CASE NUMBER:

99-176

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

Analysis of Salaries and Wages
For the Calendar Years 19 Through 19
And the Test Year
(000's)

12 Months Ended

Line No.	Item (a)	Calendar Years Prior to Test Year: 5th Amount (b)	5th % (c)	4th Amount (d)	4th % (e)	3rd Amount (f)	3rd % (g)	2nd Amount (h)	2nd % (i)	1st Amount (j)	1st % (k)	Test Year Amount (l)	Test Year % (m)
	(h) Franchise requirements												
	(i) Regulatory Commission expenses												
7.	Administrative and general expenses (continued):												
	(j) Duplicate charges-cr.												
	(k) Miscellaneous general expense												
	(l) Maintenance of general plant												
8.	Total Administrative and general expenses L7(a) through L7(m)												
9.	Total salaries and wages charged expense (L2 through L6 + L8)												
10.	Wages Capitalized												
11.	Total Salaries and Wages												
12.	Ratio of Salaries and wages charged expense to total wages (L9 ~ L11)												

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

Analysis of Salaries and Wages
For the Calendar Years 19 Through 19
And the Test Year
(000's)

12 Months Ended

		Calendar Years Prior to Test Year										Test Year	
		5th		4th		3rd		2nd		1st			
Line No.	Item (a)	Amount (b)	% (c)	Amount (d)	% (e)	Amount (f)	% (g)	Amount (h)	% (i)	Amount (j)	% (k)	Amount (l)	% (m)
13.	Ratio of salaries and wages capitalized to total wages (L10 ~ L11)												

NOTE: Show percent increase of each year over the prior year in Columns (c), (e), (g), (i), (k), and (m).

Format 21a(7)
Schedule 1

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

Reconciliation of Book Net Income and Federal Taxable Income
12 Months Ended

Line No.	Item (a)	Total Company (b)	Total Company Non-Operating (d)	Operating: Kentucky Retail (d)	Operating: Other Jurisdiction (e)
1.	Net income per books				
2.	Add income taxes:				
3.	A. Federal income tax-current				
4.	B. Federal income tax deferred-Depreciation				
5.	C. Federal income tax deferred-Other				
6.	D. Investment tax credit adjustment				
7.	E. Federal income taxes charged to other income and deductions				
8.	F. State income taxes				
9.	G. State income taxes charged to other income and deductions				
10.	Total				
11.	Flow through items:				
12.	Add (itemize)				
13.	Deduct (itemize)				
14.	Book taxable income				
15.	Differences between book taxable income and taxable income per tax return:				
16.	Add (itemize)				
17.	Deduct (itemize)				
18.	Taxable income per return				

NOTE:

(1) *Provide a calculation of the amount shown on* Lines 3 through 7 above.

(2) Provide work papers supporting each calculation including the depreciation schedules for straight-line tax and accelerated tax depreciation.

(3) Provide a schedule setting forth the basis of *allocation of each item of revenue or cost allocated above.*

Format 21a(7)
Schedule 2

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

Reconciliation of Book Net Income and State Taxable Income
12 Months Ended

				Operating	
Line No.	Item (a)	Total Company (b)	Total Company Non-Operating (d)	Kentucky Retail (d)	Other Jurisdiction (e)
1.	Net income per books				
2.	Add income taxes:				
3.	A. Federal income tax-current				
4.	B. Federal income tax deferred-Depreciation				
5.	C. Federal income tax deferred-Other				
6.	D. Investment tax credit adjustment				
7.	E. Federal income taxes charged to other income and deductions				
8.	F. State income taxes				
9.	G. State income taxes charged to other income and deductions				
10.	Total				
11.	Flow through items:				
12.	Add (itemize)				
13.	Deduct (itemize)				
14.	Book taxable income				
15.	Differences between book taxable income and taxable income per tax return:				
16.	Add (itemize)				
17.	Deduct (itemize)				
18.	Taxable income per return				

NOTE:

(1) Provide a calculation of the amount shown on Lines 8 through 9 above.

(2) Provide work papers supporting each calculation including the depreciation schedules for straight-line tax and accelerated tax depreciation.

(3) Provide a schedule setting forth the basis of allocation of each item of revenue or cost allocated above.

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

Analysis of Other Operating Taxes

12 Months Ended

(000's)

Line No.	Item (a)	Charged Expense (b)	Charged to Construction (c)	Charged to Other Accounts[6]/ (d)	Amounts Accrued (e)	Amount Paid (f)
1.	Kentucky Retail:					
	(a) State Income					
	(b) Franchise Fees					
	(c) Ad Valorem					
	(d) Payroll (Employers Portion)					
	(e) Other Taxes					
2.	Total Retail					
	(L1(a) through L1(e))					
3.	Other Jurisdictions					
	Total Per Books (L2 and L3)					

[6]/ Explain items in this column.

DELTA NATURAL GAS COMPANY, INC.

Case No. 99-176

NET INCOME PER MCF SOLD

For the Calendar Years 19 through 19

And for the 12 Months Ended

(000's)

Line No.	Item (a)	12 Months Ended — Calendar Years Prior to Test Year — 5th (b)	4th (c)	3rd (d)	2nd (e)	1st (f)	Test Year (g)
1.	Operating Income						
2.	Operating Revenues						
3.	Operating Income Deductions						
4.	Operation and maintenance expenses:						
5.	Purchased Gas						
6.	Other gas supply expenses						
7.	Underground storage						
8.	Transmission expenses						
9.	Distribution expenses						
10.	Customer accounts expense						
11.	Sales expense						
12.	Administrative and general expense						
13.	Total (L5 through L12)						
14.	Depreciation expenses						
15.	Amortization of utility plant acquisition adjustment						
16.	Taxes other than income taxes						
17.	Income taxes - Federal						
18.	Income taxes - other						
19.	Provision for deferred income taxes						
20.	Investment tax credit adjustment - net						
21.	Total utility operating expenses						
22.	Net Utility Operating Income						
23.	Other Income and Deductions						
24.	Other income:						

DELTA NATURAL GAS COMPANY, INC.

Case No. 99-176

NET INCOME PER MCF SOLD

For the Calendar Years 19 through 19

And for the 12 Months Ended

(000's)

Line No.	Item (a)	12 Months Ended — Calendar Years Prior to Test Year 5th (b)	4th (c)	3rd (d)	2nd (e)	1st (f)	Test Year (g)
25.	Non-utility Operating Income						
26.	Equity in Earnings of Subsidiary Company						
27.	Interest and Dividend Income						
28.	Allowance for funds used during construction						
29.	Miscellaneous nonoperating income						
30.	Gain on Disposition of Property						
31.	Total other income						
32.	Other income deductions:						
33.	Loss on Disposition of Property						
34.	Miscellaneous income deductions						
35.	Taxes applicable to other income and deductions:						
36.	Income taxes and investment tax credits						
37.	Taxes other than income taxes						
38.	Total taxes on other income and deductions						
39.	Net Other Income and Deductions						
40.	Interest Charges						
41.	Interest on long-term debt						
42.	Amortization of debt expense						
43.	Amortization of premium on debt - credit						
44.	Other interest expense						
45.	Total interest charges						
46.	Net income						
47.	MCF sold						

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

COMPARATIVE OPERATING STATISTICS
For the Calendar Years 19 Through 19
and the 12-Month Period Ended
(Total Company)

12 Months Ended

Line No.	Item (a)	Calendar Years Prior to Test Year: 5th Cost (b)	5th Inc. (c)	4th Cost (d)	4th Inc. (e)	3rd Cost (f)	3rd Inc. (g)	2nd Cost (h)	2nd Inc. (i)	1st Cost (j)	1st Inc. (k)	Test Year Cost (l)	Test Year Inc. (m)
1.	Cost per Mcf of Purchased Gas												
2.	Cost of Propane Gas Per Mcf Equivalent for Peak Shaving												
3.	Cost Per Mcf of Gas Sold												
4.	Maintenance Cost Per Distribution Mile												
5.	Maintenance Cost Per Distribution Mile												
6.	Sales Promotion Expense Per Customer												
7.	Administration and General Expense Per Customer												
8.	Wages and Salaries - Charged Expense:												
	Per Average Employee												
9.	Depreciation Expense:												
10.	Per $100 of Average Gross												
	Depreciable Plant in Service												
11.	Rents:												

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

COMPARATIVE OPERATING STATISTICS
For the Calendar Years 19 Through 19
and the 12-Month Period Ended
(Total Company)

12 Months Ended

		Calendar Years Prior to Test Year										Test Year	
		5th		4th		3rd		2nd		1st			
Line No.	Item (a)	Cost (b)	Inc. (c)	Cost (d)	Inc. (e)	Cost (f)	Inc. (g)	Cost (h)	Inc. (i)	Cost (j)	Inc. (k)	Cost (l)	Inc. (m)
12.	Per $100 of Average Gross Plant in Service												
13.	Property Taxes:												
14.	Per $100 of Average Net Plant in Service												
15.	Payroll Taxes:												
16.	Per Average Employee Whose Salary is Charged to Expense												
17.	Interest Expense:												
18.	Per $100 of Average Debt Outstanding												
19.	Per $100 of Average Plant Investment												
20.	Per Mcf Sold												
Meter Reading Expense Per Meter													

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

STATEMENT OF GAS PLANT IN SERVICE

12 Months Ended

(Total Company)

Account Number	Title of Accounts (a)	Beginning Balance (b)	Additions (c)	Retirements (d)	Transfers (e)	Ending Balance (f)
	Intangible Plant					
301	Organization					
302	Franchises and Consents					
303	Miscellaneous Intangible Plant					
106	Completed Construction - Not Classified					
	Total Intangible Plant					
	Production Plant					
	Natural Gas Production and Gathering Plant					
325.1	Producing Lands					
325.2	Producing Leaseholds					
325.3	Gas Rights					
325.4	Rights-of-Way					
325.5	Other Land and Land Rights					
326	Gas Well Structures					
327	Field Compressor Station Structures					
328	Field Meas. and Reg. Sta. Structures					
329	Other Structures					
330	Producing Gas Wells-Well Construction					
331	Producing Gas Wells-Well Equipment					
332	Field Lines					
333	Field Compressor Station Equipment					
334	Field Meas. and Reg. Sta. Equipment					
335	Drilling and Cleaning Equipment					
336	Purification Equipment					
337	Other Equipment					
338	Unsuccessful Exploration and Devel. Costs					

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

STATEMENT OF GAS PLANT IN SERVICE

12 Months Ended

(Total Company)

Account Number	Title of Accounts (a)	Beginning Balance (b)	Additions (c)	Retirements (d)	Transfers (e)	Ending Balance (f)
106	Completed Construction - Not Classified					
	Total Production and Gathering Plant					
	Products Extraction Plant					
340	Land and Land Rights					
341	Structures and Improvements					
342	Extraction and Refining Equipment					
343	Pipe Lines					
344	Extracted Products Storage Equipment					
345	Compressor Equipment					
346	Gas Meas. and Reg. Equipment					
347	Other Equipment					
106	Completed Construction - Not Classified					
	Total Products Extraction Plant					
	Total Nat. Gas Production Plant					
	Mfd. Gas Prod. Plant (Submit Suppl. Statement)					
	Total Production Plant					
	Natural Gas Storage and Processing Plant					
	Underground Storage Plant					
350.1	Land					
350.2	Rights-of-Way					
351	Structures and Improvements					
352	Wells					
352.1	Storage Leaseholds and Rights					
352.2	Reservoirs					
352.3	Non-Recoverable Natural Gas					

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

STATEMENT OF GAS PLANT IN SERVICE

12 Months Ended

(Total Company)

Account Number	Title of Accounts (a)	Beginning Balance (b)	Additions (c)	Retirements (d)	Transfers (e)	Ending Balance (f)
353	Lines					
354	Compressor Station Equipment					
355	Measuring and Reg. Equipment					
356	Purification Equipment					
357	Other Equipment					
106	Completed Construction - Not Classified					
	Total Underground Storage Plant					
	Other Storage Plant					
360	Land and Land Rights					
361	Structures and Improvements					
362	Gas Holders					
363	Purification Equipment					
363.1	Liquefaction Equipment					
363.2	Vaporizing Equipment					
363.3	Compressor Equipment					
363.4	Meas. and Reg. Equipment					
363.5	Other Equipment					
106	Completed Construction - Not Classified					
	Total Other Storage Plant					
	Base Load Liquified Natural Gas, Terminaling and Processing Plant					
364.1	Land and Land Rights					
364.2	Structures and Improvements					
364.3	LNG Processing Terminal Equipment					
364.4	LNG Transportation Equipment					
364.5	Measuring and Regulating Equipment					

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

STATEMENT OF GAS PLANT IN SERVICE

12 Months Ended

(Total Company)

Account Number	Title of Accounts (a)	Beginning Balance (b)	Additions (c)	Retirements (d)	Transfers (e)	Ending Balance (f)
364.6	Compressor Station Equipment					
364.7	Communications Equipment					
364.8	Other Equipment					
106	Completed Construction - Not Classified					
	Total Base Load Liquefied Natural Gas,					
	Terminaling, and Processing Plant					
	Total Nat. Gas Storage and Proc. Plant					
	Transmission Plant					
365.1	Land and Land Rights					
365.2	Rights-of-Way					
366	Structures and Improvements					
367	Mains					
368	Compressor Station Equipment					
369	Measuring and Reg. Sta. Equipment					
370	Communication Equipment					
371	Other Equipment					
106	Completed Construction - Not Classified					
	Total Transmission Plant					
	Distribution Plant					
374	Land and Land Rights					
375	Structures and Improvements					
376	Mains					
377	Compressor Station Equipment					
378	Meas. and Reg. Sta. Equip. - General					
379	Meas. and Reg. Sta. Equip. - City Gate					
380	Services					
381	Meters					

