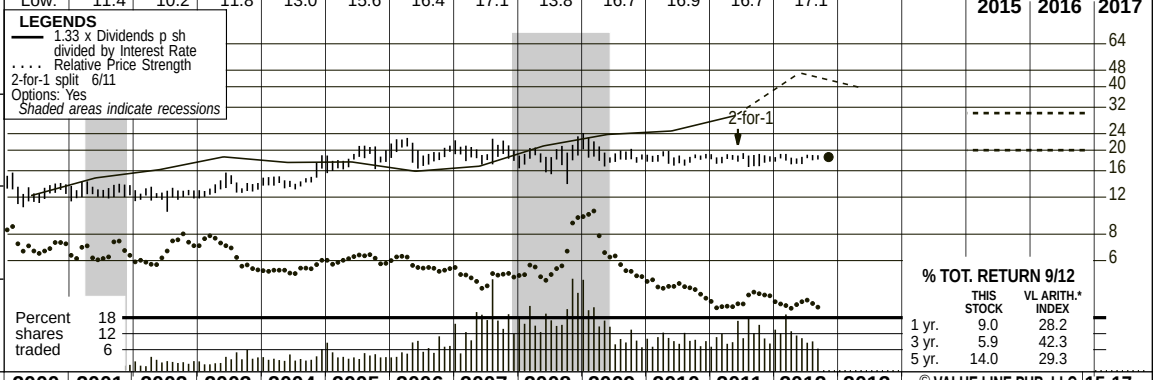
CALIFORNIA WATER NYSE-CWT

RECENT PRICE **18.57** | P/E RATIO **19.1** (Trailing: 21.1 / Median: 21.0) | RELATIVE P/E RATIO **1.26** | DIV'D YLD **3.4%** | VALUE LINE

TIMELINESS 3 Raised 8/3/12
SAFETY 3 Lowered 7/27/07
TECHNICAL 2 Raised 10/19/12
BETA .65 (1.00 = Market)

High:	14.3	13.4	15.7	19.0	21.1	22.9	22.7	23.3	24.1	19.8	19.4	19.3
Low:	11.4	10.2	11.8	13.0	15.6	16.4	17.1	13.8	16.7	16.9	16.7	17.1

Target Price Range
2015 | 2016 | 2017



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+60%)	15%
Low	20	(+10%)	5%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	19	0	2	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	1	0	0	0	1	0	0	0	0

Institutional Decisions

	4Q2011	1Q2012	2Q2012
to Buy	52	60	54
to Sell	58	55	53
Hld's(000)	20424	22431	21505

% TOT. RETURN 9/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	9.0	28.2
3 yr.	5.9	42.3
5 yr.	14.0	29.3

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
7.24	7.74	7.38	7.98	8.08	8.13	8.67	8.18	8.59	8.72	8.10	8.88	9.90	10.82	11.05	12.00	**12.65**	**13.05**	Revenues per sh	**14.20**
1.25	1.46	1.30	1.37	1.26	1.10	1.32	1.26	1.42	1.52	1.36	1.56	1.86	1.93	1.93	2.07	**2.35**	**2.45**	"Cash Flow" per sh	**2.65**
.75	.92	.73	.77	.66	.47	.63	.61	.73	.74	.67	.75	.95	.98	.91	.86	**.95**	**1.05**	Earnings per sh A	**1.30**
.52	.53	.54	.54	.55	.56	.56	.56	.57	.57	.58	.58	.59	.59	.60	.62	**.63**	**.65**	Div'd Decl'd per sh B ■	**.72**
1.41	1.30	1.37	1.72	1.23	2.04	2.91	2.19	1.87	2.01	2.14	1.84	2.41	2.66	2.97	2.83	**2.90**	**2.85**	Cap'l Spending per sh	**3.05**
6.11	6.50	6.69	6.71	6.45	6.48	6.56	7.22	7.83	7.90	9.07	9.25	9.72	10.13	10.45	10.76	**11.05**	**11.25**	Book Value per sh C	**12.75**
25.24	25.24	25.24	25.87	30.29	30.36	30.36	33.86	36.73	36.78	41.31	41.33	41.45	41.53	41.67	41.82	**43.00**	**44.00**	Common Shs Outst'g D	**47.00**
11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	20.3	21.3	*Bold figures are*		Avg Ann'l P/E Ratio	**19.0**
.75	.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.31	1.29	1.34	*Value Line*		Relative P/E Ratio	**1.25**
5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%	3.4%	*estimates*		Avg Ann'l Div'd Yield	**2.9%**

CAPITAL STRUCTURE as of 6/30/12
Total Debt $574.5 mill. **Due in 5 Yrs** $85.7 mill.

LT Debt $480.0 mill. **LT Interest** $30.0 mill.
(LT interest earned: 3.8x; total int. cov.: 3.7x)
(49% of Cap'l)
Pension Assets-12/11 $155.7 mill.
Oblig. $346.3 mill.
Pfd Stock None

Common Stock 41,915,454 shs.

as of 7/30/12

MARKET CAP: $775 million (Small Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
263.2	277.1	315.6	320.7	334.7	367.1	410.3	449.4	460.4	501.8	**545**	**575**	Revenues ($mill) E	**675**
19.1	19.4	26.0	27.2	25.6	31.2	39.8	40.6	37.7	36.1	**40.0**	**45.0**	Net Profit ($mill)	**62.0**
39.7%	39.9%	39.6%	42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	40.5%	**41.0%**	**40.5%**	Income Tax Rate	**40.0%**
- -	10.3%	3.2%	3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	5.0%	**5.0%**	**5.0%**	AFUDC % to Net Profit	**10.0%**
55.3%	50.2%	48.6%	48.3%	43.5%	42.9%	41.6%	47.1%	52.4%	51.7%	**51.0%**	**51.5%**	Long-Term Debt Ratio	**50.0%**
44.0%	49.1%	50.8%	51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	48.3%	**49.0%**	**48.5%**	Common Equity Ratio	**50.0%**
453.1	498.4	565.9	568.1	670.1	674.9	690.4	794.9	914.7	931.5	**970**	**1025**	Total Capital ($mill)	**1200**
697.0	759.5	800.3	862.7	941.5	1010.2	1112.4	1198.1	1294.3	1381.1	**1445**	**1505**	Net Plant ($mill)	**1725**
5.9%	5.6%	6.1%	6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	5.5%	**5.5%**	**6.0%**	Return on Total Cap'l	**7.0%**
9.4%	7.8%	8.9%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	**8.5%**	**9.0%**	Return on Shr. Equity	**10.5%**
9.5%	7.9%	9.0%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	**8.5%**	**9.0%**	Return on Com Equity	**10.5%**
1.0%	.7%	2.1%	2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	2.3%	**3.0%**	**3.5%**	Retained to Com Eq	**4.5%**
90%	91%	77%	78%	86%	77%	61%	60%	66%	71%	**67%**	**63%**	All Div'ds to Net Prof	**55%**

CURRENT POSITION ($MILL.)	2010	2011	6/30/12
Cash Assets	42.3	27.2	20.8
Other	83.9	86.7	114.1
Current Assets	126.2	113.9	134.9
Accts Payable	39.5	48.9	54.6
Debt Due	26.1	53.7	94.5
Other	41.7	49.3	61.6
Current Liab.	107.3	151.9	210.7
Fix. Chg. Cov.	304%	278%	285%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	3.5%	6.0%	4.0%
"Cash Flow"	4.5%	6.5%	5.0%
Earnings	4.0%	5.0%	6.0%
Dividends	1.0%	1.0%	3.0%
Book Value	5.0%	5.0%	3.5%

Cal-endar	QUARTERLY REVENUES ($ mill.)E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	86.6	116.7	139.2	106.9	449.4
2010	90.3	118.3	146.3	105.5	460.4
2011	98.1	131.4	169.3	103.0	501.8
2012	116.7	143.6	**175**	**109.7**	**545**
2013	**120**	**150**	**185**	**120**	**575**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.06	.29	.47	.16	.98
2010	.05	.25	.49	.12	.91
2011	.03	.29	.50	.04	.86
2012	.03	.31	**.53**	**.08**	**.95**
2013	**.05**	**.32**	**.55**	**.13**	**1.05**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.147	.147	.147	.147	.59
2009	.148	.148	.148	.148	.59
2010	.149	.149	.149	.149	.60
2011	.154	.154	.154	.154	.62
2012	.1575	.1575	.1575	.1575	

BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 471,900 customers in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '11: residential, 73%; business, 18%; public authorities, 5%; industrial, 4%. '11 reported depreciation rate: 2.7%. Has roughly 1,132 employees. President, Chairman, and CEO: Peter C. Nelson (4/11 Proxy). Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

California Water Service Group continues to benefit from favorable regulatory backing. Indeed, the water utility bested second-quarter results, as earnings increased 7%, on a 9% revenue climb. Although operating expenses continued to mount, general rate case increases helped offset the margin pressures.

Higher operating costs are likely to surface in the second half of the year, however. Although recent improvements on the regulatory front will remain a boon, and the company is likely to receive additional relief in the years to come, we believe that expenses will tick higher. Maintenance costs dipped slightly lower in the June period, a trend that we find hard to believe will continue, given the age of many of the company's pipes and water systems. Note that last year's weak fourth-quarter results will make growth seem healthy at first blush, but deeper analysis reveals historical softness.

Infrastructure costs are likely to remain a problem further out, too. The need for water systems upgrades and/or complete renovation is expected to continue increasing as time goes on and units grow older. Unfortunately, the company does not have the finances to foot the bill. Cash on hand is minimal, and expected cash flow will be nowhere near sufficient enough to cover the costs, even with an improved regulatory backdrop. Absent an unforeseen event, CWT will have to seek outside financing in order to keep the doors open. Indeed, the added interest expense and increased share count associated with such maneuverings will undoubtedly diminish returns.

Most investors will want to take a pass on this issue. The capital-intensive nature of this industry erases much of the growth potential, whether it be over the coming six to 12 months or the next 3 to 5 ears, regardless of the top-line prospects brought forward by a more favorable regulatory board or additional traction with military bases. The dividend yield is solid, but there are better income-producing options to be had elsewhere. Also, though highly unlikely, the current yield could be compromised if industry fundamentals turn sour for a prolonged period or there is a bureaucratic change.

Andre J. Costanza *October 19, 2012*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (4¢); '01, 2¢; '02, 4¢; '11, 4¢. Next earnings report due early Nov.
(B) Dividends historically paid in late Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(C) Incl. deferred charges. In '11: $2.2 mill., $0.05/sh.
(D) In millions, adjusted for splits.
(E) Excludes non-reg. rev.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	55
Earnings Predictability	90

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CONN. WATER SERVICES NDQ--CTWS

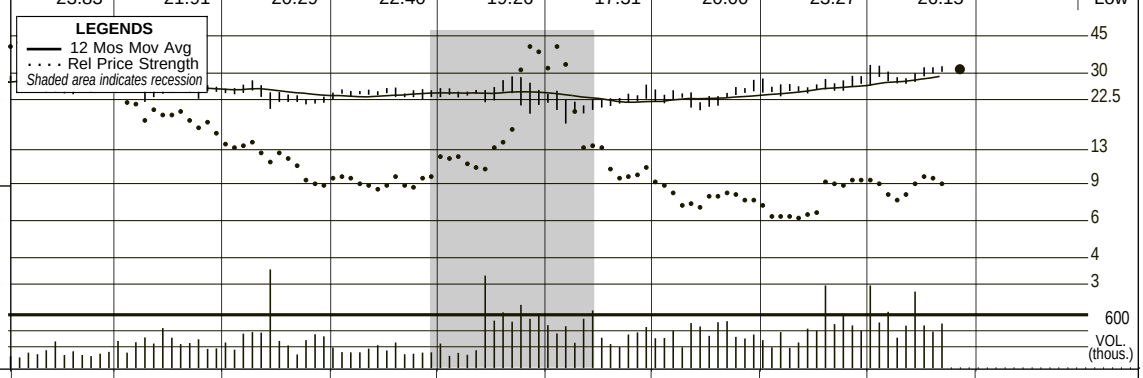
RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
31.34	26.3	1.61	3.1%	VALUE LINE

RANKS

PERFORMANCE	2	Above Average
Technical	3	Average
SAFETY	3	Average
BETA .75		(1.00 = Market)

Financial Strength	B+
Price Stability	90
Price Growth Persistence	30
Earnings Predictability	85

High	29.76	28.17	27.71	25.61	28.95	26.44	27.90	29.10	32.84
Low	23.83	21.91	20.29	22.40	19.26	17.31	20.00	23.27	26.15



© VALUE LINE PUBLISHING LLC	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013/2014
SALES PER SH	6.04	5.81	5.68	7.05	7.24	6.93	7.65	7.93	--	
"CASH FLOW" PER SH	1.91	1.62	1.52	1.90	1.95	1.93	2.04	2.11	--	
EARNINGS PER SH	1.16	.88	.81	1.05	1.11	1.19	1.13	1.13	***1.41*** [A,B]	***1.41*** [C]***/NA***
DIV'DS DECL'D PER SH	.84	.85	.86	.87	.88	.90	.92	.94	--	
CAP'L SPENDING PER SH	1.58	1.96	1.96	2.24	2.44	3.28	3.06	2.61	--	
BOOK VALUE PER SH	10.94	11.52	11.60	11.95	12.23	12.67	13.05	13.50	--	
COMMON SHS OUTST'G (MILL)	8.04	8.17	8.27	8.38	8.46	8.57	8.68	8.76	--	
AVG ANN'L P/E RATIO	22.9	28.6	29.0	23.0	22.2	18.4	20.7	23.0	***22.2***	***22.2/NA***
RELATIVE P/E RATIO	1.21	1.51	1.57	1.22	1.34	1.22	1.32	1.44	--	
AVG ANN'L DIV'D YIELD	3.1%	3.4%	3.6%	3.6%	3.6%	4.1%	3.9%	3.6%	--	
SALES ($MILL)	48.5	47.5	46.9	59.0	61.3	59.4	66.4	69.4	--	***Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.***
OPERATING MARGIN	51.0%	48.3%	43.7%	40.8%	49.0%	35.8%	40.7%	54.1%	--	
DEPRECIATION ($MILL)	6.0	6.1	5.9	7.2	7.1	6.4	7.9	8.6	--	
NET PROFIT ($MILL)	9.4	7.2	6.7	8.8	9.4	10.2	9.8	9.9	--	
INCOME TAX RATE	22.9%	--	23.5%	32.4%	27.2%	19.5%	35.2%	41.3%	--	
NET PROFIT MARGIN	19.4%	15.1%	14.3%	14.9%	15.4%	17.2%	14.8%	14.2%	--	
WORKING CAP'L ($MILL)	d.7	13.0	1.2	8.1	d3.3	d13.1	d14.7	d11.5	--	
LONG-TERM DEBT ($MILL)	66.4	77.4	77.3	92.3	92.2	112.0	111.7	135.3	--	
SHR. EQUITY ($MILL)	88.7	94.9	96.7	100.9	104.2	109.3	114.0	119.0	--	
RETURN ON TOTAL CAP'L	7.0%	5.0%	4.9%	5.5%	5.9%	5.5%	5.4%	4.9%	--	
RETURN ON SHR. EQUITY	10.6%	7.5%	6.9%	8.7%	9.0%	9.3%	8.6%	8.3%	--	
RETAINED TO COM EQ	3.1%	.3%	NMF	1.6%	1.9%	2.3%	1.6%	1.4%	--	
ALL DIV'DS TO NET PROF	71%	95%	105%	82%	79%	76%	81%	83%	--	

[A]*No. of analysts changing earn. est. in last 5 days: 0 up, 0 down, consensus 5-year earnings growth not available.* [B]*Based upon 6 analysts' estimates.* [C]*Based upon 6 analysts' estimates.*

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	5.0%	3.5%
"Cash Flow"	4.0%	3.5%
Earnings	4.0%	--
Dividends	1.5%	2.0%
Book Value	3.0%	3.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/10	13.8	15.9	21.0	15.7	66.4
12/31/11	16.0	17.4	20.6	15.4	69.4
12/31/12	20.2	21.3			
12/31/13					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/09	.13	.27	.67	.12	1.19
12/31/10	.12	.27	.54	.20	1.13
12/31/11	.26	.37	.39	.11	1.13
12/31/12	.22	.47	***.56***	***.19***	
12/31/13	***.25***				

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2009	.222	.222	.228	.228	.90
2010	.228	.228	.233	.233	.92
2011	.233	.233	.238	.238	.94
2012	.238	.238	.243		

INSTITUTIONAL DECISIONS

	4Q'11	1Q'12	2Q'12
to Buy	23	27	38
to Sell	29	22	29
Hld's(000)	2881	3053	3095

ASSETS ($mill.)	2010	2011	6/30/12
Cash Assets	1.0	1.0	3.4
Receivables	10.1	14.9	18.8
Inventory (Avg cost)	1.7	1.1	1.5
Other	7.6	1.9	2.7
Current Assets	20.4	18.9	26.4
Property, Plant & Equip, at cost	471.6	496.1	- -
Accum Depreciation	127.4	133.7	- -
Net Property	344.2	362.4	424.8
Other	60.6	83.5	102.3
Total Assets	425.2	464.8	553.5
LIABILITIES ($mill.)			
Accts Payable	6.6	7.2	7.6
Debt Due	26.3	21.4	25.5
Other	2.2	1.8	3.8
Current Liab	35.1	30.4	36.9

LONG-TERM DEBT AND EQUITY as of 6/30/12

Total Debt $213.4 mill. **Due in 5 Yrs.** NA
LT Debt $187.8 mill.
Including Cap. Leases NA
(61% of Cap'l)
Leases, Uncapitalized Annual rentals NA

Pension Liability $23.6 mill. in '11 vs. $16.7 mill. in '10

Pfd Stock $.8 mill. **Pfd Div'd Paid** NMF

Common Stock 8,815,234 shares
(39% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: Connecticut Water Service, Inc. operates as a water utility company in Connecticut. The Water Activities segment supplies public drinking water to residential, commercial, industrial, public authority, and fire protection customers. The Real Estate Transactions segment is involved in the sale of its limited excess real estate holdings. The Services and Rentals segment provides contracted services to water and wastewater utilities; and leases certain of its properties to third parties. This segment's services include contract operations of water and wastewater facilities; Linebacker, a service-line protection plan for public drinking water customers; and bulk deliveries of emergency drinking water to businesses and residences via tanker truck. As of March 13, 2012, the company provided drinking water to approximately 106,000 customers or 350,000 people in Connecticut and Maine. Has 198 employees. Chairman, C.E.O. & President: Eric W. Thornburg. Inc.: CT. Address: 93 West Main Street, Clinton, CT 06413. Tel.: (860) 669-8636. Internet: http://www.ctwater.com.

J.V.