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

STATEMENT OF GAS PLANT IN SERVICE

12 Months Ended

(Total Company)

Account Number	Title of Accounts (a)	Beginning Balance (b)	Additions (c)	Retirements (d)	Transfers (e)	Ending Balance (f)
n 382	Meter Installations					
383	House Regulators					
384	House Reg. Installations					
385	Industrial Meas. and Reg. Sta. Equipment					
386	Other Prop. on Customer's Premises					
387	Other Equipment					
106	Completed Construction - Not Classified					
	Total Distribution Plant					
	General Plant					
389	Land and Land Rights					
390	Structures and Improvements					
391	Office Furniture and Equipment					
392	Transportation Equipment					
393	Stores Equipment					
394	Tools, Shop and Garage Equipment					
395	Laboratory Equipment					
396	Power Operated Equipment					
397	Communication Equipment					
398	Miscellaneous Equipment					
	Subtotal					
399	Other Tangible Property					
106	Completed Construction - Not Classified					
	Total General Plant					
	Total (Account 101)					
102	Gas Plant Purchased					
102	Gas Plant Sold					
103	Experimental Gas Plant Unclassified					
	Total Gas Plant In Service					

Format 25a

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 99-176

Account 913 - Advertising Expense
For the 12 Months Ended

Line No.	Item (a)	Sales or Promotional Advertising (b)	Institutional Advertising (c)	Conservation Advertising (d)	Rate Case (e)	Other (f)	Total (g)
1.	Newspaper						
2.	Magazines and Other						
3.	Television						
4.	Radio						
5.	Direct mail						
6.	Sales Aids						
7.	Total						
8.	Amount Assigned to Ky. Retail						

Format 25b

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 99-176

Account 930 - Miscellaneous Expenses
For the 12 Months Ended

Line No.	Item (a)	Amount (b)
1.	Industry Association Dues	
2.	Stockholder and Debt Servicing Expenses	
3.	Institutional Advertising	
4.	Conservation Advertising	
5.	Rate Department Load Studies	
6.	Directors' Fees and Expenses	
7.	Dues and Subscriptions	
8.	Miscellaneous	
9.	Total	
10.	Amount Assigned to Ky. Retail	

Format 25c

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 99-176

Account 426 - Miscellaneous Income Deductions
For the 12 Months Ended

Line No.	Item (a)	Amount (b)
1.	Donations	
2.	Civic Activities	
3.	Political Activities	
4.	Other	
5.	Total	

Format 26

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

Professional Service Expenses

For the 12 Months Ended

Line No.	Item	Rate case	Annual Audit	Other	Total
1.	Legal				
2.	Engineering				
3.	Accounting				
4.	Other				
5.	Total				

Format 33

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

Average Rates of Return

For the Calendar Years Through and the 12 Months Ended

Line No.	Calendar Years Prior to Test Year (a)	Total Compan y (b)	Kentucky Jurisdiction (c)	Other Jurisdictions (h)
1.	Original Cost Net Investment:			
2.	5th Year			
3.	4th Year			
4.	3rd Year			
5.	2nd Year			
6.	1st Year			
7.	Original Cost Common Equity:			
8.	5th Year			
9.	4th Year			
10.	3rd Year			
11.	2nd Year			
12.	1st Year			
13.	Test Year			

NOTE: Provide workpapers in support of the above calculations.

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

Gas Department

Schedule of Number of Employees, Hours Per Employee, and Average Wages Per Employee

Calendar Years Prior to	Production			Natural Gas Storage Terminaling & Processing			Transmission			Distribution			Customer Accounts		
Test Year (a)	No. (b)	Hrs. (c)	Wages (d)	No. (e)	Hrs. (f)	Wages (g)	No. (h)	Hrs. (i)	Wages (j)	No. (k)	Hrs. (l)	Wages (m)	No. (n)	Hrs. (o)	Wages (p)
5th Year															
% Change															
4th Year															
% Change															
3rd Year															
% Change															
2nd Year															
% Change															
1st Year															
% Change															
Test Year															
% Change															

Note:
(1) Where an employee's wages are charged to more than one function include employee in function receiving largest portion of total wages.
(2) Show percentage increase (decrease) of each year over the prior year on lines designated above "% Change."
(3) Employees, weekly hours per employee, and weekly wages per employee for the week including December 31, of each year and the last day of the test year.

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 99-176

Gas Department

Schedule of Number of Employees, Hours Per Employee, and Average Wages Per Employee
(Continued)

Calendar Years Prior to	Customer Service and Information			Sales			Administrative and General			Construction			Total		
Test Year (a)	No. (q)	Hrs. (r)	Wages (s)	No. (t)	Hrs. (u)	Wages (v)	No. (w)	Hrs. (x)	Wages (y)	No. (z)	Hrs. (aa)	Wages (bb)	No. (cc)	Hrs. (dd)	Wages (ee)
5th Year															
% Change															
4th Year															
% Change															
3rd Year															
% Change															
2nd Year															
% Change															
1st Year															
% Change															
Test Year															
% Change															

Note:
(1) Where an employee's wages are charged to more than one function include employee in function receiving largest portion of total wages.
(2) Show percentage increase (decrease) of each year over the prior year on lines designated above "% Change."
(3) Employees, weekly hours per employee, and weekly wages per employee for the week including December 31, of each year and the last day of the test year.

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 13, 1999

John F. Hall
Vice President-Finance, Sec.,Treas.
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY. 40391

Honorable Robert M. Watt
Stoll, Keenon & Park, LLP
201 East Main Street
Suite 1000
Lexington, KY. 40507 1380

Elizabeth E. Blackford
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY. 40601

RE: Case No. 99-176

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF RATES	)	CASE NO. 99-176

O R D E R

This matter arising upon the motion of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), filed July 8, 1999, pursuant to KRS 367.150(8), for full intervention, such intervention being authorized by statute, and this Commission being otherwise sufficiently advised,

IT IS HEREBY ORDERED that the motion is granted and the Attorney General is hereby made a party to these proceedings.

Done at Frankfort, Kentucky, this 13th day of July, 1999.

By the Commission

ATTEST:

Helen C. Helton

Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

An Adjustment of Rates of) Case No. 99-176
Delta Natural Gas Company, Inc.)

RECEIVED
JUL - 8 1999
PUBLIC SERVICE COMMISSION

MOTION TO INTERVENE

Comes the Attorney General, A. B. Chandler, III, pursuant to KRS 367.150 (8) which grants him the right and obligation to appear before regulatory bodies of the Commonwealth of Kentucky to represent the consumers' interests, and moves the Public Service Commission to grant him full intervener status in this action pursuant to 807 KAR 5:001(8).

Elizabeth E. Blackford

ELIZABETH E. BLACKFORD
ASSISTANT ATTORNEY GENERAL
1024 CAPITAL CENTER DRIVE
FRANKFORT KY 40601
(502) 696-5453
FAX: (502) 573-4814

CERTIFICATE OF SERVICE AND OF FILING

I hereby Certify that this the 8th day of July, 1999, I have filed the Original and ten copies of the foregoing Motion with the Public Service Commission at 730 Schenkel Lane, Frankfort, KY, 40601, and that I have served the parties of record by mailing a true copy of same postage prepaid to:

John F. Hall
Vice President-Finance, Sec.,Treas.
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY. 40391

Honorable Robert M. Watt, III
Stoll, Keenon & Park, LLP
201 East Main Street Suite 1000
Lexington, KY. 40507 1380

E Blackford

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
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FRANKFORT, KENTUCKY 40602
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(502) 564-3940
Fax (502) 564-3460

Paul E. Patton
Governor

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

July 8, 1999

Ms. Odra Ledford
33 Morton Hollow Road
Stanton, KY 40380

RE: Case No. 99-176
Delta Natural Gas Company

Dear Ms. Ledford:

The Commission has received your letter dated July 1 concerning the above case. Your letter is being treated as an official protest and will be placed in the case file. The Commission will carefully analyze this case before rendering its decision. Be advised that the effect of the rate increase cannot yet be determined as the increase originally proposed by Delta Natural Gas is not necessarily what may be ordered in the Commission's final decision.

If you wish to participate in the proceeding, including any hearing that may be held, you must file a motion to intervene with the Commission. Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted <u>full</u> intervention. If you are granted intervention and wish to request a hearing, you should file such a request with Helen C. Helton, the Commission's Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you further. You may contact them at (502) 695-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in that matter.

Sincerely,

Stephanie J. Bell

Stephanie Bell
Secretary of the Commission

rlm
Enclosure

EDUCATION PAYS

99-176

RECEIVED
JUL - 2 1999
PUBLIC SERVICE COMMISSION

Exexutive Director
Public Service Commission

1 July 99

Dear Director.
I read in a local paper where Delta Natural Gas Company has applied for a rate increase.
I believe records will show they received a rate increase in August 1997.(Hearing August 11 1997).
As a member,I would like to state,I feel Delta is not entitled to any increase. Their rates are too high as is.
Delta like other utilities in Ky seem to be taing advantage of the people.
I feel kentuckians desperately need competition if we are going to to be able to afford in future.
I urge the commission to closely review delta,s reasons for within two years desiring another rate increase.
Donot let them take advantage because they have no competition, want to operate above normal and or want to give others a discount.

Odra Ledford
33 Morton Hollow RD
Stanton Ky 40380

RECEIVED
JUL - 7 1999
PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DELTA NATURAL GAS COMPANY, INC. EXPERIMENTAL ALTERNATIVE REGULATION PLAN) CASE NO. 99-046

In the Matter of:

AN ADJUSTMENT OF RATES OF DELTA NATURAL GAS COMPANY, INC.) CASE NO. 99-176

* * * * * * * * * * *

MOTION TO CONSOLIDATE AND TO MAINTAIN CASE NO. 99-046 PROCEDURAL SCHEDULE

Delta Natural Gas Company, Inc. ("Delta") respectfully moves the Commission to consolidate Case No. 99-176, *In the Matter of: An Adjustment of Rates of Delta Natural Gas Company, Inc.*, into Case No. 99-046, *In the Matter of: Delta Natural Gas Company, Inc. Experimental Alternative Regulation Plan.* Delta further moves the Commission, in the event it consolidates Case No. 99-176 into Case No. 99-046, to maintain the procedural schedule which has been set forth in Case No. 99-046. The Commission suspended the implementation of the tariffs filed on February 5, 1999, in Case No. 99-046 pursuant to KRS 278.190. Therefore, pursuant to KRS 278.190(3), the Commission must decide Case No. 99-046 "not later than ten (10) months after the filing of such schedules" or not later than December 5, 1999. In no event does Delta waive or otherwise agree to any procedure by which compliance with KRS 278.190(3) does not occur. In the event the Commission consolidates Case No. 99-176 into Case No. 99-046, Delta requests that any suspension period in Case No. 99-176 end no later than

December 5, 1999.

Respectfully submitted,

STOLL, KEENON & PARK LLP

Robert M. Watt, III
201 East Main Street, Suite 1000
Lexington, KY 40507
606) 231-3000

Counsel for Delta Natural Gas Company, Inc.

CERTIFICATE OF SERVICE

This is to certify that the foregoing pleading has been served by mailing a copy of same, postage prepaid, to the following persons on this 6th day of July 1999:

Gerald Wuetcher, Esq.
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40601

Elizabeth E. Blackford, Esq.
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY 40601-8204

Robert M. Watt, III

Case file

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 9, 1999

John F. Hall
Vice President-Finance, Sec.,Treas.
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY. 40391

Honorable Robert M. Watt,
Stoll, Keenon & Park, LLP
201 East Main Street
Suite 1000
Lexington, KY. 40507 1380

RE: Case No. 99-176
DELTA NATURAL GAS COMPANY, INC.

The Commission staff has reviewed your application in the above case and finds that it meets the minimum filing requirements. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

Stephanie J. Bell

Stephanie Bell
Secretary of the Commission

SB
Enclosure

STOLL, KEENON & PARK, LLP

201 EAST MAIN STREET
SUITE 1000
LEXINGTON, KENTUCKY 40507-1380

(606) 231-3000
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**WESTERN KENTUCKY OFFICE:
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(502) 568-9100
FAX: (502) 568-5700

INTERNET: www.skp.com

FILED
JUL 2 - 1999
PUBLIC SERVICE COMMISSION

July 2, 1999

Hon. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

RECEIVED
JUL 02 1999
PUBLIC SERVICE COMMISSION

Re: Delta Natural Gas Company, Inc.
Case No. 99-176

Dear Ms. Helton:

We deliver herewith for filing an original and ten (10) copies of Delta's Application for a General Adjustment of Rates in the above-captioned case. We would appreciate your placing the Application with the other papers in the case. Thank you for your kind assistance.

Sincerely,

Robert Watt

Robert M. Watt, III

rmw
encl.
cc: Elizabeth S. Blackford, Esq. (w/encl.)
Mr. John F. Hall (w/o encl.)