October 19, 2012

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 9/30/2012

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
10.93%	14.63%	31.78%	59.07%	64.93%

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MIDDLESEX WATER NDQ-MSEX

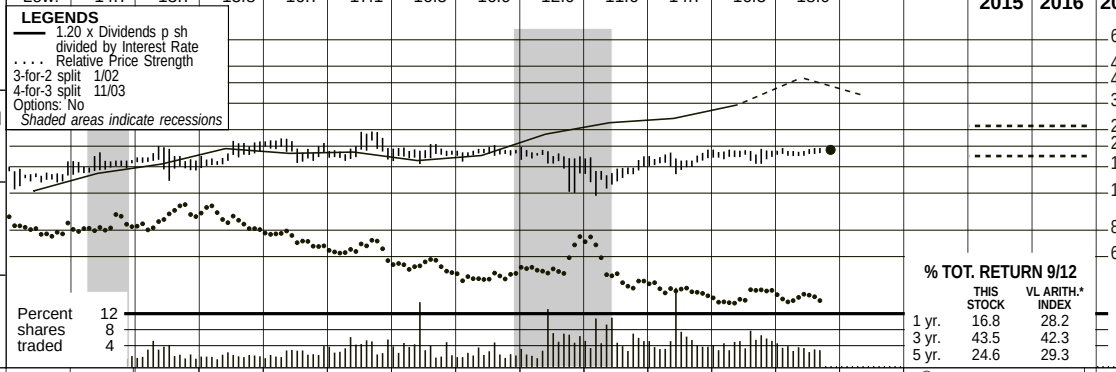
RECENT PRICE **19.24** | P/E RATIO **20.5** (Trailing: 24.7 Median: 22.0) | RELATIVE P/E RATIO **1.35** | DIV'D YLD **3.8%** | VALUE LINE

TIMELINESS 3 Raised 8/31/12
SAFETY 2 New 10/21/11
TECHNICAL 3 Raised 6/29/12
BETA .70 (1.00 = Market)

High:	18.7	20.0	21.2	21.8	23.5	20.5	20.2	19.8	17.9	19.3	19.4	19.6
Low:	14.7	13.7	15.8	16.7	17.1	16.5	16.9	12.0	11.6	14.7	16.5	18.0

Target Price Range
2015 | 2016 | 2017

LEGENDS
— 1.20 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 1/02
4-for-3 split 11/03
Options: No
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+30%)	*10%*
Low	18	(-5%)	*3%*

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	1	1
Options	0	0	0	0	0	0	0	0	0
to Sell	1	1	0	0	1	0	1	0	1

Institutional Decisions

	4Q2011	1Q2012	2Q2012
to Buy	33	29	32
to Sell	27	31	30
Hld's(000)	6476	6511	6653

% TOT. RETURN 9/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	16.8	28.2
3 yr.	43.5	42.3
5 yr.	24.6	29.3

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
4.52	4.72	4.39	5.35	5.39	5.87	5.98	6.12	6.25	6.44	6.16	6.50	6.79	6.75	6.60	6.50	*6.55*	*7.10*	Revenues per sh	*8.40*
.94	1.02	1.02	1.19	.99	1.18	1.20	1.15	1.28	1.33	1.33	1.49	1.53	1.40	1.55	1.52	*1.50*	*1.75*	"Cash Flow" per sh	*2.20*
.60	.67	.71	.76	.51	.66	.73	.61	.73	.71	.82	.87	.89	.72	.96	.84	*.85*	*1.00*	Earnings per sh A	*1.25*
.55	.57	.58	.60	.61	.62	.63	.65	.66	.67	.68	.69	.70	.71	.72	.73	*.74*	*.75*	Div'd Decl'd per sh B■	*.80*
.73	1.20	2.68	2.33	1.32	1.25	1.59	1.87	2.54	2.18	2.31	1.66	2.12	1.49	1.90	1.50	*1.90*	*2.15*	Cap'l Spending per sh	*2.60*
5.85	6.00	6.80	6.95	6.98	7.11	7.39	7.60	8.02	8.26	9.52	10.05	10.03	10.33	11.13	11.27	*11.80*	*12.55*	Book Value per sh	*13.60*
8.41	8.54	9.82	10.00	10.11	10.17	10.36	10.48	11.36	11.58	13.17	13.25	13.40	13.52	15.57	15.70	*16.00*	*16.25*	Common Shs Outst'g C	*17.25*
14.4	13.4	15.2	17.6	28.7	24.6	23.5	30.0	26.4	27.4	22.7	21.6	19.8	21.0	17.8	21.9	*Bold figures are*		Avg Ann'l P/E Ratio	*17.0*
.90	.77	.79	1.00	1.87	1.26	1.28	1.71	1.39	1.46	1.23	1.15	1.19	1.40	1.13	1.32	*Value Line*		Relative P/E Ratio	*1.15*
6.4%	6.3%	5.4%	4.4%	4.2%	3.8%	3.7%	3.5%	3.4%	3.5%	3.7%	3.7%	4.0%	4.7%	4.2%	4.2%	*estimates*		Avg Ann'l Div'd Yield	*3.8%*

CAPITAL STRUCTURE as of 6/30/12
Total Debt $140.1 mill. **Due in 5 Yrs** $25.0 mill.
LT Debt $135.1 mill. **LT Interest** $6.0 mill.
(LT interest coverage: 4.5x)
(43% of Cap'l)

Pension Assets-12/11 $32.2 mill.
Oblig. $56.2 mill.
Pfd Stock $3.4 mill. **Pfd Div'd:** $.2 mill.

Common Stock 15,733,286 shs.
as of 7/31/12

MARKET CAP: $300 million (Small Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
61.9	64.1	71.0	74.6	81.1	86.1	91.0	91.2	102.7	102.0	*105*	*115*	Revenues ($mill)	*145*
7.8	6.6	8.4	8.5	10.0	11.8	12.2	10.0	14.3	13.5	*14.0*	*16.0*	Net Profit ($mill)	*21.5*
33.3%	32.8%	31.1%	27.6%	33.4%	32.6%	33.2%	34.1%	32.1%	32.5%	*32.0%*	*32.0%*	Income Tax Rate	*32.0%*
- -	- -	- -	- -	- -	- -	- -	- -	6.8%	7.5%	*7.5%*	*7.5%*	AFUDC % to Net Profit	*7.0%*
52.1%	53.8%	53.8%	55.3%	49.5%	49.0%	45.6%	46.6%	43.1%	43.0%	*42.0%*	*41.0%*	Long-Term Debt Ratio	*39.0%*
45.5%	44.0%	42.5%	41.3%	47.5%	49.6%	51.8%	52.1%	55.8%	57.0%	*58.0%*	*59.0%*	Common Equity Ratio	*61.0%*
168.0	181.1	214.5	231.7	264.0	268.8	259.4	267.9	310.5	309.1	*325*	*345*	Total Capital ($mill)	*385*
211.4	230.9	262.9	288.0	317.1	333.9	366.3	376.5	405.9	422.2	*440*	*455*	Net Plant ($mill)	*500*
6.0%	5.0%	5.1%	5.0%	5.1%	5.6%	5.8%	5.0%	5.7%	5.3%	*4.5%*	*4.5%*	Return on Total Cap'l	*5.5%*
9.6%	7.9%	8.5%	8.2%	7.5%	8.6%	8.6%	7.0%	8.1%	7.5%	*7.5%*	*8.0%*	Return on Shr. Equity	*9.0%*
9.8%	8.0%	9.0%	8.6%	7.8%	8.7%	8.9%	7.0%	8.2%	7.6%	*7.5%*	*8.0%*	Return on Com Equity	*9.0%*
1.3%	NMF	.9%	.6%	1.3%	1.8%	2.0%	.1%	2.1%	1.1%	*1.0%*	*2.0%*	Retained to Com Eq	*3.0%*
87%	106%	90%	94%	84%	79%	78%	98%	75%	85%	*85%*	*76%*	All Div'ds to Net Prof	*64%*

CURRENT POSITION ($MILL.)	2010	2011	6/30/12
Cash Assets	2.5	3.1	2.7
Other	20.3	19.8	20.7
Current Assets	22.8	22.9	23.4
Accts Payable	6.4	5.7	4.8
Debt Due	4.4	4.6	5.0
Other	29.9	36.4	38.7
Current Liab.	40.7	46.7	48.5
Fix. Chg. Cov.	400%	380%	300%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	3.0%	1.5%	*4.0%*
"Cash Flow"	3.5%	3.5%	*7.0%*
Earnings	2.5%	4.5%	*7.0%*
Dividends	2.0%	1.5%	*1.5%*
Book Value	4.5%	5.5%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	20.6	23.1	25.5	22.0	91.2
2010	21.6	26.5	29.6	25.0	102.7
2011	24.0	26.1	28.7	23.3	102.1
2012	23.5	27.4	*30.0*	*24.1*	*105*
2013	*28.0*	*28.0*	*32.0*	*27.0*	*115*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	.10	.21	.29	.12	.72
2010	.11	.31	.37	.17	.96
2011	.17	.23	.32	.12	.84
2012	.11	.23	*.33*	*.18*	*.85*
2013	*.20*	*.25*	*.35*	*.20*	*1.00*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.175	.175	.175	.178	.70
2009	.178	.178	.178	.180	.71
2010	.180	.180	.180	.183	.72
2011	.183	.183	.183	.185	.73
2012	.185	.185	.185		

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 60,000 retail customers, primarily in Middlesex County, New Jersey. in 2011, the Middlesex System accounted for 64% of total revenues. At 12/31/11, the company had 289 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.39% of the common stock; BlackRock, 6.2%; The Vanguard Group, 5.4% (4/12 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.

Middlesex Water underperformed in the first half of the year. In fact, share earnings fell 15% compared to the same time frame last year. The bottom-line decline was attributable to higher costs related to employee benefits and continued softness in its New Jersey market. A number of its largest commercial and industrial customers decreased consumption due to reduced output from their production processes. This market could remain challenged in the near term, as New Jersey has an above-average unemployment rate and an anemic housing market that could hinder growth opportunities for the state in the coming years.

Rate increases should help stem rising costs. Over the summer, the company's Tidewater business in Delaware was approved for a $3.9 million increase in its base water rates. Additionally, the New Jersey Board of Public Utilities approved an $8.1 million increase for its New Jersey customers in its Middlesex System. (The company had requested a rate increase of $11.3 million per year.) Tidewater Environmental Services (TESI) also received a partial rate increase for its wastewater services business.

Capital investment will likely help longer-term growth. The company has invested half of the $22 million it has projected on storage tanks, water mains, and service lines. Additionally, capex outlays are expected to exceed $34 million over the next two years. The vast majority of these investments are targeted toward its Distribution systems. We believe the focus on water distribution infrastructure is crucial to help offset the weakening demand on the company's commercial and industrial customers. The residential market in New Jersey will probably continue to struggle, as an elevated unemployment rate and a slumping housing market hurt consumer demand.

The issue has a Timeliness rank of 3 (Average) and holds an above-average Safety rank. The income-minded investor may find these shares appealing, as the dividend yield is above the *Value Line* median. However, the stock's below-average 3- to 5-year capital appreciation potential is less than ideal for the longer-term investor at this time.