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 6, 1999

John F. Hall
Vice President-Finance, Sec.,Treas.
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY. 40391

Honorable Robert M. Watt,
Stoll, Keenon & Park, LLP
201 East Main Street
Suite 1000
Lexington, KY. 40507 1380

RE: Case No. 99-176
DELTA NATURAL GAS COMPANY, INC.
(Rates - General) HISTORICAL TEST PERIOD

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received July 2, 1999 and has been assigned Case No. 99-176. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/rlm

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

April 30, 1999

John F. Hall
Vice President-Finance, Sec.,Treas.
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY. 40391

RE: Case No. 99-176
DELTA NATURAL GAS COMPANY, INC.
(Rates - General)

This letter is to acknowledge receipt of notice of intent to file a rate application in the above case. The notice was date-stamped received on April 29, 1999 and has been assigned Case No. 99-176. In all future correspondence or filings made in connection with this case, please reference the above case number.

If I can be of any help on procedural matters, please feel free to contact me at 502/564-3940.

Sincerely,

Stephanie J. Bell

Stephanie Bell
Secretary of the Commission

SB/jc

Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, Kentucky 40391-9797
Phone: 606-744-6171
Fax: 606-744-3623

April 29, 1999

RECEIVED

APR 2 9 1999

PUBLIC SERVICE
COMMISSION

Ms. Helen Helton
Executive Director
Public Service Commission
P O Box 615
Frankfort, KY 40602

CASE 99-176

Dear Ms. Helton:

Delta Natural Gas Company, Inc. (Delta) hereby notifies the Commission pursuant to 807 KAR 5:011 Section 8(1) and 5:001 Section 10(2) of its intention to file an application for a general adjustment in rates, using a historical test period, no sooner than four weeks following your receipt of this notice.

Delta filed an experimental alternative ratemaking mechanism tariff on February 5, 1999 (Case No. 99-046) and as of this date, April 29, 1999, there is only a proposed procedural schedule and no assurance of an Order forthcoming by which Delta's rates can be set at an appropriate level for the next heating season. Certainly, Delta would prefer not to expend the time and money necessary to put on a costly rate case, however, Delta must pursue a general adjustment of its rates to assure that its rates may be set at a fair, just and reasonable level for the next winter season.

Sincerely,

John F. Hall

John F. Hall
Vice President – Finance,
Secretary & Treasurer

copy: Attorney General – Utility Intervention
and Rate Division

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
www.psc.state.ky.us
(502) 564-3940

October 18, 1999

Robert M. Watt, III
Stoll, Keenon & Park, LLP
201 East Main Street, Suite 1000
Lexington, KY 40507

RE: Delta Natural Gas Company, Inc.
Case No. 99-176
Petition for Confidential Protection

Dear Mr. Watt:

The Commission has received the petition filed September 24, 1999, on behalf of Delta Natural Gas Company, Inc. to protect as confidential the cost of service model prepared by the Prime Group. A review of the information has determined that it is entitled to the protection requested on the grounds relied upon in the petition and it shall be withheld from public inspection.

If the information becomes publicly available or no longer warrants confidential treatment, you are required by 807 KAR 5:001, Section 7(9)(a) to inform the Commission so that the information may be placed in the public record.

Sincerely,

Helen C. Helton

Helen C. Helton
Executive Director

cc: All parties of record

Commonwealth of Kentucky
Before the Kentucky Public Service Commission

RECEIVED

OCT 14 1999

PUBLIC SERVICE
COMMISSION

In the Matter of:

Adjustment of Rates of Delta Natural Gas Company, Inc.	))	Case No. 99-176

ATTORNEY GENERAL'S RESPONSE TO DATA REQUESTS PROPOUNDED BY THE KENTUCKY PUBLIC SERVICE COMMISSION BY ORDER DATED OCTOBER 4, 1999

October 14, 1999

CERTIFICATE OF SERVICE AND OF FILING

I hereby certify that this the 14th day of October, 1999, I have filed the original and eight true copies of the attached Responses with the Public Service Commission at 730 Schenkel Lane, Frankfort, Kentucky, 40601, and that I have served the parties with true copies of same by mailing said responses, postage prepaid, to the following:

JOHN F HALL
VICE PRESIDENT-FINANCE SEC TREAS
DELTA NATURAL GAS COMPANY INC
3617 LEXINGTON ROAD
WINCHESTER KY 40391

HONORABLE ROBERT M WATT III
STOLL KEENON & PARK LLP
201 EAST MAIN STREET SUITE 1000
LEXINGTON KY 40507 1380
Counsel for Delta Natural Gas Company, Inc.

[signature]

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

1. What utilities, if any to which Carl G. K. Weaver refers in his testimony have a Weather Normalization Adjustment ("WNA") mechanism?

Answer:

I assume the question refers to which, if any, of the five companies that were selected for obtaining data for the cost of equity analysis, have weather normalization clauses.

Cascade does not have a weather normalization clause. (Value Line, June 25,1999 report)

Conn. Energy does not appear to have a weather normalization clause.

CTG Resources used Weather stabilization insurance last year which contributed $0.08 a share to earnings (Value Line, June 25, 1999 report).

Energen has a "Rate Stabilization and Equalization" mechanism (Value Line, June 25, 1999). This would stabilize earnings from all sources, including weather.

South Jersey Industries has a "Temperature Adjustment Clause" which was modified this year (Value Line, June 25, 1999).

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

2. Refer to Testimony of Thomas S. Catlin (July 1999) at 15-18.

   a. At page 16 of his testimony, Mr. Catlin refers to Delta Natural Gas Company, Inc.'s ("Delta's") WNA proposal in Case No. 99-070. Did he intend to refer to Case No. 99-176 instead?

   b. For each issue listed below, state whether Mr. Catlin believes that Delta has in this proceeding adequately addressed the issue as it relates to Delta's proposed WNA mechanism and the reasons for his position:

      (1) The definition of normal weather;

      (2) The determination of weather-related gas usage;

      (3) The consistency of normal weather used in base rate determinations and in the WNA clause;

      (4) The consistency of normal weather determinations over time; and,

      (5) The statistical and methodological bases of making these various determinations.

Response

a. Yes.

b. Mr. Catlin does not believe Delta has adequately addressed the issues identified in this request because the Company has provided no testimony in this proceeding explaining or justifying its proposed WNA clause. Delta has provided some insight regarding its proposal in response to various Commission and Attorney General data requests. However, it has still not fully addressed issues such as: the justification for using its selected 30 year NOAA degree day data as the appropriate measure of normal degree days; whether its proposed methodology accurately accounts for the effects of weather on usage; or why it is appropriate to adjust the bill for every customer in a class up or down by a uniform percentage, regardless of that customer's actual usage characteristics and patterns.

Response prepared by: Thomas S. Catlin

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

3. Provide gas distribution utilities' tariffs containing WNA mechanisms that, in Mr. Catlin's opinion, adequately address the issues listed in Item 2(b) and are appropriate as a model for WNA mechanisms for gas distribution utilities under the Commission's jurisdiction.

Response

Mr. Catlin does not retain the copies of the tariffs of other utilities which he could provide as a model for WNA mechanism. It should be noted that despite some concerns with Delta's proposal, the Attorney General has not opposed Delta's WNA clause as proposed in this proceeding.

Response prepared by: Thomas S. Catlin

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

4. Refer to Testimony of Carl G. K. Weaver (September 23, 1999) at 37, line 15. Should the range be "9.92 percent to 10.92 percent" instead of "9.92 percent to 10.82 percent"?

Answer:

Yes, the range that encompasses the results of the bond-yield-risk-premium method should be from 9.92% - 10.92%.

This, however, is not the range that I am recommending. As shown on the next page, I have found that the cost of equity for Delta if the ARP is not accepted by the Commission should be in the range from 10.25% to 11.25%. This was determined using the bond-yield-risk-premium results, the DCF results, and the CAPM results in combination with an analysis of the risk of Delta relative to the risk of the five companies in the comparison sample.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

5. Refer to Testimony of Carl G. K. Weaver (September 23, 1999) at 5, lines 10-18.

A. When updating his testimony of July 30, 1999, why did Dr. Weaver narrow the range by striking the high-low values when he did not take this action when preparing his testimony of July 30, 1999?

B. Provide the average of the three methods if the high-low values and not excluded.

Answer:

A. In the July 30, 1999 testimony, as shown on page 37, lines 18 - 22, where I provide a summary of the results of the three methods, I simply did not calculate an average. Therefore I did not change the methodology in the testimony that I submitted on July 30, 1999. I did calculate an average for the September 23 testimony to provide additional information.

B. The average of the three methods when the high-low values are **not excluded** is the range from 8.8% - 10.9%. When the high-low values are removed, the average should be 9.5% - 10.8%. On page 5, please change line 18 to read: "Average of all three values," and line 22 of page 5 to reflect a range after striking the high and low values to be 9.5% - 10.8%.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

6. Refer to Testimony of Carl G. K. Weaver (July 30, 1999) at 38. Show the calculations to support Dr. Weaver's statement that "[t]he cost of equity for the five companies would average from 9.75 to 10.75 percent."

Answer:

The cost of equity calculation for the five companies is similar to the results of the average for the range found for the DCF method, CAPM method, and Bond-Yield-Risk Premium method shown at the bottom of page 37 in the testimony submitted July 30, 1999 and updated in the September 23 testimony. These results provide information supporting the 9.75 - 10.75 range for the five companies. In the final analysis, the cost of equity is determined on the basis of informed judgement rather than being an "calculation"..

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

7. Refer to Testimony of Carl G. K. Weaver (September 23, 1999), Schedule 34. Explain how the short-term and long-term debt cost rates were derived. Show all calculations and state all assumptions used to derive these rates.

Answer:

I accepted the cost rates for short-term and long-term debt recommended by Delta Witness John Hall. These rates are recommended in his testimony on page 5, lines 16 - 18.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

8. Refer to Testimony of Carl G. K. Weaver (September 23, 1999) at 2, lines 5-10. Does Dr. Weaver consider Delta's capital structure to be high risk? Explain.

Answer:

I believe the question is meant to refer to the July 30, 1999 testimony.

I do not consider Delta's capital structure to be "high" risk but as I acknowledge in the July 30 testimony on pages 16 and 17, lines 14-20 and 1-5, Delta's leverage causes it to be more risky than the five companies used in the analysis. However, Delta's cash flow coverage of interest is nearly as good as the coverage for the five companies. I discuss this on page 18, where I show that Delta's cash flow coverage of interest is 3.07 times and the coverage for the five companies is 3.18 times. At page 25 of that testimony, I conclude on lines 2-4 that Delta is a little more risky from its greater use of financial leverage, its greater operating leverage, and a greater need for external financing.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

9. Refer to Testimony of Carl G. K. Weaver (September 23, 1999) at 2, lines 13-16, and Testimony of Carl G. K. Weaver (July 30, 1999) at 8, lines 10-14. Dr. Weaver's positions on the use of a hypothetical capital structure appear to conflict. Clarify Dr. Weaver's position on the use of a hypothetical capital structure.

Answer:

I assume that question is referring to the July 30, 1999 testimony is at page 2 lines 13-16 and the September 23 testimony is referring to page 8, lines 10-14.

In my July 30 testimony, I state that the Commission can use a hypothetical capital structure if it finds that the capital structure chosen by management has excessive equity capital. This is a decision that the Commission could make if it -- the Commission -- disagrees with management's choice of a capital structure. In my September 23 testimony, I am recommending that Delta's request to use a hypothetical capital structure be rejected. Delta's management chose a capital structure that had much more debt in it. Its Board of Directors increased dividends in two years when little growth in EPS occurred. The mix of debt and equity in the capital structure is to a large degree, determined by the company. Therefore the choice of the capital structure to use in a rate hearing should not be within the prerogative of the company. However, the Commission does have the authority to select an alternative structure if it desires to do so.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

10. In his testimony of September 23, 1999, Dr. Weaver did not amend Schedule 5, but did amend Schedule 1 to show that Delta's increase in total assets from 1997 to 1998 is 6.4 percent instead of 3.1 percent. What effect, if any, does this amendment have on page 15, lines 13 through 15, of Dr. Weavers testimony of July 30, 1999?

Answer:

The changes were nearly proportional so the conclusion that, "[t]he relative financing needs for increasing the amount of assets was about the same for the five companies and for Delta" remains. Using the corrected numbers, the 1997-98 increase in total assets was 6.5% for the five companies and 6.4% for Delta.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

11. Refer to Testimony of Carl G. K. Weaver (July 30, 1999), Schedule 5. In light of the amendment that Dr. Weaver has made to Schedule 1 of his testimony and its effect on Schedule 5 and considering the disparity between the five selected companies' data and that of Delta, are the companies listed in Schedule 5 comparable to Delta or simply the closest relative to all 23 Value Line companies? Explain.

Answer:

The statement that the companies are the closest relative to all 23 Value Line companies is a more accurate statement. I preform additional risk analysis in my testimony to detect the risk differences to adjust the cost of equity that is determined using the data from the five companies. After the five companies were selected, I performed a comparison of the capital structures (7/30/99 testimony, pages 16-17), a thorough cash flow analysis (7/30/99 testimony, pages 17-21) and examined published risk measures (7/30/99 testimony, pages 21-24). As a result of the risk differences found in this analysis, I concluded that Delta's cost of equity is 50 basis points higher than the cost rate for the five companies.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

12. Refer to Testimony of Carl G. K. Weaver (July 30, 1999) at 16, lines 2-7. How much of Delta's relatively greater financial risk is mitigated by its lessor amount of current liabilities?

Answer:

The total liabilities to total assets provides a measure of the actual amount of debt and other debt like obligations that must be repaid. The current liabilities are included as a part of the total liabilities. As seen in Schedule 5, Delta's ratio is 71% and the five companies' ratio is 66% This indicates that Delta's assets are financed with 29% equity capital and the five companies assets are financed with 34% equity and preferred stock capital. The five companies have 1.9% preferred stock so this reduces the five companies equity to 32.1% versus Delta's 29%. The use of the other debt obligation sources and the cash flow coverage of interest greatly mitigate the difference in the amount of leverage between Delta and the five companies. In terms of total debt from all sources and the fixed dividend preferred stock, Delta's debt is 3.1% higher than the five companies.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

13. Refer to Testimony of Carl G. K. Weaver (July 30, 1999) at 17, line 2. Based upon the information in Schedule 7, should Delta's fixed capital service payment financing be set out as 65.4 percent instead of 64.4 percent?

Answer:

Yes.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

14. Refer to Testimony of Carl G. K. Weaver (September 23, 1999), Schedule 15, and Testimony of Carl G. K. Weaver (July 30, 1999), Schedule 16. Considering the disparity in Beta estimates between Standard & Poor's and Value Line, could Delta be considered as having higher systematic risk by a rating agency other than Standard & Poor's? Explain the answer thoroughly.

Answer:

Yes. Many financial services companies compute betas, measures of systematic risk. Both Standard & Poor's and Value Line use regression analysis to compute beta. Both use five years of historical data. Value Line uses weekly ending price observations and Standard & Poor's use monthly ending price observations as the dependent variables. Value Line uses the NYSE Index as its independent variable and Standard & Poor's use the S&P 500 Index. Perhaps the largest cause of the disparity is caused by Value Line's use a Bayesian Statistical adjustment to the resulting betas. Standard & Poor's does not adjust the betas. When different time periods are used, or different variables, or different adjustments are used, the resulting betas will be different. Some will be higher, and some will be lower. Value Line and Standard & Poor's are good sources for beta because of their ready availability. To the extent that many investors rely on them and use them, the betas tend to become a self fulfilling prophecy.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

15. Refer to Testimony of Carl G. K. Weaver (July 30, 1999) at 30. Dr. Weaver indicates that the majority of Delta's Earnings per Share ("EPS") fluctuations are weather related. To what causes does he attribute the remainder of the EPS fluctuations?

Answer:

I have not performed a study to determine any other major cause of EPS fluctuations. I reached the conclusion from the data presented in the testimony on page 30, lines 15-20.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

16. A. Provide a comparison of the residential and commercial load of each of the five comparable companies of Delta.

B. Provide all Value Line and Standard & Poor's reports that discuss the effect of warmer weather on each of the five comparable companies. If such reports are unavailable, provide data showing the effect of such weather on each company's EPS.

Answer:

A. I have not performed a study that comparies the residential and commercial loads of each of the five companies. I conclude that Delta has a larger residential and commercial load than the five companies from the Standard & Poor's report that states that "at present, more than 99% of DGAS' customers consist of residential and commercial accounts." The "Business Summary section of Standard & Poor's indicates that all of the five companies have a greater amount of industrial customers.

B. See answer to A.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

17. Refer to Testimony of Carl G. K. Weaver (July 30, 1999) at 30, lines 9-14. During the period from 1989 to 1998, did other natural gas utilities experience a large amount of variability in EPS and yet maintain a relatively constant and slowly growing dividend? Explain.

Answer:

Yes. As shown on the Standard & Poor's Stock Reports, the five companies all had fluctuations in EPS during this period but were able to maintain a constant or slightly increasing dividend.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

18. Provide all source documents used for all calculations made to analyze Delta's cost of equity.

Answer:

Attached please find copies of the Value Line , Standard & Poor's , Stock Price information, and the Compact Disclosure print-outs.

More Info: Quote | Chart | News | Profile | Research | SEC | Msgs | Insider

Historical Quotes

	Month	Day	Year
Start Date:	Jun	06	99
End Date:	Sep	07	99

◉ Daily
○ Weekly
○ Monthly
○ Dividends

Ticker Symbol: cne

Get Historical Data

Date	Open	High	Low	Close	Volume	Adj. Close*
3-Sep-99	37.375	37.625	37.3125	**37.625**	4,300	37.625
2-Sep-99	37.875	37.9375	37.4375	**37.50**	4,200	37.50
1-Sep-99	37.4375	37.9375	37.4375	**37.8125**	5,300	37.8125
31-Aug-99	37.50	37.5625	37.25	**37.375**	10,100	37.375
30-Aug-99	37.375	37.5625	37.375	**37.5625**	4,400	37.5625
27-Aug-99	37.3125	37.375	37.3125	**37.3125**	3,200	37.3125
26-Aug-99	37.4375	37.5625	37.4375	**37.50**	7,300	37.50
25-Aug-99	37.25	37.4375	37.25	**37.4375**	10,200	37.4375
24-Aug-99	37.375	37.375	37.3125	**37.375**	9,000	37.375
23-Aug-99	37.625	37.625	37.5625	**37.625**	2,400	37.625
20-Aug-99	37.75	37.75	37.625	**37.75**	3,100	37.75
19-Aug-99	37.5625	37.8125	37.5625	**37.625**	11,000	37.625
18-Aug-99	37.50	37.5625	37.50	**37.5625**	6,200	37.5625
17-Aug-99	37.75	37.75	37.5625	**37.625**	13,100	37.625
16-Aug-99	38.1875	38.1875	37.625	**37.6875**	14,400	37.6875
13-Aug-99	37.875	38.1875	37.875	**38.1875**	7,600	38.1875
12-Aug-99	37.9375	38	37.8125	**38**	4,800	38
11-Aug-99	37.9375	38.0625	37.9375	**38.0625**	4,800	38.0625
10-Aug-99	37.50	38.125	37.0625	**38.125**	37,100	38.125
9-Aug-99	37.50	37.50	37.3125	**37.50**	29,700	37.50
6-Aug-99	37.50	37.5625	37.4375	**37.4375**	8,200	37.4375
5-Aug-99	37.625	37.625	37.375	**37.625**	26,200	37.625

18 - 2

4-Aug-99	37.625	37.75	37.375	**37.75**	11,300	37.75
3-Aug-99	38.0625	38.125	37.6875	**37.8125**	10,100	37.8125
2-Aug-99	38.0625	38.0625	37.75	**38.0625**	40,600	38.0625
30-Jul-99	37.625	38.25	37.625	**38.25**	8,700	38.25
29-Jul-99	37.375	37.625	37.375	**37.50**	5,100	37.50
28-Jul-99	37.375	37.50	37.375	**37.375**	6,700	37.375
27-Jul-99	37.50	37.50	37.4375	**37.4375**	6,500	37.4375
26-Jul-99	37.375	37.6875	37.375	**37.50**	22,800	37.50
23-Jul-99	37.8125	37.8125	37.5625	**37.625**	10,200	37.625
22-Jul-99	38.50	38.50	37.75	**37.8125**	13,500	37.8125
21-Jul-99	38.625	38.8125	38.50	**38.5625**	6,300	38.5625
20-Jul-99	38.6875	38.8125	38.50	**38.75**	33,500	38.75
19-Jul-99	38.625	38.75	38.50	**38.75**	54,200	38.75
16-Jul-99	38.5625	38.6875	38.50	**38.6875**	180,100	38.6875
15-Jul-99	38.75	38.8125	38.50	**38.625**	10,100	38.625
14-Jul-99	38.625	38.8125	38.625	**38.8125**	20,600	38.8125
13-Jul-99	38.75	38.8125	38.625	**38.75**	6,500	38.75
12-Jul-99	38.4375	38.6875	38.4375	**38.625**	19,600	38.625
9-Jul-99	38.6875	38.875	38.4375	**38.625**	34,100	38.625
8-Jul-99	38.625	38.875	38.625	**38.875**	5,000	38.875
7-Jul-99	38.4375	38.75	38.3125	**38.6875**	220,000	38.6875
6-Jul-99	38	38.50	38	**38.4375**	5,900	38.4375
2-Jul-99	38.4375	38.4375	38	**38.1875**	6,700	38.1875
1-Jul-99	38.625	38.6875	38.125	**38.4375**	48,900	38.4375
30-Jun-99	38.75	38.75	38.25	**38.5625**	59,500	38.5625
29-Jun-99	38.8125	38.9375	38.75	**38.75**	37,200	38.75
28-Jun-99	38.8125	38.9375	38.8125	**38.9375**	10,000	38.9375
25-Jun-99	38.75	38.9375	38.625	**38.6875**	4,400	38.6875
24-Jun-99	38.625	38.75	38.4375	**38.6875**	6,600	38.6875
23-Jun-99	39.0625	39.0625	38.625	**38.625**	69,200	38.625
22-Jun-99	38.625	39.1875	38.625	**39.0625**	31,700	39.0625
21-Jun-99	38.8125	38.8125	38.125	**38.75**	73,900	38.75
18-Jun-99	38.5625	38.875	38.50	**38.6875**	20,500	38.6875
17-Jun-99	38.625	38.625	38.25	**38.375**	13,000	38.375
16-Jun-99	38.3125	38.75	38.3125	**38.75**	16,300	38.75

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16-Jun-99	$0.34 Cash Dividend					
15-Jun-99	38.50	38.875	38.50	**38.875**	22,000	38.539
14-Jun-99	38.625	38.625	38.375	**38.50**	13,700	38.1672
11-Jun-99	38.75	38.75	37.875	**38.125**	29,400	37.7955
10-Jun-99	38.1875	38.625	38	**38.625**	31,300	38.2912
9-Jun-99	38.1875	38.5625	38.125	**38.3125**	30,100	37.9814
8-Jun-99	38.25	38.3125	38.125	**38.3125**	9,300	37.9814
7-Jun-99	37.75	38.25	37.6875	**38.0625**	10,300	37.7335

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* adjusted for dividends and splits,please see FAQ.

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More Info: Quote | Chart | News | Profile | Research | SEC | Msgs | Insider

	Month	Day	Year	
Start Date:	Jun	06	99	◉ Daily
End Date:	Sep	07	99	○ Weekly
				○ Monthly
				○ Dividends

Ticker Symbol: cgc

Get Historical Data

Date	Open	High	Low	Close	Volume	Adj. Close*
3-Sep-99	17.875	18	17.75	**17.875**	23,300	17.875
2-Sep-99	17.75	18	17.4375	**17.8125**	23,100	17.8125
1-Sep-99	18.25	18.50	17.75	**17.75**	63,700	17.75
31-Aug-99	17.9375	18.3125	17.9375	**18.3125**	26,400	18.3125
30-Aug-99	17.5625	18.0625	17.5625	**18**	15,000	18
27-Aug-99	18	18.0625	17.50	**17.50**	22,000	17.50
26-Aug-99	18	18.125	18	**18**	11,600	18
25-Aug-99	17.9375	18.125	17.9375	**18.125**	14,600	18.125
24-Aug-99	17.50	17.9375	17.50	**17.9375**	23,400	17.9375
23-Aug-99	17.375	17.625	17.1875	**17.50**	14,500	17.50
20-Aug-99	17.375	17.50	17.25	**17.3125**	6,200	17.3125
19-Aug-99	16.875	17.4375	16.875	**17.375**	31,400	17.375
18-Aug-99	16.8125	17	16.7812	**16.9375**	11,300	16.9375
17-Aug-99	16.9375	17.0625	16.875	**16.875**	16,800	16.875
16-Aug-99	16.6875	17	16.50	**17**	29,400	17
13-Aug-99	16.75	16.75	16.1875	**16.5625**	33,300	16.5625
12-Aug-99	16.9375	16.9375	16.625	**16.75**	25,400	16.75
11-Aug-99	16.875	16.9375	16.8125	**16.8125**	6,200	16.8125
10-Aug-99	17.25	17.25	16.8125	**17**	8,800	17
9-Aug-99	17.4375	17.625	17.1875	**17.1875**	23,200	17.1875
6-Aug-99	17	17.3125	17	**17.3125**	11,600	17.3125
5-Aug-99	17.125	17.125	17	**17.0625**	12,600	17.0625