Michael Collins *October 19, 2012*

(A) Diluted earnings. Next earnings report due late October.
(B) Dividends historically paid in mid-Feb., May, Aug., and November.■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.
(D) Intangible assets in 2011: $8.2 million, $0.55 a share.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	35
Earnings Predictability	85

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SJW CORP. NYSE-SJW

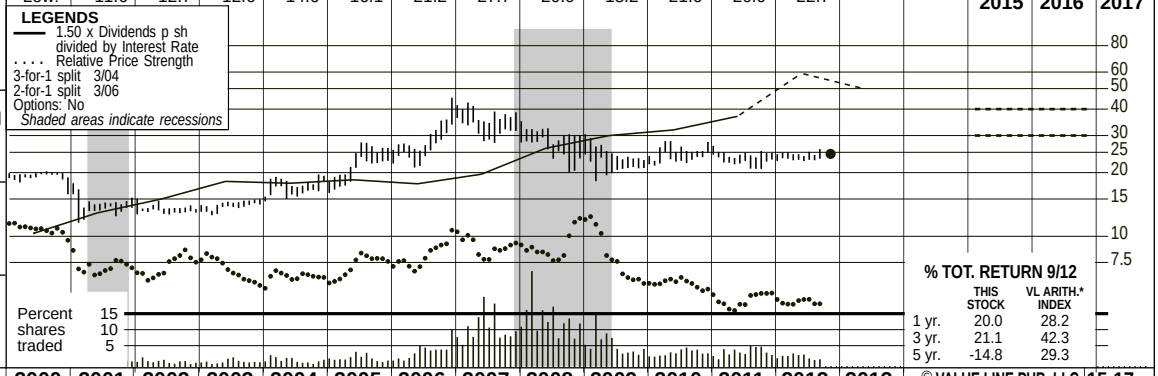
RECENT PRICE **24.55** | P/E RATIO **23.4** (Trailing: 21.7 / Median: 23.0) | RELATIVE P/E RATIO **1.54** | DIV'D YLD **2.9%** | VALUE LINE

TIMELINESS 3 Raised 8/12/11
SAFETY 3 New 4/22/11
TECHNICAL 3 Lowered 9/21/12
BETA .85 (1.00 = Market)

High:	17.8	15.1	15.0	19.6	27.8	45.3	43.0	35.1	30.4	28.2	26.8	25.8
Low:	11.6	12.7	12.6	14.6	16.1	21.2	27.7	20.0	18.2	21.6	20.9	22.7

Target Price Range
2015 | 2016 | 2017

LEGENDS
— 1.50 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-1 split 3/04
2-for-1 split 3/06
Options: No
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+65%)	15%
Low	30	(+20%)	7%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	1	1	0	0	0	0	0	1	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2011	1Q2012	2Q2012
to Buy	24	34	34
to Sell	32	22	31
Hld's(000)	8847	9012	8955

% TOT. RETURN 9/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	20.0	28.2
3 yr.	21.1	42.3
5 yr.	-14.8	29.3

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
5.39	5.79	5.58	6.40	6.74	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	12.86	**12.50**	**12.60**	Revenues per sh	**13.70**
1.43	1.27	1.26	1.43	1.23	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.38	2.80	**2.85**	**2.90**	"Cash Flow" per sh	**3.05**
.96	.80	.76	.87	.58	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	1.11	**1.05**	**1.15**	Earnings per sh A	**1.35**
.37	.38	.39	.40	.41	.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	**.71**	**.73**	Div'd Decl'd per sh B■	**.80**
1.06	1.27	1.81	1.77	1.89	2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	3.75	**4.10**	**4.75**	Cap'l Spending per sh	**3.70**
6.31	7.02	7.53	7.88	7.90	8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	14.20	**15.30**	**15.70**	Book Value per sh	**17.15**
19.02	19.02	19.01	18.27	18.27	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	18.59	**20.00**	**21.00**	Common Shs Outst'g C	**23.00**
6.8	11.2	13.1	15.5	33.1	18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.1	21.2	*Bold figures are*		Avg Ann'l P/E Ratio	**25.5**
.43	.65	.68	.88	2.15	.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.85	1.34	*Value Line*		Relative P/E Ratio	**1.70**
5.7%	4.3%	3.9%	3.0%	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%	2.9%	*estimates*		Avg Ann'l Div'd Yield	**2.3%**

CAPITAL STRUCTURE as of 6/30/12
Total Debt $344.2 mill. **Due in 5 Yrs** $8.3 mill.
LT Debt $335.9 mill. **LT Interest** $18.6 mill.
(Total interest coverage: 2.9x) (56% of Cap'l)

Leases, Uncapitalized: Annual rentals $4.5 mill.

Pension Assets-12/11 $62.8 mill. **Oblig.** $123.9 mill.

Pfd Stock None.

Common Stock 18,636,796 shs. as of 7/20/12

MARKET CAP: $450 million (Small Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
145.7	149.7	166.9	180.1	189.2	206.6	220.3	216.1	215.6	239.0	**255**	**275**	Revenues ($mill)	**315**
14.2	16.7	16.0	20.7	22.2	19.3	20.2	15.2	15.8	20.9	**21.0**	**24.0**	Net Profit ($mill)	**31.0**
40.4%	36.2%	42.1%	41.6%	40.8%	39.4%	39.5%	40.4%	38.8%	41.1%	**41.0%**	**41.0%**	Income Tax Rate	**40.0%**
4.2%	1.6%	2.1%	1.6%	2.1%	2.7%	2.3%	2.0%	2.0%	3.0%	**5.0%**	**5.0%**	AFUDC % to Net Profit	**5.0%**
41.7%	45.6%	43.7%	42.6%	41.8%	47.7%	46.0%	49.4%	53.7%	56.6%	**53.0%**	**53.0%**	Long-Term Debt Ratio	**52.0%**
58.3%	54.4%	56.3%	57.4%	58.2%	52.3%	54.0%	50.6%	46.3%	43.4%	**47.0%**	**47.0%**	Common Equity Ratio	**48.0%**
263.5	306.0	328.3	341.2	391.8	453.2	470.9	499.6	550.7	607.8	**650**	**705**	Total Capital ($mill)	**825**
390.8	428.5	456.8	484.8	541.7	645.5	684.2	718.5	785.5	756.2	**810**	**875**	Net Plant ($mill)	**1050**
6.9%	6.9%	6.5%	7.6%	7.0%	5.7%	5.8%	4.4%	4.3%	5.0%	**5.0%**	**5.0%**	Return on Total Cap'l	**5.0%**
9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	**7.0%**	**7.5%**	Return on Shr. Equity	**7.0%**
9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	**7.0%**	**7.5%**	Return on Com Equity	**7.0%**
3.8%	4.7%	3.6%	5.6%	5.2%	3.5%	3.3%	1.2%	1.2%	3.1%	**2.0%**	**2.5%**	Retained to Com Eq	**3.0%**
59%	53%	58%	47%	46%	57%	59%	80%	80%	61%	**68%**	**64%**	All Div'ds to Net Prof	**59%**

CURRENT POSITION ($MILL.)	2010	2011	6/30/12
Cash Assets	1.7	26.7	9.3
Other	36.3	42.2	49.0
Current Assets	38.0	68.9	58.3
Accts Payable	5.5	7.4	14.3
Debt Due	5.1	.8	8.3
Other	18.6	20.1	23.3
Current Liab.	29.2	28.3	45.9
Fix. Chg. Cov.	262%	276%	250%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	6.0%	4.5%	2.0%
"Cash Flow"	6.0%	2.5%	3.5%
Earnings	2.0%	-3.0%	6.5%
Dividends	5.0%	5.0%	3.0%
Book Value	5.5%	4.5%	3.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	40.0	58.2	69.3	48.6	216.1
2010	40.4	54.1	70.3	50.8	215.6
2011	43.7	59.0	73.9	62.4	239.0
2012	51.2	65.6	**75.0**	**63.2**	**255**
2013	**55.0**	**70.0**	**82.0**	**68.0**	**275**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	.01	.23	.43	.14	.81
2010	.05	.24	.44	.11	.84
2011	.03	.29	.44	.35	1.11
2012	.06	.28	**.45**	**.26**	**1.05**
2013	**.06**	**.33**	**.48**	**.28**	**1.15**

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.16	.16	.16	.16	.64
2009	.165	.165	.165	.165	.66
2010	.17	.17	.17	.17	.68
2011	.173	.173	.173	.173	.69
2012	.1775	.1775	.1775		

BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 226,000 connections that serve a population of approximately one million people in the San Jose area and 8,700 connections that serve approximately 36,000 residents in a service area in the region between San Antonio and Austin, Texas. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns and operates commercial real estate investments. Has 375 employees. Chairman: Charles J. Toeniskoetter. Inc.: CA. Address: 110 W. Taylor Street, San Jose, CA 95110. Tel.: (408) 279-7800. Int:www.sjwater.com.

Rising costs of doing business weighed on SJW's earnings in the second quarter. Cumulative rate increases helped the water utility post an 11% sales increase, but 23% higher water production costs, due to a reduced supply and higher purchase and extraction prices, caused earnings to dip 4%. Higher administrative and interest expenses also took a toll.

We suspect that the earnings environment will remain difficult in the months ahead. There is no evidence that operating costs will subside anytime soon. In fact, maintenance expenses are likely to remain on an upswing, as water systems continue to age and systems require further repairs. Meanwhile, the company is expected to receive little, if any, help on the regulatory front in the upcoming months, as there are no rate case decisions likely to be handed down until yearend. That said, a favorable ruling on the 2013-2015 general rate case ought to provide moderate earnings upside next year.

Our longer-term expectations remain muted because of the likelihood of growing capital requirements. Infrastructure improvements are expected to cost hundreds of millions of dollars over the next few years. However, SJW's cash reserves are running on empty, and cash flow from operations is slated to fall well short of the amount needed to implement the necessary changes. The company will have to issue more stock and/or debt to make the changes, but such financial actions will dilute gains for the foreseeable future. As a result, we look for annual earnings gains to remain in the mid single digit range over the next 3- to 5-years.

We are not proponents of this stock at this time. It lacks growth appeal due to the capital-intensive nature of the industry and the company's aforementioned financial limitations regardless of whether or not regulatory backing improves in 2013. The dividend is solid and adds a nice touch, but those seeking an income producer have far better options to choose from elsewhere. Plus, we still contend that there remains the possibility that the company would have to revise the payout if operating conditions worsen and regulatory authorities decide to take on a more consumer-friendly stance.