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4-Aug-99	16.8125	17.0625	16.8125	**17.0625**	24,800	17.0625
3-Aug-99	18.125	18.1875	16.875	**17**	29,200	17
2-Aug-99	17.9375	18.4375	17.75	**18.1875**	41,200	18.1875
30-Jul-99	17.875	18.0625	17.75	**17.9375**	23,500	17.9375
29-Jul-99	17.9375	18.0625	17.875	**17.9375**	10,500	17.9375
28-Jul-99	18	18.0625	17.9375	**18**	21,500	18
27-Jul-99	17.875	18.4375	17.75	**18.1875**	35,300	18.1875
26-Jul-99	17.875	18	17.75	**17.875**	20,400	17.875
23-Jul-99	17.3125	17.9375	17.3125	**17.9375**	24,200	17.9375
22-Jul-99	17.375	17.375	17.125	**17.25**	16,100	17.25
21-Jul-99	17.6875	17.9375	17.4375	**17.4375**	29,000	17.4375
20-Jul-99	18	18.50	17.875	**17.9375**	59,700	17.9375
19-Jul-99	17.75	18.125	17.75	**18.125**	31,200	18.125
16-Jul-99	17.375	17.875	17.375	**17.75**	38,900	17.75
15-Jul-99	17.4375	17.50	17.3125	**17.50**	23,400	17.50
14-Jul-99	17.4375	17.4375	17.25	**17.375**	17,200	17.375
13-Jul-99	17.625	17.625	17.25	**17.4375**	21,800	17.4375
13-Jul-99	$0.24 Cash Dividend					
12-Jul-99	17.625	18.0625	17.625	**17.9375**	29,000	17.6975
9-Jul-99	18	18	17.6875	**17.75**	9,100	17.5125
8-Jul-99	18.1875	18.1875	17.5625	**17.9375**	32,400	17.6975
7-Jul-99	18.1875	18.50	18.125	**18.1875**	26,100	17.9442
6-Jul-99	18.3125	18.3125	18.0625	**18.125**	26,200	17.8825
2-Jul-99	18.4375	18.75	18.375	**18.375**	12,900	18.1291
1-Jul-99	18.8125	18.875	18.125	**18.6875**	36,200	18.4375
30-Jun-99	18.25	19.75	18.25	**19**	201,400	18.7458
29-Jun-99	18.4375	18.5625	18.1875	**18.25**	26,500	18.0058
28-Jun-99	17.9375	18.375	17.9375	**18.25**	37,600	18.0058
25-Jun-99	17.875	17.9375	17.75	**17.875**	14,100	17.6358
24-Jun-99	18.0625	18.0625	17.5625	**18**	16,200	17.7592
23-Jun-99	18	18.375	17.75	**18**	51,100	17.7592
22-Jun-99	18	18	17.625	**18**	60,400	17.7592
21-Jun-99	17.8125	18	17.5625	**18**	18,500	17.7592
18-Jun-99	18	18	17.50	**17.9375**	48,100	17.6975
17-Jun-99	17.875	18	17.75	**18**	27,700	17.7592

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16-Jun-99	17.625	17.9375	17.375	**17.875**	26,900	17.6358
15-Jun-99	16.9375	17.9375	16.9375	**17.75**	32,200	17.5125
14-Jun-99	16.9375	17	16.8125	**16.875**	18,500	16.6492
11-Jun-99	16.6875	16.75	16.6875	**16.75**	3,500	16.5259
10-Jun-99	16.75	16.8125	16.75	**16.75**	11,200	16.5259
9-Jun-99	16.8125	16.875	16.75	**16.8125**	21,000	16.5876
8-Jun-99	16.5625	16.75	16.5625	**16.6875**	3,300	16.4642
7-Jun-99	16.5625	16.625	16.5625	**16.625**	5,900	16.4026

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* adjusted for dividends and splits,please see FAQ.

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	Month	Day	Year
Start Date:	Jun	06	99
End Date:	Sep	07	99

◉ Daily
○ Weekly
○ Monthly
○ Dividends

Ticker Symbol: ctg

Get Historical Data

Date	Open	High	Low	Close	Volume	Adj. Close*
3-Sep-99	35.5625	35.6875	35.5625	**35.6875**	4,400	35.6875
2-Sep-99	35.875	36	35.5625	**35.5625**	11,300	35.5625
1-Sep-99	35.8125	36.0625	35.8125	**35.9375**	7,000	35.9375
31-Aug-99	35.875	36	35.8125	**35.8125**	7,500	35.8125
30-Aug-99	35.875	36.125	35.75	**35.875**	8,200	35.875
27-Aug-99	35.875	36.0625	35.75	**35.9375**	63,000	35.9375
26-Aug-99	35.875	36	35.75	**35.75**	14,900	35.75
25-Aug-99	35.875	36.125	35.75	**36**	36,700	36
24-Aug-99	36.0625	36.25	35.8125	**35.9375**	68,000	35.9375
23-Aug-99	36.50	36.50	36.1875	**36.1875**	13,400	36.1875
20-Aug-99	36.0625	36.4375	36.0625	**36.4375**	8,100	36.4375
19-Aug-99	36.25	36.25	36.1875	**36.1875**	15,200	36.1875
18-Aug-99	36.1875	36.3125	36.1875	**36.25**	12,000	36.25
17-Aug-99	36.375	36.375	36.1875	**36.3125**	7,700	36.3125
16-Aug-99	36.1875	36.50	36.1875	**36.4375**	6,700	36.4375
13-Aug-99	36.3125	36.3125	36	**36.25**	18,300	36.25
12-Aug-99	36.50	36.50	36.1875	**36.375**	10,800	36.375
11-Aug-99	36.375	36.625	36.375	**36.625**	21,900	36.625
10-Aug-99	36.50	36.50	36	**36.375**	30,500	36.375
9-Aug-99	36.625	36.625	36.50	**36.50**	4,100	36.50
6-Aug-99	36.625	36.6875	36.375	**36.625**	9,200	36.625

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5-Aug-99	36.75	36.8125	36.50	**36.75**	8,000	36.75
4-Aug-99	37	37	36.875	**36.875**	6,000	36.875
3-Aug-99	37	37.1875	37	**37**	27,500	37
2-Aug-99	36.6875	37.0625	36.5625	**37.0625**	13,000	37.0625
30-Jul-99	36.375	36.75	36.25	**36.6875**	13,700	36.6875
29-Jul-99	36.375	36.625	36.375	**36.4375**	8,500	36.4375
28-Jul-99	36.75	36.75	36.375	**36.625**	12,100	36.625
27-Jul-99	36.75	36.875	36.625	**36.8125**	17,400	36.8125
26-Jul-99	36.625	37.125	36.5625	**36.9375**	14,200	36.9375
23-Jul-99	36.4375	36.75	36.375	**36.75**	34,300	36.75
22-Jul-99	36.4375	36.625	36.25	**36.4375**	37,200	36.4375
21-Jul-99	36.625	36.6875	36.125	**36.3125**	26,600	36.3125
20-Jul-99	36.625	36.625	36.3125	**36.50**	17,800	36.50
19-Jul-99	36.6875	36.6875	36.625	**36.6875**	9,900	36.6875
16-Jul-99	36.8125	36.8125	36.625	**36.75**	17,800	36.75
15-Jul-99	36.8125	36.9062	36.6875	**36.875**	14,000	36.875
14-Jul-99	36.75	36.875	36.625	**36.875**	10,500	36.875
13-Jul-99	36.6875	36.875	36.625	**36.875**	23,800	36.875
12-Jul-99	36.625	36.75	36.5625	**36.75**	25,800	36.75
9-Jul-99	36.625	36.75	36.5625	**36.6875**	23,200	36.6875
8-Jul-99	36.625	36.8125	36.50	**36.6875**	18,900	36.6875
7-Jul-99	36.50	36.6875	36.4375	**36.6875**	33,400	36.6875
6-Jul-99	36.6875	36.75	36.375	**36.50**	44,300	36.50
2-Jul-99	37	37	36.625	**36.9375**	31,700	36.9375
1-Jul-99	36.375	37	36.3125	**36.9375**	95,800	36.9375
30-Jun-99	36	36.875	36	**36.375**	395,800	36.375
29-Jun-99	34.25	35.75	34.25	**35.625**	82,800	35.625
28-Jun-99	33.625	34.375	33	**34**	120,200	34
25-Jun-99	32.50	33.875	32.375	**33.50**	59,800	33.50
24-Jun-99	32.875	33	31.875	**32.50**	32,600	32.50
23-Jun-99	32.125	32.9375	31.75	**32.9375**	64,600	32.9375
22-Jun-99	33.0625	33.25	32.125	**32.375**	35,100	32.375
21-Jun-99	33.25	33.375	33	**33.125**	62,200	33.125
18-Jun-99	33.4375	33.4375	33	**33.25**	54,700	33.25
17-Jun-99	33.25	34	33	**33.4375**	39,600	33.4375

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16-Jun-99	32.875	34	31.625	**33.125**	141,600	33.125
15-Jun-99	29.75	33.75	29.75	**33.0625**	181,300	33.0625
14-Jun-99	28.5625	29.375	28.375	**29.25**	37,800	29.25
11-Jun-99	27.75	28.6875	27.75	**28.0625**	29,800	28.0625
10-Jun-99	27.25	27.75	27.1875	**27.625**	24,900	27.625
9-Jun-99	27.1875	27.625	27.1875	**27.375**	155,300	27.375
9-Jun-99	$0.26 Cash Dividend					
8-Jun-99	28	28	27.75	**27.75**	19,300	27.49
7-Jun-99	28.25	28.25	27.8125	**28**	21,600	27.7377

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Questions or Comments?

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More Info: Quote | Chart | News | Profile | Research | Msgs | Insider

Historical Quotes

	Month	*Day*	*Year*
Start Date:	Jun	06	99
End Date:	Sep	07	99

◉ Daily
○ Weekly
○ Monthly
○ Dividends

Ticker Symbol: egn

Get Historical Data

Date	Open	High	Low	Close	Volume	Adj. Close*
3-Sep-99	19.1875	19.875	19.1875	**19.875**	19,700	19.875
2-Sep-99	19.375	19.50	19.25	**19.25**	69,400	19.25
1-Sep-99	19	19.4375	18.9375	**19.4375**	25,900	19.4375
31-Aug-99	19	19.125	18.875	**18.875**	43,400	18.875
30-Aug-99	19.0625	19.125	18.8125	**18.875**	89,700	18.875
27-Aug-99	19	19.125	19	**19.0625**	45,700	19.0625
26-Aug-99	19.0625	19.1875	19	**19**	18,700	19
25-Aug-99	18.75	19.3125	18.75	**19.125**	35,500	19.125
24-Aug-99	19.0625	19.25	18.875	**18.875**	37,500	18.875
23-Aug-99	18.75	19.25	18.75	**19.0625**	71,500	19.0625
20-Aug-99	18.9375	19	18.75	**18.875**	51,300	18.875
19-Aug-99	18.375	19	18.375	**19**	94,300	19
18-Aug-99	18.4375	18.4375	18.125	**18.25**	10,500	18.25
17-Aug-99	18.25	18.50	18.1875	**18.4062**	44,900	18.4062
16-Aug-99	18.4375	18.4375	18.125	**18.1875**	42,800	18.1875
13-Aug-99	18.50	18.50	18.25	**18.4375**	22,600	18.4375
12-Aug-99	18	18.875	18	**18.5625**	35,900	18.5625
11-Aug-99	18	18	17.50	**18**	161,800	18
11-Aug-99	$0.17 Cash Dividend					
10-Aug-99	18.625	18.75	18.3125	**18.625**	33,500	18.46
9-Aug-99	18.9375	18.9375	18.75	**18.75**	39,100	18.5839

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6-Aug-99	18.875	18.9375	18.75	**18.875**	49,000	18.7078
5-Aug-99	18.8125	18.875	18.75	**18.875**	11,200	18.7078
4-Aug-99	18.75	18.875	18.75	**18.875**	18,200	18.7078
3-Aug-99	18.5625	18.8125	18.5625	**18.8125**	52,800	18.6458
2-Aug-99	18.6875	18.75	18.5625	**18.625**	10,400	18.46
30-Jul-99	18.75	18.75	18.625	**18.75**	52,700	18.5839
29-Jul-99	18.75	18.8125	18.5625	**18.75**	19,800	18.5839
28-Jul-99	18.50	18.875	18.375	**18.875**	14,900	18.7078
27-Jul-99	18.6875	18.9375	18.50	**18.50**	21,500	18.3361
26-Jul-99	18.8125	19.1875	18.75	**18.8125**	21,700	18.6458
23-Jul-99	19	19.1875	18.75	**18.8125**	18,800	18.6458
22-Jul-99	18.875	19.125	18.8125	**19.125**	25,500	18.9556
21-Jul-99	18.8125	19.1875	18.75	**19**	24,300	18.8317
20-Jul-99	18.75	18.9375	18.75	**18.875**	17,900	18.7078
19-Jul-99	18.8125	19.0625	18.75	**19**	14,900	18.8317
16-Jul-99	18.875	19.0625	18.8125	**19.0625**	23,500	18.8936
15-Jul-99	18.75	18.9375	18.625	**18.9375**	25,300	18.7697
14-Jul-99	18.9375	18.9375	18.625	**18.9375**	18,500	18.7697
13-Jul-99	19.25	19.25	18.50	**18.75**	12,500	18.5839
12-Jul-99	19	19.3125	19	**19.3125**	11,600	19.1414
9-Jul-99	19	19.0625	18.875	**19**	29,700	18.8317
8-Jul-99	18.875	19	18.75	**19**	44,300	18.8317
7-Jul-99	19	19.125	18.75	**18.9375**	23,400	18.7697
6-Jul-99	19	19.125	19	**19.0625**	31,700	18.8936
2-Jul-99	19	19.25	19	**19.1875**	50,800	19.0175
1-Jul-99	18.5625	18.9375	18.4844	**18.9375**	74,500	18.7697
30-Jun-99	18.9375	18.9375	18.625	**18.625**	59,500	18.46
29-Jun-99	18.8125	18.8125	18.50	**18.5625**	48,900	18.3981
28-Jun-99	18.75	19	18.625	**18.6875**	22,600	18.5219
25-Jun-99	18.625	18.8125	18.50	**18.6875**	10,500	18.5219
24-Jun-99	18.6875	18.8125	18.50	**18.50**	22,200	18.3361
23-Jun-99	19	19	18.50	**18.5625**	35,800	18.3981
22-Jun-99	18.4375	18.9375	18.4375	**18.9375**	70,900	18.7697
21-Jun-99	19	19	18.125	**18.3125**	28,500	18.1503
18-Jun-99	19.375	19.375	18.8125	**18.875**	35,700	18.7078

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17-Jun-99	18.[illegible]88	19.125	18.875	**19**	28,60[illegible]	18.8317
16-Jun-99	19.25	19.375	19	**19**	27,100	18.8317
15-Jun-99	18.875	19.125	18.625	**19.125**	50,900	18.9556
14-Jun-99	18.8125	18.875	18.625	**18.75**	71,500	18.5839
11-Jun-99	18.625	19.1875	18.625	**18.6875**	27,200	18.5219
10-Jun-99	19.125	19.25	18.875	**18.875**	130,500	18.7078
9-Jun-99	19.625	19.9375	19.125	**19.1875**	39,300	19.0175
8-Jun-99	19.3125	19.75	19.125	**19.50**	87,900	19.3272
7-Jun-99	18.4375	19.25	18.4375	**19.1875**	34,500	19.0175

Download Spreadsheet Format

* adjusted for dividends and splits,please see FAQ.