Andre J. Costanza *October 19, 2012*

(A) Diluted earnings. Excludes nonrecurring losses : '03, $1.97; '04, $3.78; '05, $1.09; '06, $16.36; '08, $1.22; '10, 46¢. Next earnings report due late October. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	80
Price Growth Persistence	60
Earnings Predictability	85

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YORK WATER CO NDQ--YORW

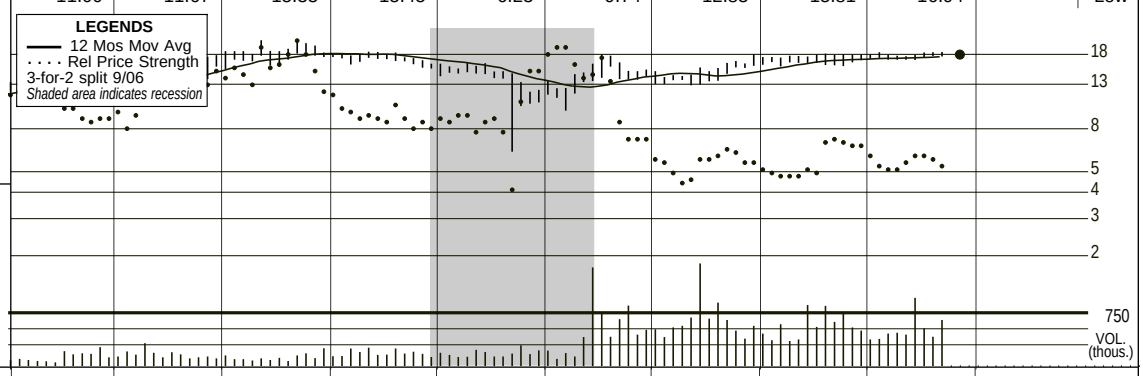
RECENT PRICE **17.95** | TRAILING P/E RATIO **26.8** | RELATIVE P/E RATIO **1.64** | DIV'D YLD **3.0%** | VALUE LINE

RANKS

PERFORMANCE	**2**	*Above Average*
Technical	**3**	*Average*
SAFETY	**2**	*Above Average*
BETA .65	(1.00 = Market)	

Financial Strength	B++
Price Stability	95
Price Growth Persistence	65
Earnings Predictability	100

	2006	2007	2008	2009	2010	2011	2012
High	14.03	17.87	20.99	18.55	16.50	17.95	18.00	18.14	18.49
Low	11.00	11.67	15.33	15.45	6.23	9.74	12.83	15.81	16.94



© VALUE LINE PUBLISHING LLC	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013/2014
REVENUES PER SH	2.18	2.58	2.56	2.79	2.89	2.95	3.07	3.18	--	
"CASH FLOW" PER SH	.65	.79	.77	.86	.88	.95	1.07	1.09	--	
EARNINGS PER SH	.49	.56	.58	.57	.57	.64	.71	.71	***.71*** [A,B]	***.79*** [C]***/NA***
DIV'D DECL'D PER SH	.39	.42	.45	.48	.49	.51	.52	.53	--	
CAP'L SPENDING PER SH	2.50	1.69	1.85	1.69	2.17	1.18	.83	.74	--	
BOOK VALUE PER SH	4.65	4.85	5.84	5.97	6.14	6.92	7.19	7.45	--	
COMMON SHS OUTST'G (MILL)	10.33	10.40	11.20	11.27	11.37	12.56	12.69	12.79	--	
AVG ANN'L P/E RATIO	25.7	26.3	31.2	30.3	24.6	21.9	20.7	23.9	***25.3***	***22.7/NA***
RELATIVE P/E RATIO	1.36	1.39	1.68	1.61	1.48	1.46	1.32	1.50	--	
AVG ANN'L DIV'D YIELD	3.1%	2.9%	2.5%	2.8%	3.5%	3.6%	3.5%	3.1%	--	
REVENUES ($MILL)	22.5	26.8	28.7	31.4	32.8	37.0	39.0	40.6	--	***Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.***
NET PROFIT ($MILL)	4.8	5.8	6.1	6.4	6.4	7.5	8.9	9.1	--	
INCOME TAX RATE	36.7%	36.7%	34.4%	36.5%	36.1%	37.9%	38.5%	35.3%	--	
AFUDC % TO NET PROFIT	--	--	7.2%	3.6%	10.1%	--	1.2%	1.1%	--	
LONG-TERM DEBT RATIO	42.5%	44.1%	48.3%	46.5%	54.5%	45.7%	48.3%	47.1%	--	
COMMON EQUITY RATIO	57.5%	55.9%	51.7%	53.5%	45.5%	54.3%	51.7%	52.9%	--	
TOTAL CAPITAL ($MILL)	83.6	90.3	126.5	125.7	153.4	160.1	176.4	180.2	--	
NET PLANT ($MILL)	140.0	155.3	174.4	191.6	211.4	222.0	228.4	233.0	--	
RETURN ON TOTAL CAP'L	7.6%	8.4%	6.2%	6.7%	5.7%	6.2%	6.5%	6.4%	--	
RETURN ON SHR. EQUITY	10.0%	11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	--	
RETURN ON COM EQUITY	10.0%	11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	--	
RETAINED TO COM EQ	2.1%	3.0%	2.2%	1.7%	1.4%	1.9%	2.7%	2.5%	--	
ALL DIV'DS TO NET PROF	79%	74%	77%	82%	85%	78%	72%	73%	--	

[A]*No. of analysts changing earn. est. in last 5 days: 0 up, 0 down, consensus 5-year earnings growth not available.* [B]*Based upon 5 analysts' estimates.* [C]*Based upon 5 analysts' estimates.*

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Revenues	4.5%	3.5%
"Cash Flow"	7.0%	2.5%
Earnings	5.0%	--
Dividends	4.0%	2.5%
Book Value	7.0%	3.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/10	9.0	9.7	10.5	9.8	39.0
12/31/11	9.6	10.5	10.5	10.0	40.6
12/31/12	9.7	10.4			
12/31/13					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/09	.13	.17	.18	.16	.64
12/31/10	.15	.18	.21	.17	.71
12/31/11	.17	.19	.19	.16	.71
12/31/12	.15	.17	***.21***	***.18***	
12/31/13	***.17***				

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2009	.126	.126	.126	.126	.50
2010	.128	.128	.128	.128	.51
2011	.131	.131	.131	.134	.53
2012	.133	.134	.134	.134	

INSTITUTIONAL DECISIONS

	4Q'11	1Q'12	2Q'12
to Buy	30	26	33
to Sell	20	20	19
Hld's(000)	3211	3220	3270

ASSETS ($mill.)	2010	2011	6/30/12
Cash Assets	1.3	4.0	2.9
Receivables	6.3	6.0	6.0
Inventory (Avg cost)	.6	.7	.8
Other	.6	.7	.7
Current Assets	8.8	11.4	10.4
Property, Plant & Equip, at cost	270.8	279.2	- -
Accum Depreciation	42.4	46.2	- -
Net Property	228.4	233.0	236.4
Other	22.7	29.8	29.8
Total Assets	259.9	274.2	276.6
LIABILITIES ($mill.)			
Accts Payable	1.2	1.1	1.3
Debt Due	.0	.0	.0
Other	4.1	4.2	4.1
Current Liab	5.3	5.3	5.4

LONG-TERM DEBT AND EQUITY as of 6/30/12

Total Debt $85.0 mill. **Due in 5 Yrs.** NA
LT Debt $85.0 mill.
Including Cap. Leases NA
(47% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability $14.7 mill. in '11 vs. $9.8 mill. in '10

Pfd Stock None **Pfd Div'd Paid** None

Common Stock 12,855,471 shares
(53% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: The York Water Company engages in the impounding, purification, and distribution of water in York and Adams Counties, Pennsylvania. The company has two reservoirs, Lake Williams and Lake Redman, which together hold approximately 2.2 billion gallons of water. It also has a 15- mile pipeline from the Susquehanna River to Lake Redman that provides access to an additional supply of 12.0 million gallons of untreated water per day. The company's service territory has an estimated population of 187,000. Industry within the company's service territory is diversified, manufacturing such items as fixtures and furniture, electrical machinery, food products, paper, ordnance units, textile products, air conditioning systems, laundry detergent, barbells, and motorcycles. As of December 31, 2011, The York Water Company served approximately 187,000 residential, commercial, industrial, and other customers in 39 municipalities in York County and seven municipalities in Adams County. Has 106 employees. C.E.O. & President: Jeffrey R. Hines. Inc.: PA. Address: 130 East Market Street, York, PA 17401. Tel.: (717) 845-3601. Internet: http://www.yorkwater.com. *J.V.*

October 19, 2012

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 9/30/2012

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
3.26%	7.59%	16.80%	45.59%	28.51%

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AMER. STATES WATER NYSE-AWR

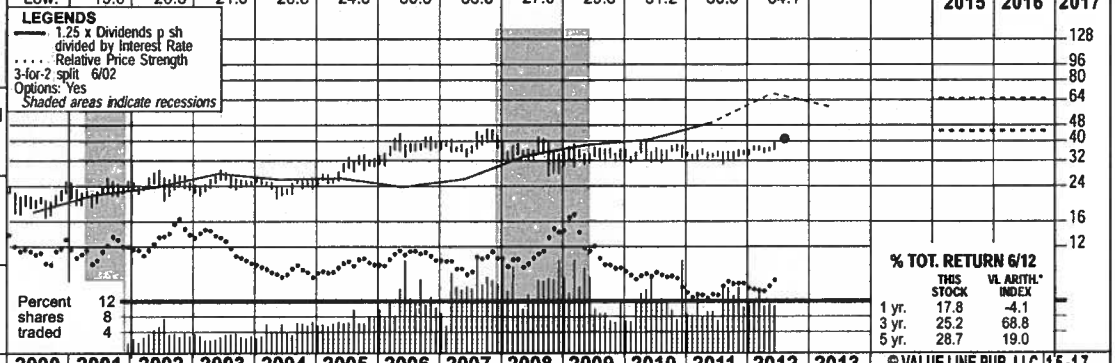
RECENT PRICE 41.14 | P/E RATIO 17.9 (Trailing: 17.1 Median: 22.0) | RELATIVE P/E RATIO 1.23 | DIV'D YLD 2.8% | VALUE LINE