Questions or Comments?

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	Month	Day	Year	
Start Date:	Jun	06	99	◉ Daily
End Date:	Sep	07	99	○ Weekly
				○ Monthly
				○ Dividends

Ticker Symbol: sji

Get Historical Data

Date	Open	High	Low	Close	Volume	Adj. Close*
3-Sep-99	29.125	29.6875	29.125	**29.6875**	9,900	29.6875
2-Sep-99	29.0625	29.125	28.9375	**29.125**	12,900	29.125
1-Sep-99	28.375	29.25	28.375	**29.125**	9,300	29.125
31-Aug-99	28.8125	28.8125	28.375	**28.50**	17,900	28.50
30-Aug-99	29.25	29.25	28.875	**29**	6,900	29
27-Aug-99	29.5625	29.5625	29.125	**29.25**	8,700	29.25
26-Aug-99	30.25	30.25	29.6875	**29.6875**	6,400	29.6875
25-Aug-99	30.625	30.625	29.875	**30.1875**	15,600	30.1875
24-Aug-99	29.75	30.625	29.75	**30.625**	14,100	30.625
23-Aug-99	29.875	29.9375	29.75	**29.875**	3,800	29.875
20-Aug-99	29	29.875	29	**29.875**	7,400	29.875
19-Aug-99	28.875	29.1875	28.75	**29.1875**	55,200	29.1875
18-Aug-99	29	29.25	29	**29**	3,800	29
17-Aug-99	28.75	29.125	28.75	**29.125**	5,700	29.125
16-Aug-99	29.5625	29.5625	28.375	**28.8125**	230,300	28.8125
13-Aug-99	29.375	29.50	29.375	**29.50**	6,900	29.50
12-Aug-99	29.3125	29.4375	29.3125	**29.375**	3,800	29.375
11-Aug-99	29.50	29.50	29	**29.4375**	6,800	29.4375
10-Aug-99	29.8125	29.875	29.4375	**29.4375**	5,100	29.4375
9-Aug-99	29.6875	29.875	29.6875	**29.6875**	2,400	29.6875
6-Aug-99	30.0625	30.0625	29.75	**29.8125**	5,500	29.8125
5-Aug-99	30.0625	30.0625	29.75	**30.0625**	7,200	30.0625

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4-Aug-99	29.875	30.4375	29.875	**30.125**	8,000	30.125
3-Aug-99	30.75	30.75	29.875	**29.9375**	5,400	29.9375
2-Aug-99	29.875	30.625	29.875	**30.625**	11,100	30.625
30-Jul-99	29.875	30.125	29.875	**30**	18,100	30
29-Jul-99	30.125	30.125	29.875	**29.9375**	18,600	29.9375
28-Jul-99	29.75	30.25	29.50	**30**	5,600	30
27-Jul-99	30.0625	30.125	29.875	**29.9375**	20,900	29.9375
26-Jul-99	29.50	30.125	29.375	**29.9375**	20,300	29.9375
23-Jul-99	28.625	29.5625	28.625	**29.375**	38,600	29.375
22-Jul-99	29.0625	29.1875	28.6875	**28.8125**	31,100	28.8125
21-Jul-99	30	30	29.125	**29.1875**	10,300	29.1875
20-Jul-99	30	30.0625	29.75	**30**	36,500	30
19-Jul-99	30.125	30.25	29.875	**30.0625**	21,500	30.0625
16-Jul-99	30.0625	30.3125	30	**30.0625**	29,100	30.0625
15-Jul-99	30.0625	30.1875	29.8125	**30.0625**	40,400	30.0625
14-Jul-99	30.0625	30.375	30	**30.0625**	38,100	30.0625
13-Jul-99	30.50	30.50	30	**30.125**	52,800	30.125
12-Jul-99	30.3125	30.75	30.25	**30.75**	24,900	30.75
9-Jul-99	29.6875	30.4375	29.625	**30.4375**	26,800	30.4375
8-Jul-99	29.3125	29.6875	29.25	**29.625**	15,200	29.625
7-Jul-99	29.375	29.50	29.125	**29.4375**	5,800	29.4375
6-Jul-99	29.125	29.375	29.125	**29.3125**	6,900	29.3125
2-Jul-99	28.9375	29.25	28.9375	**29.125**	22,100	29.125
1-Jul-99	28.1875	29.25	28.1875	**28.9375**	60,400	28.9375
30-Jun-99	27.75	28.50	27.5625	**28.3125**	24,500	28.3125
29-Jun-99	27.4375	27.9375	27.25	**27.50**	14,900	27.50
28-Jun-99	26.8125	27.625	26.8125	**27.375**	36,500	27.375
25-Jun-99	26.9375	27.125	26.9375	**27.0625**	8,400	27.0625
24-Jun-99	27.8125	27.8125	27.1875	**27.1875**	19,900	27.1875
23-Jun-99	28.5625	28.5625	27.75	**27.75**	24,400	27.75
22-Jun-99	28.625	28.6875	28.5938	**28.6875**	32,700	28.6875
21-Jun-99	28.5625	28.625	28.50	**28.625**	12,300	28.625
18-Jun-99	28.375	28.625	28.375	**28.5625**	41,100	28.5625
17-Jun-99	28	28.375	27.9375	**28.1875**	16,000	28.1875
16-Jun-99	27.9375	28.375	27.9375	**28.25**	33,700	28.25

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15-Jun-99	27.75	27.875	27.50	**27.875**	10,100	27.875
14-Jun-99	27.125	27.50	27	**27.50**	4,100	27.50
11-Jun-99	27.375	27.375	27.25	**27.25**	3,000	27.25
10-Jun-99	27.375	27.50	26.9375	**27.25**	28,100	27.25
9-Jun-99	27.1875	27.5625	27	**27.50**	8,100	27.50
8-Jun-99	27.4375	27.4375	27	**27.0625**	49,600	27.0625
8-Jun-99	$0.36 Cash Dividend					
7-Jun-99	27.4375	27.875	27.4375	**27.625**	5,000	27.265

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* adjusted for dividends and splits,please see FAQ.

Questions or Comments?

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Historical Quotes

	Month	Day	Year
Start Date:	Jun	06	99
End Date:	Sep	07	99

◉ Daily
○ Weekly
○ Monthly
○ Dividends

Ticker Symbol: dgas

Get Historical Data

Date	Open	High	Low	Close	Volume	Adj. Close*
3-Sep-99	17.625	17.625	17.625	**17.625**	600	17.625
2-Sep-99	17.50	17.75	17.50	**17.75**	6,400	17.75
1-Sep-99	17.125	17.50	17.125	**17.125**	800	17.125
31-Aug-99	17.1875	17.75	17.1875	**17.75**	2,200	17.75
30-Aug-99	17.5625	17.75	17.25	**17.25**	4,500	17.25
27-Aug-99	17.6875	17.6875	17.50	**17.50**	1,000	17.50
27-Aug-99	$0.28 Cash Dividend					
26-Aug-99	17.6875	17.75	17.6875	**17.75**	3,000	17.465
25-Aug-99	17.75	17.75	17.625	**17.625**	2,900	17.342
23-Aug-99	17.4375	17.75	17.3125	**17.75**	5,400	17.465
20-Aug-99	17.375	17.50	17.375	**17.375**	1,500	17.096
19-Aug-99	17.375	17.625	17.375	**17.625**	3,700	17.342
18-Aug-99	17.25	17.375	17.25	**17.3125**	13,400	17.0345
17-Aug-99	17.50	17.50	17.375	**17.375**	3,300	17.096
16-Aug-99	17.375	17.375	17.375	**17.375**	700	17.096
13-Aug-99	17.50	17.75	17.375	**17.375**	5,000	17.096
12-Aug-99	17.375	17.75	17.375	**17.75**	9,700	17.465
11-Aug-99	17.50	17.50	17.25	**17.50**	1,500	17.219
10-Aug-99	17.50	17.50	17.125	**17.25**	2,900	16.973
9-Aug-99	17.50	17.50	17.50	**17.50**	1,600	17.219
6-Aug-99	17.125	17.50	17.125	**17.125**	400	16.85
5-Aug-99	17.125	17.50	17.125	**17.125**	1,400	16.85

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4-Aug-99	17.125	17.125	17.125	**17.125**	100	16.85
3-Aug-99	17.125	17.125	17.125	**17.125**	200	16.85
2-Aug-99	17.125	17.125	17.125	**17.125**	500	16.85
30-Jul-99	17.75	17.75	17.50	**17.75**	3,400	17.465
29-Jul-99	17.125	17.50	17.125	**17.125**	800	16.85
28-Jul-99	17.375	17.75	17.125	**17.50**	4,200	17.219
27-Jul-99	17	17.25	16.8125	**17.25**	2,600	16.973
26-Jul-99	16.875	17.25	16.875	**17.25**	2,900	16.973
23-Jul-99	16.875	17	16.875	**16.9375**	7,100	16.6655
22-Jul-99	16.875	17	16.875	**17**	1,300	16.727
21-Jul-99	16.9375	17	16.875	**17**	1,200	16.727
20-Jul-99	17	17	16.875	**16.9375**	2,700	16.6655
19-Jul-99	16.8125	16.9375	16.8125	**16.875**	2,200	16.604
16-Jul-99	16.75	16.9375	16.75	**16.9375**	1,900	16.6655
15-Jul-99	16.75	16.9375	16.75	**16.9375**	3,200	16.6655
14-Jul-99	16.75	16.9375	16.75	**16.9375**	1,700	16.6655
13-Jul-99	16.75	16.9375	16.75	**16.875**	3,100	16.604
12-Jul-99	16.75	16.875	16.75	**16.875**	800	16.604
9-Jul-99	16.875	17	16.75	**16.75**	2,600	16.4811
8-Jul-99	16.625	16.75	16.625	**16.75**	5,200	16.4811
7-Jul-99	16.50	16.875	16.50	**16.875**	5,300	16.604
6-Jul-99	16.50	16.875	16.50	**16.875**	1,400	16.604
2-Jul-99	16.75	16.875	16.625	**16.875**	1,600	16.604
1-Jul-99	16.6875	16.6875	16.6875	**16.6875**	600	16.4196
30-Jun-99	16.9375	17	16.625	**16.625**	3,600	16.3581
29-Jun-99	16.875	16.875	16.875	**16.875**	1,100	16.604
28-Jun-99	16.875	16.875	16.75	**16.875**	1,300	16.604
25-Jun-99	16.75	16.9375	16.75	**16.875**	1,600	16.604
24-Jun-99	16.875	16.875	16.75	**16.75**	1,500	16.4811
23-Jun-99	16.75	16.75	16.625	**16.625**	200	16.3581
22-Jun-99	16.875	16.875	16.75	**16.75**	2,600	16.4811
21-Jun-99	17	17	16.75	**16.75**	400	16.4811
18-Jun-99	16.9375	16.9375	16.9375	**16.9375**	300	16.6655
17-Jun-99	16.875	17	16.75	**16.75**	2,000	16.4811
16-Jun-99	16.875	17	16.875	**17**	1,900	16.727

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15-Jun-99	16.875	16.875	16.875	**16.875**	2,500	16.604
11-Jun-99	17	17.25	17	**17.25**	2,000	16.973
10-Jun-99	17.125	17.25	17.125	**17.25**	3,600	16.973
9-Jun-99	16.75	16.75	16.75	**16.75**	200	16.4811
8-Jun-99	16.625	17	16.625	**17**	3,500	16.727
7-Jun-99	16.875	16.875	16.875	**16.875**	2,300	16.604

Download Spreadsheet Format

* adjusted for dividends and splits,please see FAQ.

Questions or Comments?

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STANDARD
&POOR'S
STOCK REPORTS

Cascade Natural Gas

NYSE Symbol **CGC**
In S&P SmallCap 600

08-MAY-99 **Industry:** Natural Gas

Summary: CGC is a natural gas distributor serving communities in Washington and Oregon.