TIMELINESS 2 Lowered 3/23/12
SAFETY 2 Raised 7/20/12
TECHNICAL 3 Raised 7/13/12
BETA .70 (1.00 = Market)

High:	26.4	29.0	29.0	26.8	34.6	43.8	46.1	42.0	38.8	39.6	36.4	41.2
Low:	19.0	20.3	21.6	20.8	24.3	30.3	33.6	27.0	29.8	31.2	30.5	34.1

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 6/02
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+60%)	14%
Low	45	(+10%)	3%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	3	2	0	5	2	0	2	2	0
to Sell	4	1	0	5	2	0	2	2	0

Institutional Decisions

	3Q2011	4Q2011	1Q2012
to Buy	58	86	69
to Sell	54	40	63
Hld's(000)	11349	11493	11810

% TOT. RETURN 6/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	17.8	-4.1
3 yr.	25.2	68.8
5 yr.	28.7	19.0

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.76	17.49	18.42	19.48	21.41	22.24	23.15	23.45	Revenues per sh	27.80
1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.89	3.31	3.37	3.40	4.23	4.26	4.40	4.60	"Cash Flow" per sh	5.15
1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	1.55	1.62	2.22	2.23	2.30	2.40	Earnings per sh A	2.80
.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.00	1.01	1.04	1.10	1.16	1.22	Div'd Decl'd per sh B■	1.34
2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	4.45	4.18	4.24	4.26	4.20	4.70	Cap'l Spending per sh	5.10
11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	17.95	19.39	20.26	21.68	22.60	23.55	Book Value per sh	25.80
13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.23	17.30	18.53	18.63	18.85	19.00	19.20	Common Shs Outst'g C	19.60
12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	15.7	15.7	Bold figures are		Avg Ann'l P/E Ratio	19.0
.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.41	1.00	1.01	Value Line		Relative P/E Ratio	1.25
5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	2.9%	3.0%	3.0%	estimates		Avg Ann'l Div'd Yield	2.6%
						209.2	212.7	228.0	236.2	268.6	301.4	318.7	361.0	398.9	419.3	440	450	Revenues ($mill)	545
						20.3	11.9	16.5	22.5	23.1	28.0	26.8	29.5	41.4	42.0	43.5	46.0	Net Profit ($mill)	55.0
						38.9%	43.5%	37.4%	47.0%	40.5%	42.6%	37.8%	38.9%	43.2%	41.7%	42.5%	42.0%	Income Tax Rate	40.0%
						--	--	--	--	12.2%	8.5%	6.9%	3.2%	5.8%	5.8%	5.0%	5.0%	AFUDC % to Net Profit	5.0%
						52.0%	52.0%	47.7%	50.4%	48.6%	46.9%	46.2%	45.9%	44.3%	45.4%	43.0%	41.0%	Long-Term Debt Ratio	37.0%
						48.0%	48.0%	52.3%	49.6%	51.4%	53.1%	53.8%	54.1%	55.7%	54.6%	57.0%	59.0%	Common Equity Ratio	63.0%
						444.4	442.3	480.4	532.5	551.6	569.4	577.0	665.0	677.4	749.1	760	770	Total Capital ($mill)	805
						563.3	602.3	664.2	713.2	750.6	776.4	825.3	866.4	855.0	896.5	935	980	Net Plant ($mill)	1080
						6.5%	4.6%	5.2%	5.4%	6.0%	6.7%	6.4%	5.9%	7.6%	6.0%	7.0%	7.0%	Return on Total Cap'l	8.0%
						9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	10.0%	10.0%	Return on Shr. Equity	11.0%
						9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	10.0%	10.0%	Return on Com Equity	11.0%
						3.3%	NMF	1.0%	2.8%	2.7%	3.9%	3.1%	3.2%	5.8%	5.2%	5.0%	5.0%	Retained to Com Eq	5.5%
						65%	113%	84%	67%	67%	58%	64%	61%	47%	49%	50%	51%	All Div'ds to Net Prof	48%

CAPITAL STRUCTURE as of 3/31/12
Total Debt $340.6 mill. Due in 5 Yrs $280.0 mill.
LT Debt $340.4 mill. LT Interest $24.0 mill.
(LT interest earned: 5.5x: total interest coverage: 5.2x) (45% of Cap'l)

Leases, Uncapitalized: Annual rentals $3.3 mill.

Pension Assets-12/11 $92.9 mill. **Oblig.** $146.1 mill.

Pfd Stock None.

Common Stock 18,858,505 shs. as of 5/4/12

MARKET CAP: $775 million (Small Cap)

CURRENT POSITION ($MILL.)	2010	2011	3/31/12
Cash Assets	4.2	1.3	6.6
Other	200.8	164.3	165.3
Current Assets	205.0	165.6	171.9
Accts Payable	36.2	37.9	38.1
Debt Due	61.3	.3	.2
Other	81.3	66.2	69.1
Current Liab.	178.8	104.4	107.4
Fix. Chg. Cov.	428%	401%	390%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	5.0%	7.5%	4.5%
"Cash Flow"	5.5%	9.5%	4.5%
Earnings	4.5%	11.5%	5.5%
Dividends	2.0%	2.5%	4.0%
Book Value	5.0%	5.0%	4.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	79.6	93.6	101.5	86.3	361.0
2010	88.4	95.5	111.3	103.7	398.9
2011	94.3	109.8	119.9	95.3	419.3
2012	106.6	110	125	98.4	440
2013	100	115	130	105	450

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	.28	.64	.52	.18	1.62
2010	.45	.47	.62	.71	2.22
2011	.37	.68	.83	.35	2.23
2012	.53	.65	.80	.32	2.30
2013	.45	.70	.80	.45	2.40

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.250	.250	.250	.250	1.00
2009	.250	.250	.250	.260	1.01
2010	.260	.260	.260	.260	1.04
2011	.260	.280	.280	.280	1.10
2012	.280	.280			

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Sold Chaparral City Water of Arizona (6/11). Has 703 employees. Officers & directors own 2.9% of common stock (4/12 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls. Inc: CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.

American States Water's bottom line should be up modestly for 2012, largely due to a strong first quarter. Earnings of $0.53 a share increased more than 40% from the same period last year. Several factors, including ongoing litigation, will probably put a drag on earnings, with an estimated 3% advance for the year.

Major rate cases seem to be progressing smoothly. The Golden State Water case (which deals with general rates in 2013-2015) covers all three water districts, as well as the corporate office. Rulings are expected by the end of the third quarter, with new rates going into effect in January, 2013. An increased rate base along with declining water sales (leading to a gap in collections and revenue needed to cover expenses) were the main reasons for the case. American States Water is also waiting for a ruling regarding its California cost-of-capital proceeding. The settlement was entered into (with three other companies) with the California Public Utility Commission's Rate Payers Advocates in November, 2011 and, if approved, will authorize a return on equity of 9.99% (and a rate-making capital structure of 55% equity and 45% debt). Finally, it filed its general rate case application for Bear Valley Electric, which is currently being reviewed by the California Public Utility Commission. Should all these cases have favorable rulings, they are expected to add considerably to the top and bottom lines over the next few years.

Expansion into nonregulated areas continues, particularly with regard to military bases. In fact, increased construction activity at Fort Bragg, NC (including a water and waste water pipeline replacement project) resulted in a revenue increase of over $10 million. Future hikes are anticipated as the company has been awarded several new contract modifications by the government for various bases over the next two years. American States Water is also currently looking at price redetermination cases for several completed projects, including Fort Jackson and Fort Carolina.

Momentum investors will find this timely stock (Rank: 2) of interest, but long-term accounts will find more fruitful prospects among its peers.

Sahana Zutshi *July 20, 2012*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 14¢; '05, 25¢; '06, 6¢; '08, (27¢); '10, (45¢) '11, 20¢. Next earnings report due late July. Quarterly egs. may not add due to rounding.
(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	90
Price Growth Persistence	65
Earnings Predictability	85

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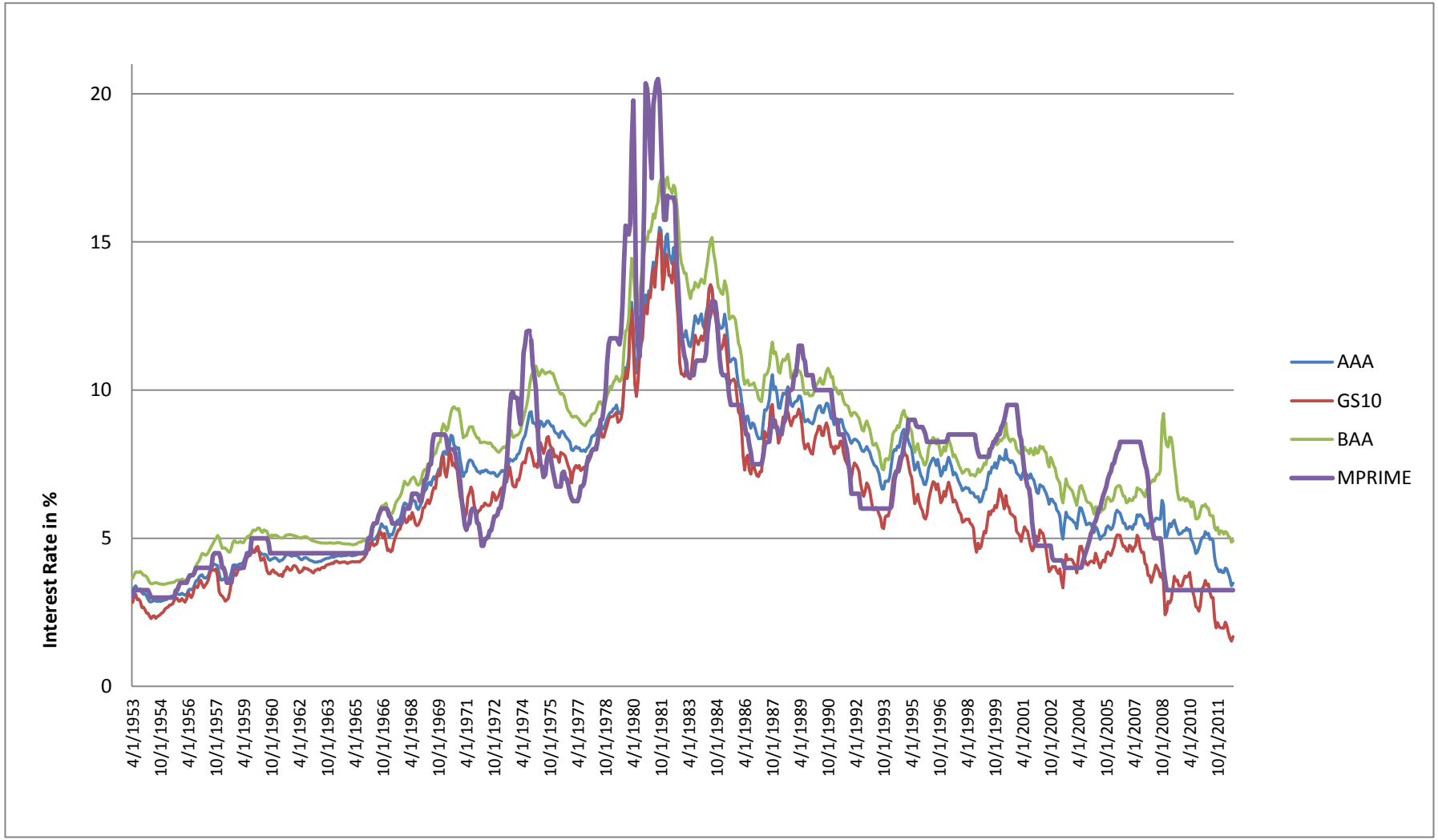
Office of Regulatory Staff
Tega Cay Water Service, Inc.
10-Year Government Bonds, AAA & BAA Corporate Bonds & Prime Rate History
Docket # 2012-177-WS