Quantitative Evaluations

Outlook (1 Lowest—5 Highest)
• 2

Fair Value
• 16⅝

Risk
• Low

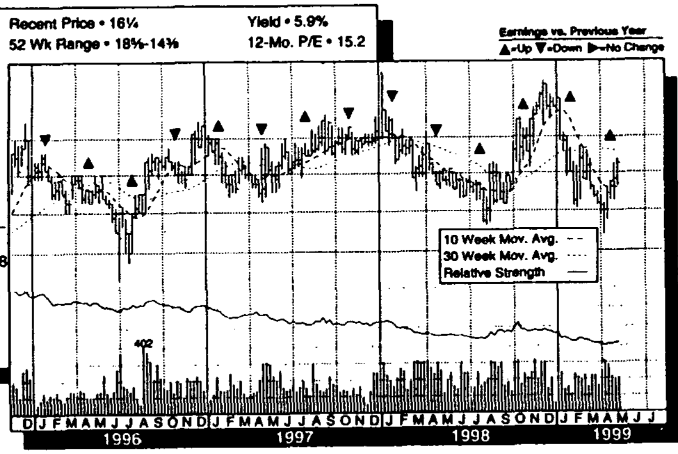
Earn./Div. Rank
• B

Technical Eval.
• Bearish since 10/98

Rel. Strength Rank (1 Lowest—99 Highest)
• 55

Insider Activity
• NA

Recent Price • 16¼ Yield • 5.9%
52 Wk Range • 18⅝-14⅜ 12-Mo. P/E • 15.2



Business Profile - 29-JAN-99

CGC reported in October 1998 that several changes in its operations in FY 98 should facilitate earnings growth in the future, reflecting its continued rapid customer growth. Regulatory changes in Washington State contracts now require appliances that make it possible for the company to manage new customer additions for profitability. Further, capital expenditures for structural reinforcements to reflect growth will be greatly reduced in the future; they are estimated at $300,000 for FY 99, down from several million dollars in recent years. In addition, in September 1998, Cascade announced an adjustment in depreciation rates which will cut reported expenses by approximately $2 million annually.

Operational Review - 29-JAN-99

Revenues for the three months ended December 31, 1998, rose 3.2%, year to year, largely due to the addition of residential and commercial customers, an increase in per customer residential consumption, and higher industrial and other gas deliveries. Operating expense was up fractionally, as cost control efforts largely offset increases in labor and benefits. Cost of operations was down 1.8%, primarily resulting from lower depreciation and amortization, reflecting new depreciation rates. Interest and other expense increased 5.6% due primarily to a $12 million increase in debt and gas cost refund obligations. Net income was $6,754,000 ($0.60 per share, after preferred dividends), versus $5,682,000 ($0.51, after preferred dividends).

Stock Performance - 07-MAY-99

In the past 30 trading days, CGC's shares have increased 7%, compared to a 5% rise in the S&P 500. Average trading volume for the past five days was 16,260 shares, compared with the 40-day moving average of 18,956 shares.

Key Stock Statistics

Dividend Rate/Share	0.96	Shareholders	10,000
Shs. outstg. (M)	11.0	Market cap. (B)	$0.179
Avg. daily vol. (M)	0.018	Inst. holdings	28%
Tang. Bk. Value/Share	10.09		
Beta	0.02		

Value of $10,000 invested 5 years ago: $ 12,531

Fiscal Year Ending Sep. 30

	1999	1998	1997	1996	1995	1994
Revenues (Million $)						
1Q	62.93	60.98	64.97	56.91	64.61	64.75
2Q	71.12	65.55	71.17	67.62	34.71	36.26
3Q	—	37.00	33.73	33.46	26.51	28.87
4Q	—	26.13	25.91	26.58	56.91	62.53
Yr.	—	189.7	195.8	184.6	182.7	192.4
Earnings Per Share ($)						
1Q	**0.60**	**0.51**	**0.59**	0.56	0.63	0.54
2Q	**0.72**	**0.57**	0.69	0.72	-0.11	-0.16
3Q	—	**-0.07**	-0.10	-0.20	-0.27	-0.28
4Q	—	**-0.18**	-0.23	-0.22	0.56	0.50
Yr.	—	**0.82**	**0.93**	0.84	0.80	0.60

Next earnings report expected: late May

Dividend Data (Dividends have been paid since 1964.)

Amount ($)	Date Decl.	Ex-Div. Date	Stock of Record	Payment Date
0.240	Jun. 16	Jul. 13	Jul. 15	Aug. 14 '98
0.240	Sep. 18	Oct. 13	Oct. 15	Nov. 13 '98
0.240	Dec. 15	Jan. 13	Jan. 15	Feb. 15 '99
0.240	Mar. 16	Apr. 13	Apr. 15	May. 14 '99

Business Summary - 29-JAN-99

Supported by diverse local economies and robust population growth, Cascade states that it continued to be one of the fastest growing gas distribution companies in the country during fiscal 1998. The company serves Washington and Oregon communities with a total population of approximately 780,000. Roughly 82% of gas distribution revenues are from Washington, and the remainder from Oregon. At the end of FY 98, the company's core customer base included 142,645 residential customers, 25,415 commercial customers, 436 industrial customers and 20 traditional interruptible customers. CGC also has 177 non-core customers.

The residential and commercial markets, which principally use natural gas for space and water heating, represent less than 20% of total gas deliveries but provide over 60% of Cascade's operating margin. The use of gas for space heating is very weather-sensitive and the company has pursued a marketing strategy to encourage installation of gas water heaters in an effort to mitigate the seasonality of its residential and commercial revenues.

The industrial base in Cascade's service area ranges from producers of paper, chemicals, and textiles to processors of vegetables, fish, and milk. Electric generation companies represent a significant portion of the company's industrial revenues. Diminished availability of hydroelectric generation, due to lower snowfall in the northwest, increased industrial demand for natural gas in FY 98. Non-core customers are generally large industrial and institutional customers who have chosen "unbundled" service, meaning that they select from among several supply and upstream pipeline transportation options, independent of Cascade's distribution service. The company's margin from non-core customers is generally limited to this distribution service.

It is to CGC's benefit to maintain predictable natural gas prices because costs above projections filed with state governments can not be entirely passed on to consumers. Accordingly, during 1998 Cascade purchased approximately 79% of its gas supplies through firm gas supply contracts and only 21% from 30-day spot market contracts. A small profit from prices paid for natural gas in FY 98 contrasted with losses in FY 97, resulting from an abnormal spike in natural gas prices during the heating season.

CGC reported that FY 98 results were adversely affected by weather that was 9% warmer than FY 97 and 11% warmer than normal. The company estimated that the divergence from normal weather affected earnings by $0.17 a share for the fiscal year.

Per Share Data ($) (Year Ended Sep. 30)	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Tangible Bk. Val.	10.09	10.18	10.12	9.79	9.84	10.00	9.05	8.59	8.33	7.91
Earnings	0.82	0.93	0.84	0.80	0.60	1.05	0.63	1.14	1.26	1.29
Dividends	0.96	0.96	0.96	0.96	0.96	0.94	0.93	0.90	0.87	0.85
Payout Ratio	117%	103%	114%	120%	160%	90%	146%	79%	69%	66%
Prices - High	18⅝	19	17½	17½	18⅛	19½	17	16⅞	12⅝	13¾
- Low	14⅜	15¼	13⅜	13	12¾	15½	13⅝	11⅛	10⅛	9⅝
P/E Ratio - High	23	20	21	22	30	18	27	15	10	11
- Low	18	16	16	16	21	14	21	10	8	7
Income Statement Analysis (Million $)										
Revs.	190	196	185	183	192	187	152	154	161	174
Depr.	13.5	13.4	12.4	11.7	10.1	9.2	8.4	7.7	7.3	6.8
Maint.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Fxd. Chgs. Cov.	2.3	2.5	1.8	2.0	2.0	2.5	1.9	2.4	2.5	2.6
Constr. Credits	0.6	0.5	0.6	0.4	0.2	0.3	0.2	0.2	0.1	0.1
Eff. Tax Rate	37%	37%	34%	37%	35%	37%	37%	36%	35%	38%
Net Inc.	9.5	10.6	8.2	7.7	5.8	8.9	4.8	7.7	8.4	8.5
Balance Sheet & Other Fin. Data (Million $)										
Gross Prop.	434	426	403	378	342	315	284	249	231	217
Cap. Exp.	25.6	29.2	41.1	37.6	27.0	33.0	35.3	19.7	16.4	12.9
Net Prop.	266	265	256	239	214	197	175	148	137	129
Capitalization:										
LT Debt	111	121	102	102	100	87.0	74.7	57.1	60.8	60.1
% LT Debt	49	51	47	51	45	48	49	47	51	52
Pfd.	6.4	6.6	6.8	6.8	7.2	7.5	8.0	8.3	2.4	2.9
% Pfd.	2.80	2.80	-3.20	3.50	3.70	4.20	5.20	6.70	2.10	2.50
Common	111	112	109	89.5	87.7	85.7	69.2	57.2	54.9	51.7
% Common	49	47	50	45	45	48	46	47	47	45
Total Cap.	249	256	237	218	214	198	168	137	132	129
% Oper. Ratio	89.8	90.0	90.2	90.5	92.6	91.4	92.0	90.8	89.8	90.2
% Earn. on Net Prop.	9.6	7.6	7.3	9.6	7.0	8.7	7.5	9.9	12.2	13.5
% Return On Revs.	5.0	5.4	4.4	4.2	3.0	4.7	3.2	5.0	5.2	4.9
% Return On Invest. Capital	10.0	8.1	8.0	10.4	6.9	8.8	8.2	11.6	13.0	13.0
% Return On Com. Equity	8.1	9.2	7.7	8.1	6.0	11.0	6.7	13.4	15.4	16.6

Data as orig. reptd.; bef. results of disc. opers. and/or spec. items. Per share data adj. for stk. divs. as of ex-div. date. Yrs. ended Dec. 31 prior to 1996. Bold denotes diluted EPS (FASB 128). E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

Office—222 Fairview Ave. North, Seattle, WA 98109. Tel—(206) 624-3900. Chrmn, Pres & CEO—W. B. Matsuyama. VP-Fin, CFO & Investor Contact—J. D. Wessling. Contr—J. E. Haug. Dirs— C. Burnham, Jr., M. C. Clapp, T.E. Cronin, D. A Ederer, H. L. Hubbard, W. B. Matsuyama, L. L. Pinnt, B. G. Ragen, M. A. Williams. Transfer Agent & Registrar—Bank of New York, NYC. Incorporated—in Washington in 1953. Empl— 484. S&P Analyst: C.K.S.

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STANDARD
&POOR'S
STOCK REPORTS

Connecticut Energy

NYSE Symbol **CNE**

In S&P SmallCap 600

08-MAY-99 **Industry:** Natural Gas

Summary: CNE is a holding company whose principal subsidiary, Southern Connecticut Gas Co., provides natural gas to about 158,000 customers in Fairfield, New Haven and Middlesex counties.

Quantitative Evaluations

Recent Price • 36¾ | Yield • 3.6%
52 Wk Range • 37⅝-24¼ | 12-Mo. P/E • 18.9

Outlook (1 Lowest—5 Highest)
• 2-

Fair Value
• 38½

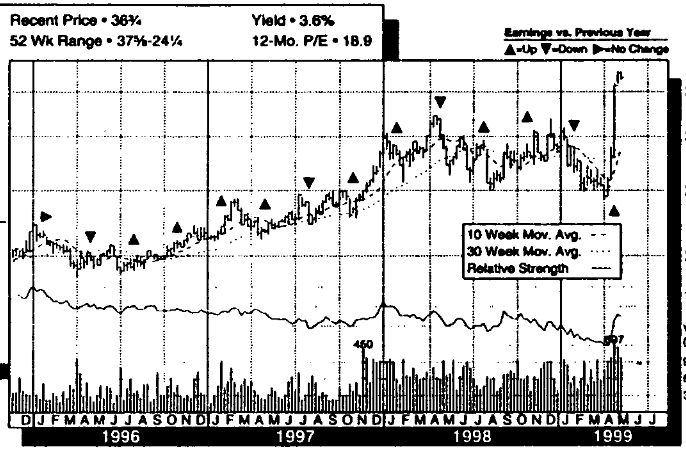
Risk
• Low

Earn./Div. Rank
• A-

Technical Eval.
• Bearish since 2/99

Rel. Strength Rank (1 Lowest—99 Highest)
• 91

Insider Activity
• NA



Business Profile - 12-MAR-99

Although Connecticut Energy expects to continue to focus on expanding its utility customer base as the deregulation of the gas utility industry continues, it anticipates that an increasing portion of earnings will come from unregulated operations. CNE expects gas utility operations to experience higher volumes of throughput in coming years, with the addition of two new major projects in 1998: a firm sales contract to supply gas to Yale University's new 13.5 mw cogeneration plant; and the transportation of natural gas to a new 520 mw electric generating plant built at Bridgeport Harbor by Duke Energy Trading and Marketing LLC. CNE, through its predecessor companies, has been paying dividends since 1850.

Operational Review - 12-MAR-99

Revenues in the three months ended December 31, 1998, fell 19%, year to year, on lower volumes of gas sold and transported to firm customers, reflecting warmer weather and the competitive price of other energy sources compared to natural gas. Gross margins widened, primarily due to new revenues generated by a contract to transport natural gas to an electric generating plant in Bridgeport. The increase in gross margin was partially offset by lower firm and interruptible margins earned in FY 99 (Sep.). Other income nearly tripled, interest expense was up 3.4% and, despite slightly lower taxes, net income slipped 1.2%, to $6,095,000 ($0.59 a share), from $6,166,000 ($0.64).