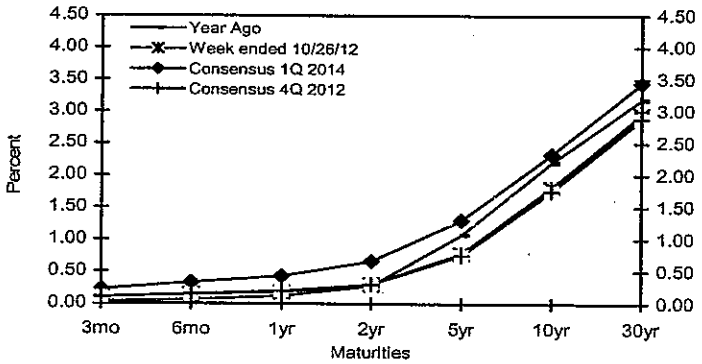
Consensus Forecasts Of U.S. Interest Rates And Key Assumptions[1]

	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week Ending				Average For Month			Latest Q	4Q	1Q	2Q	3Q	4Q	1Q
Interest Rates	Oct. 26	Oct. 19	Oct. 12	Oct. 5	Sept.	August	July	3Q 2012	2012	2013	2013	2013	2013	2014
Federal Funds Rate	0.16	0.16	0.15	0.13	0.14	0.13	0.16	0.14	0.2	0.2	0.2	0.2	0.2	0.2
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.3	3.3	3.3	3.3	3.3	3.3
LIBOR, 3-mo.	0.32	0.33	0.35	0.35	0.39	0.43	0.46	0.43	0.4	0.4	0.4	0.4	0.4	0.5
Commercial Paper, 1-mo.	0.13	0.14	0.13	0.13	0.12	0.14	0.14	0.13	0.2	0.2	0.2	0.2	0.2	0.3
Treasury bill, 3-mo.	0.10	0.10	0.10	0.10	0.11	0.10	0.10	0.10	0.1	0.1	0.1	0.1	0.2	0.2
Treasury bill, 6-mo.	0.15	0.15	0.15	0.14	0.14	0.14	0.15	0.14	0.1	0.2	0.2	0.2	0.3	0.3
Treasury bill, 1 yr.	0.18	0.18	0.18	0.17	0.18	0.18	0.19	0.18	0.2	0.2	0.2	0.3	0.3	0.4
Treasury note, 2 yr.	0.30	0.29	0.27	0.24	0.26	0.27	0.25	0.26	0.3	0.3	0.4	0.5	0.5	0.7
Treasury note, 5 yr.	0.78	0.74	0.67	0.63	0.67	0.71	0.62	0.67	0.8	0.8	0.9	1.1	1.2	1.3
Treasury note, 10 yr.	1.81	1.79	1.71	1.67	1.72	1.68	1.53	1.64	1.7	1.8	2.0	2.1	2.2	2.3
Treasury note, 30 yr.	2.95	2.94	2.88	2.86	2.88	2.77	2.59	2.75	2.9	3.0	3.1	3.2	3.3	3.4
Corporate Aaa bond	3.50	3.50	3.44	3.44	3.49	3.48	3.40	3.46	3.6	3.6	3.8	3.9	4.0	4.1
Corporate Baa bond	4.53	4.55	4.60	4.69	4.84	4.91	4.87	4.87	4.8	4.8	4.9	5.1	5.2	5.3
State & Local bonds	3.68	3.68	3.64	3.61	3.73	3.74	3.78	3.75	3.7	3.7	3.8	3.8	3.9	4.0
Home mortgage rate	3.41	3.37	3.39	3.36	3.50	3.60	3.55	3.55	3.5	3.5	3.6	3.8	3.9	4.0
	History								Consensus Forecasts-Quarterly					
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Key Assumptions	2010	2011	2011	2011	2011	2012	2012	2012	2012	2013	2013	2013	2013	2014
Major Currency Index	73.0	71.9	69.6	69.9	72.4	72.9	73.9	74.0	73.1	73.5	73.9	74.2	74.2	74.3
Real GDP	2.4	0.1	2.5	1.3	4.1	2.0	1.3	2.0	1.8	1.7	2.2	2.6	2.8	2.8
GDP Price Index	2.1	2.0	2.6	3.0	0.4	2.0	1.6	2.8	2.1	1.9	1.8	2.0	2.0	2.1
Consumer Price Index	3.0	4.5	4.4	3.1	1.3	2.5	0.8	2.3	2.4	1.8	2.1	2.3	2.2	2.2

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 for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are the same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the Fed's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).

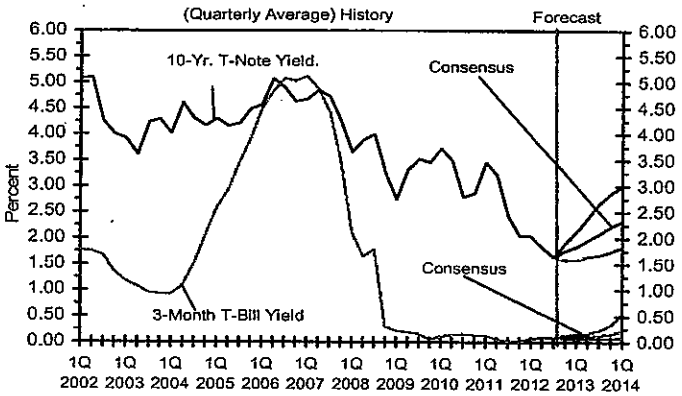
U.S. Treasury Yield Curve

Week ended October 26, 2012 and Year Ago vs.
4Q 2012 and 1Q 2014 Consensus Forecasts



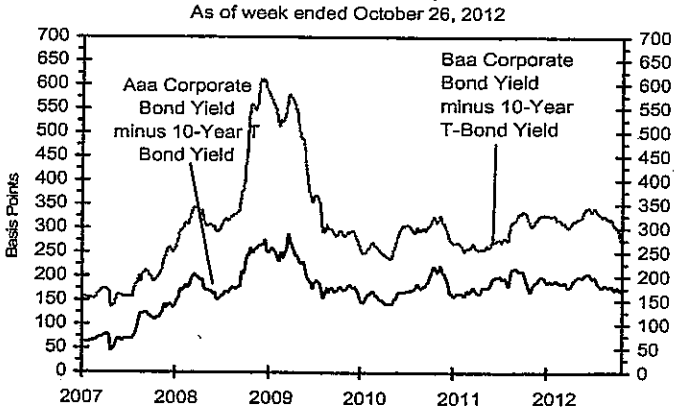
U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average) History



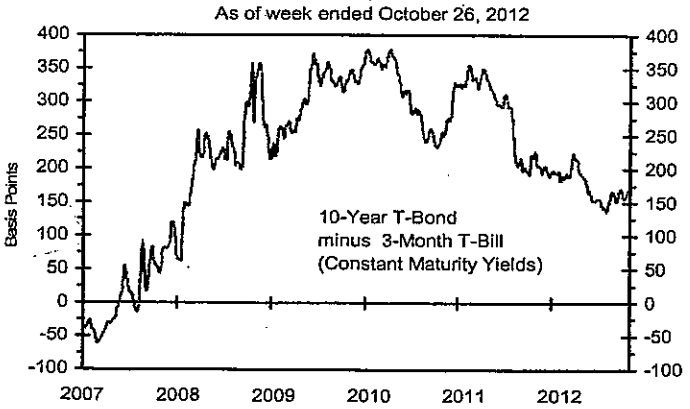
Corporate Bond Spreads

As of week ended October 26, 2012



U.S. Treasury Yield Curve

As of week ended October 26, 2012



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE - Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

Arizona Corporation Commission
DOCKETED
MAY - 1 2012
DOCKETED BY nr

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT, HAVASU WATER DISTRICT, AND MOHAVE WATER DISTRICT.

DOCKET NO. W-01303A-10-0448

DECISION NO. 73145

OPINION AND ORDER

DATES OF HEARING: January 18, August 2, August 15, September 19, and December 2, 2011 (Procedural Conferences); August 17, 2011 (Public Comment – Phoenix); August 22, 2011 (Public Comment – Surprise); August 25, 2011 (Public Comment - Bullhead City); December 5, 7 and 16, 2011 (Evidentiary Hearings).

PLACE OF HEARING: Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE: Dwight D. Nodes

APPEARANCES:

Mr. Thomas H. Campbell and Mr. Michael T. Hallam, LEWIS AND ROCA, LLP, on behalf of Arizona-American Water Company;

Ms. Michelle L. Wood on behalf of the Residential Utility Consumer Office;

Mr. Greg Patterson on behalf of the Water Utility Association of Arizona;

Ms. Joan S. Burke, LAW OFFICE OF JOAN S. BURKE, P.C., on behalf of Mashie, LLC, dba Corte Bella Golf Club;

Mr. Curtis S. Ekmark and Mr. Jason F. Wood, EKMARK & EKMARK, LLC, on behalf of the Sun City Grand Community Association and the Class of Homeowners and Community Associations;

Ms. Michele L. Van Quathem, RYLEY CARLOCK &

ORDER

IT IS THEREFORE ORDERED that the Settlement Agreement filed December 15, 2011, as supplemented by the Settlement Agreement Addenda filed February 8, 2012, and attached to this Decision as Attachments A and B, respectively, are hereby approved as discussed herein.

IT IS FURTHER ORDERED that Arizona-American Water Company/ EPCOR Water (USA), Inc., is hereby directed to file with the Commission, on or before June 29, 2012, revised schedules of rates and charges consistent with Attachments A and B, and the findings herein.

IT IS FURTHER ORDERED that the revised schedules of rates and charges shall be effective for all service rendered on and after July 1, 2012.

IT IS FURTHER ORDERED that Arizona-American Water Company/ EPCOR Water (USA), Inc., shall notify its affected customers of the revised schedules of rates and charges authorized herein by means of an insert in its next regularly scheduled billing, and by posting on its website, in a form acceptable to the Commission's Utilities Division Staff.

IT IS FURTHER ORDERED that Arizona-American Water Company/ EPCOR Water (USA), Inc., shall implement and comply with the terms of the Settlement Agreement and Settlement Agreement Addenda as discussed herein, including filing all reports, studies, and plans as set forth in the Settlement Agreement and herein.

IT IS FURTHER ORDERED that Arizona-American Water Company/ EPCOR Water (USA), Inc., shall file with Docket Control, by March 1, 2013, as a compliance item in this docket, for Staff's review and approval, five-year plans to determine the most cost-effective approach to address non-revenue water in the Mohave and Havasu Water Districts, based on leak survey and system analysis.

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153. The Settlement provides that total adjusted test year operating expenses should be $22,889,953 for the Agua Fria Water District, $5,179,767 for the Mohave Water District and $1,383,523 for the Havasu Water District. Under the proposed rates, the parties agreed that total operating expenses would $28,474,624, $5,906,383, and $1,627,436 for Agua Fria, Mohave, and Havasu, respectively. (*Id.* at 2.1(d).)

154. The Agreement states that the revenue requirements for the three districts should be based on Staff's recommended depreciation rates. (*Id.* at 2.1(e).)

155. The Settlement Agreement also provides that an overall rate of return equal to 7.1 percent is fair and reasonable in this case, based on a capital structure of 41.27 percent equity and 58.73 percent debt (11.35 percent short-term and 47.38 percent long-term). The parties agreed that the cost of short-term debt would be 0.41 percent; long-term debt would be 5.66 percent; and the return on equity would be 10.6 percent. (*Id.* at 2.1(f).)

156. Based on the parties' agreed upon return on rate base and recoverable operating expenses, Arizona-American would have total operating income of $9,757,143, $810,696, and $254,108 for the Agua Fria, Mohave, and Havasu Water Districts, respectively. (*Id.* at 2.1(g).)

157. The revenue requirements set forth in the Settlement Agreement would result in a rate increase of 58.0 percent for Agua Fria, a 36.95 percent increase for Mohave, and 47.95 percent for Havasu. However, the Agua Fria increase would be phased in. (*Id.* at 2.1(h).)

158. The parties agree that the revenue requirements provided for by the Settlement Agreement are just and reasonable, and would result in Arizona-American recovering its reasonable operating expenses and a just and reasonable return on its FVRB. The Agreement requires the Company to implement a low income program/tariff in the form attached to the Settlement. (*Id.* at 2.1(i) and (j).)

159. The Settlement Agreement further provides that the new rates would take effect on July 1, 2012. (*Id.* at 2.3.)

Agua Fria Water District – Additional Terms and Conditions

160. The Settlement provides that the $137,424,547 FVRB for Agua Fria includes the total cost of the White Tanks treatment plant, and the related deferral, at a total cost of $78,926,399.

Office of Regulatory Staff
Tega Cay Water Service, Inc.
York Water Company: Selected Financial Data
Docket # 2012-177-WS

For the Year	**2011**	**2010**	**2009**	**2008**	**2007**
Water operating revenues	$40,629	$39,005	$37,043	$32,838	$31,433
Operating expenses	20,754	19,238	19,655	18,158	17,333
Operating income	19,875	19,767	17,388	14,680	14,100
Interest expense	5,155	4,795	4,780	4,112	3,916
Other income (expenses), net	-677	-465	-517	-509	-78
Income before income taxes	14,043	14,507	12,091	10,059	10,106
Income taxes	4,959	5,578	4,579	3,628	3,692
Net income	$9,084	$8,929	$7,512	$6,431	$6,414
Per Share of Common Stock					
Book value	$7.45	$7.19	$6.92	$6.14	$5.97
Basic earnings per share	0.71	0.71	0.64	0.57	0.57
Cash dividends declared per share	0.5266	0.515	0.506	0.489	0.475
Weighted average number of shares outstanding during the year	12,734,420	12,626,660	11,695,155	11,298,215	11,225,822
Utility Plant					
Original cost, net of acquisition adjustments	$278,344	$269,856	$259,839	$245,249	$222,354
Construction expenditures	9,472	10,541	12,535	24,438	18,154
Other					
Total assets	$274,219	$259,931	$248,837	$240,442	$210,969
Long-term debt including current portion	85,017	85,173	77,568	86,353	70,505
Interest Expense/Total Long-Term Debt	***6.06%***	***5.63%***	***6.16%***	***4.76%***	***5.55%***
Average Long-Term Debt Expense	***5.63%***				

Source: York Water Company's Annual Report to the U.S. Securities Exchange Commission for year ending 12/31/11, p.16.
Note: Last row is calculated from cited items in the table; confirmed in 11/15/12 telecon with CFO

Office of Regulatory Staff
Effect of 6.00% Cost of Debt
Tega Cay Water Service, Inc.
Docket # 2012-177-W/S

CAPITAL STRUCTURE

DOLLAR AMOUNT	% OF TOTAL	COST RATE	EMBEDDED COST	WEIGHTED COST RATES
$180,000,000	50.25%	6.00%	$11,844,000	3.02%
$178,201,903	49.75%	9.98%	$19,334,906	4.96%
$358,201,903			$31,178,906	
				7.98%

The Rate of Return, 7.98%, represents return at CEM result if Debt rate equaled 6.00%

$180,000,000	50.25%	6.58%	$11,880,000	3.31%
$178,201,903	49.75%	9.39%	$19,334,906	4.67%
$358,201,903			$31,214,906	
				7.98%

The ROE represents the ROE necessarily to achieve 7.98% Rate of Return, if the Debt rate were 6.58%

Office of Regulatory Staff
Effect of 6.00% Cost of Debt
Tega Cay Water Service, Inc.
Docket # 2012-177-W/S

$180,000,000	50.25%	6.00%	$11,880,000	3.02%
$178,201,903	49.75%	9.23%	$19,334,906	4.59%
$358,201,903			$31,214,906	
				7.61%

The Rate of Return, 7.62%, represents return at CEM result if Debt rate equaled 6.00%

$180,000,000	50.25%	6.58%	$11,880,000	3.31%
$178,201,903	49.75%	8.66%	$19,334,906	4.31%
$358,201,903			$31,214,906	
				7.61%

The ROE represents the ROE necessarily to achieve 7.61% Rate of Return, if the Debt rate were 6.58%

Office of Regulatory Staff
Effect of 6.00% Cost of Debt
Tega Cay Water Service, Inc.
Docket # 2012-177-W/S

$180,000,000	50.25%	6.00%	$11,880,000	3.02%
$178,201,903	49.75%	8.48%	$19,334,906	4.22%
$358,201,903			$31,214,906	
				7.23%

The Rate of Return, 7.25%, represents return at CEM result if Debt rate equaled 6.00%

$180,000,000	50.25%	6.58%	$11,880,000	3.31%
$178,201,903	49.75%	7.88%	$19,334,906	3.92%
$358,201,903			$31,214,906	
				7.23%

The ROE represents the ROE necessarily to achieve 7.23% Rate of Return, if the Debt rate were 6.58%

Office of Regulatory Staff
Explanation of the Dividend Adjustment
Tega Cay Water Service, Inc.
Docket # 2012-177-WS

Measuring the dividend yields accurately for purposes of the DCF presents difficulties. Companies have different dividend declaration dates and some companies allow their dividends to fluctuate from quarter to quarter, which makes an accurate statement of a company's yield and comparison among firms harder to calculate. There is a potential undercounting of 150% over three quarters, as indicated in the following table which analyzes a hypothetical company:

Company Quarter	**Quarters for which an increase would be counted**	**Potential Undercounting**
First	4	0.0 [because $1 - {}^{4}/_{4} = 0$]
Second	3	0.25 (¼) [because 1 – ¾ = ¼]
Third	2	0.50 (½) [because $1 - {}^{2}/_{4} = {}^{2}/_{4}$ or ½]
Fourth	1	0.75 (¾) [because 1 – ¾ = ¼]
Total Undercounting over Three Quarters Undercounting per Quarter		1.5 (0.25+0.50+0.75) [¼+${}^{2}/_{4}$ +¾] 1.5/3=0.5

If increases occur after the next known declared dividend payment, each quarter's dividend will be more undercounted going forward because dividend payments are measured on a yearly basis. A dividend increase is assumed to be at the overall growth rate "g." An increase taking place in the first quarter's dividend would be counted for that quarter and the rest of the year, but subsequent increases would be counted for only

part of the remaining year. Overall, there is a potential undercounting of half of the total potential increases and each quarter could be undercounted by one-half. There are three such potentially undercounted quarters each year, therefore the total dividend yield must be multiplied by the growth rate times 50%, or 0.5, + 1, as depicted in the formula below:

$$K = (DIV_1*(1+0.5g)) + g$$

The parenthetical part of this equation is called the "adjusted dividend yield."