Stock Performance - 07-MAY-99

In the past 30 trading days, CNE's shares have increased 44%, compared to a 5% rise in the S&P 500. Average trading volume for the past five days was 36,420 shares, compared with the 40-day moving average of 47,849 shares.

Key Stock Statistics

Dividend Rate/Share	1.34	Shareholders	9,770
Shs. outstg. (M)	10.4	Market cap. (B)	$0.380
Avg. daily vol. (M)	0.075	Inst. holdings	32%
Tang. Bk. Value/Share	16.16		
Beta	0.23		

Value of $10,000 invested 5 years ago: $ 19,468

Fiscal Year Ending Sep. 30

	1999	1998	1997	1996	1995	1994
Revenues (Million $)						
1Q	61.59	78.51	74.87	69.78	65.52	66.71
2Q	106.2	100.8	106.9	120.2	103.3	111.8
3Q	—	38.00	44.03	43.95	39.76	36.84
4Q	—	27.15	26.24	27.18	23.53	25.49
Yr.	—	242.4	252.0	261.1	232.1	240.9
Earnings Per Share ($)						
1Q	**0.59**	**0.64**	0.60	0.57	0.57	0.67
2Q	**1.62**	1.49	1.67	1.64	1.79	1.77
3Q	—	-0.10	-0.13	-0.08	-0.23	-0.16
4Q	—	-0.13	-0.32	-0.42	-0.52	-0.53
Yr.	—	1.88	1.81	1.70	1.60	1.58

Next earnings report expected: late July

Dividend Data (Dividends have been paid since 1850.)

Amount ($)	Date Decl.	Ex-Div. Date	Stock of Record	Payment Date
0.335	May. 26	Jun. 17	Jun. 19	Jun. 30 '98
0.335	Jul. 29	Sep. 16	Sep. 18	Sep. 30 '98
0.335	Nov. 24	Dec. 03	Dec. 07	Dec. 31 '98
0.335	Jan. 26	Mar. 17	Mar. 19	Mar. 31 '99

Business Summary - 12-MAR-99

Connecticut Energy Corp. is a utility holding company that, through its predecessor companies, has compiled the longest consecutive dividend payment record of any nonfinancial company listed on the New York Stock Exchange. Cash dividends have been paid on the common stock since 1850.

Through wholly owned Southern Connecticut Gas Co. (Southern), CNE delivers natural gas in 22 Connecticut communities to more than 158,000 customers. The service area consists of towns along the southern Connecticut coast from Westport to Old Saybrook; the service area also includes the urban communities of Bridgeport and New Haven.

Southern provides three types of gas service: firm sales, firm transportation, and interruptible.

Firm service is provided to residential, commercial and industrial customers who require a continuous gas supply throughout the year. Southern serves about 181,000 firm residential units. Firm transportation is available to commercial and industrial customers who have secured their own gas supply and require that Southern transport this supply on its distribution system. Interruptible service is available to those commercial and industrial customers and multifamily residential dwellings that have dual fuel capabilities, allowing them to alternate between natural gas and another fuel source.

From FY 92 (Sep.) to FY 98, the average number of on-system customers served by Southern grew from about 152,100 to 157,800, with residential customers accounting for 58.9% of FY 98 revenues; commercial firm, 17.7%; industrial firm, 3.9%; and interruptible and other, 19.5%.

Southern concentrates on customer additions that are the most cost-effective to achieve. Over the past several years, Southern has focused on adding load along its existing mains, which generally requires a lower capital outlay. About 59% of the residences along Southern's mains heat with natural gas. The conversion of these homes from an alternative fuel to natural gas heat has been a major factor in increased load growth.

In an effort to capture new markets, CNE has been expanding its two unregulated subsidiaries, CNE Energy Services Group and CNE Development, both formed in FY 95. It has also developed a third unregulated subsidiary, CNE Venture-Tech. Energy Services provides various energy products and services to commercial and industrial customers throughout New England, from installation and maintenance of equipment to procuring the most cost-effective energy commodity. CNE Development participates in a natural gas purchasing cooperative. Venture-Tech seeks investment opportunities in information technology related to utility operations.

Per Share Data ($) (Year Ended Sep. 30)	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Tangible Bk. Val.	16.16	15.10	15.31	14.15	13.72	12.47	11.91	12.36	11.74	11.98
Earnings	1.88	1.81	1.70	1.60	1.58	1.50	1.43	1.38	1.12	1.28
Dividends	1.33	1.32	1.31	1.30	1.29	1.28	1.26	1.24	1.23	1.20
Payout Ratio	71%	73%	77%	81%	82%	85%	88%	90%	110%	94%
Prices - High	32¼	30⅝	22¼	22⅝	25	26½	24⅞	20⅝	18	18⅞
- Low	25	21	18⅝	18½	18⅝	22½	18⅞	14¼	14½	14
P/E Ratio - High	17	17	13	14	16	18	17	15	16	15
- Low	13	12	11	12	12	15	13	10	13	11
Income Statement Analysis (Million $)										
Revs.	242	252	261	232	241	213	203	179	174	171
Depr.	16.9	15.8	14.8	14.1	13.0	12.1	11.3	10.5	10.7	10.3
Maint.	3.7	3.6	3.8	3.7	4.0	3.7	3.6	3.6	4.0	3.9
Fxd. Chgs. Cov.	2.9	2.9	2.8	2.8	2.6	2.3	2.2	2.4	2.2	2.4
Constr. Credits	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Eff. Tax Rate	25%	35%	33%	35%	30%	26%	24%	39%	41%	43%
Net Inc.	19.0	16.4	15.2	14.1	12.8	11.1	10.2	9.0	6.9	7.8
Balance Sheet & Other Fin. Data (Million $)										
Gross Prop.	417	403	376	355	332	314	294	274	255	242
Cap. Exp.	24.7	28.5	25.3	27.6	26.7	26.1	22.8	20.4	23.4	23.7
Net Prop.	280	272	258	248	234	222	210	199	189	181
Capitalization:										
LT Debt	150	134	139	119	120	121	94.1	87.4	91.5	79.7
% LT Debt	46	48	50	48	49	55	50	49	55	51
Pfd.	NA	NA	NA	NA	NA	0.6	0.7	0.7	0.8	0.8
% Pfd.	NA	NA	NA	NA	NA	0.30	0.40	0.40	0.50	0.60
Common	177	145	138	136	126	100	92.6	88.6	74.4	75.0
% Common	54	52	50	52	51	45	49	50	45	48
Total Cap.	403	279	277	251	301	239	205	194	182	170
% Oper. Ratio	86.2	88.5	89.1	88.4	89.6	89.1	89.0	88.9	90.3	80.8
% Earn. on Net Prop.	10.8	10.8	11.4	11.2	11.0	10.7	10.9	10.2	9.1	9.9
% Return On Revs.	7.8	6.5	5.8	6.1	5.3	5.2	5.0	5.0	4.0	4.6
% Return On Invest. Capital	8.5	4.8	8.7	8.6	9.1	10.2	10.9	10.4	9.7	10.1
% Return On Com. Equity	11.8	11.6	11.9	10.9	11.4	11.5	11.3	11.0	9.3	10.6

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. Bold denotes diluted EPS (FASB 128)-prior periods restated. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

Office—855 Main St., Bridgeport, CT 06604. **Tel**—(800) 760-7776. **Website**—www.connenergy.com **Chrmn, Pres & CEO**—J. R. Crespo. **VP, CFO & Treas**—C. A. Forest. **VP & Secy**—S. W. Bowlby. **Investor Contact**—Judith E. Falango (203-382-8156). **Dirs**—H. Chauncey Jr., J. P. Comer, J. R. Crespo, R. F. Freeman, R. M. Hoyt, N. M. Marsilius III, S. M. Sugden, C. D. Turner. **Transfer Agent & Registrar**—Boston EquiSe[illegible] **Incorpo**[illegible]—in Connecticut in 1967; reincorporated in Connecticut in 1979. **Empl**— 488. **S&P Analyst:** M.I.

18-21

CTG Resources

NYSE Symbol **CTG**

08-MAY-99 **Industry:** Natural Gas

Summary: This holding company is the parent of Connecticut Natural Gas, which serves customers in 21 Connecticut communities.

Quantitative Evaluations

Recent Price • 25⅞ Yield • 4.0%
52 Wk Range • 26¾-21⅞ 12-Mo. P/E • 14.7

Outlook
(1 Lowest—5 Highest)
• 3

Fair Value
• 26¼

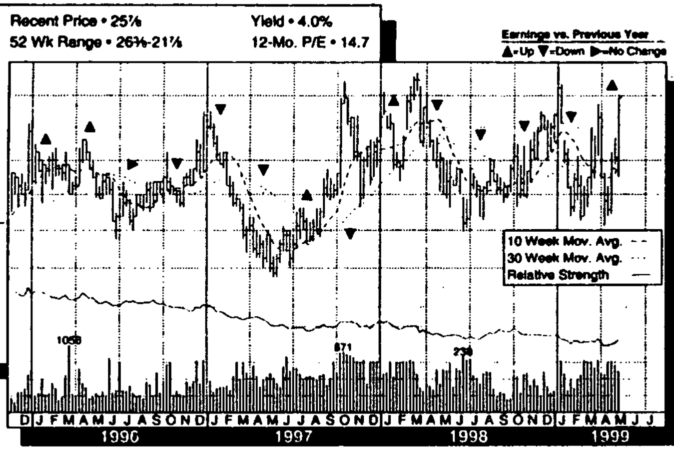
Risk
• Low

Earn./Div. Rank
• B+

Technical Eval.
• Bearish since 2/99

Rel. Strength Rank
(1 Lowest—99 Highest)
• 73

Insider Activity
• NA



Business Profile - 04-MAR-99

CTG Resources is continuing its strategy to grow through the ownership and operation of energy facility assets. In December 1998, a month earlier than initially planned, the company re-powered the Hartford Hospital cogeneration plant. This project is expected to produce $120 million in revenues during the 20- year term of the contract. In October 1998, the company's The Energy Network (TEN) unit, Pratt & Whitney, Carrier Corp., and Oxford Technologies, Inc., entered into a marketing alliance to provide energy for heating, cooling, and electricity to large commercial, industrial, and institutional facilities through a combination of cogeneration and district energy. TEN will own and operate the district energy plants installed on-site at each location and equipped with energy systems provided by other members of the alliance.

Operational Review - 04-MAR-99

During the three months ended December 31, 1998, operating revenues declined 12%, year to year, primarily the result of lower gas demand due to warmer weather. Margins were hurt by a less favorable mix of customers, and following 2.1% higher operations and maintenance expenses, attributable to costs at a cogeneration plant, and a 6.6% rise in depreciation, net income was down 30% to $5,692,000 ($0.65 a share, after preferred dividends), from $8,123,000 ($0.85).

Stock Performance - 07-MAY-99

In the past 30 trading days, CTG's shares have increased 2%, compared to a 5% rise in the S&P 500. Average trading volume for the past five days was 14,600 shares, compared with the 40-day moving average of 17,900 shares.

Key Stock Statistics

Dividend Rate/Share	1.04	Shareholders	7,384
Shs. outstg. (M)	8.6	Market cap. (B)	$0.224
Avg. daily vol. (M)	0.018	Inst. holdings	25%
Tang. Bk. Value/Share	14.21		
Beta	0.07		

Value of $10,000 invested 5 years ago: $ 10,998

Fiscal Year Ending Sep. 30

	1999	1998	1997	1996	1995	1994
Revenues (Million $)						
1Q	81.68	92.40	89.27	90.46	76.53	80.14
2Q	113.0	105.4	124.7	130.6	105.5	122.6
3Q	—	48.37	53.23	53.95	50.15	50.00
4Q	—	36.22	38.38	40.34	42.97	37.95
Yr.	—	282.8	305.6	315.4	275.2	290.7
Earnings Per Share ($)						
1Q	0.65	0.85	0.63	0.82	0.61	0.70
2Q	1.41	1.12	1.19	1.40	1.30	1.57
3Q	—	0.02	0.06	-0.06	-0.06	-0.10
4Q	—	-0.29	-0.28	-0.24	-0.14	-0.33
Yr.	—	1.70	1.60	1.87	1.71	1.85

Next earnings report expected: late July

Dividend Data (Dividends have been paid since 1851.)

Amount ($)	Date Decl.	Ex-Div. Date	Stock of Record	Payment Date
0.250	May. 26	Jun. 10	Jun. 12	Jun. 26 '98
0.250	Jul. 28	Sep. 09	Sep. 11	Sep. 25 '98
0.260	Dec. 01	Dec. 09	Dec. 11	Dec. 18 '98
0.260	Feb. 23	Mar. 10	Mar. 12	Mar. 26 '99

Business Summary - 04-MAR-99

CTG Resources, Inc. (CTG) is the parent of and holding company for the Connecticut Natural Gas Corp. (CNG) and The Energy Network (TEN). CNG distributes, transports, and sells natural gas. This business is subject to extensive regulation. TEN holds and operates, through divisions or wholly-owned subsidiaries, CTG's unregulated, diversified businesses, whose primary emphasis is district heating and cooling. CTG has also made an equity investment in two partnerships, one of which is the Iroquois Gas Transmission System. Revenues in recent fiscal years (Sep.) were:

	FY 98	FY 97	FY 96
Gas sales	92%	93%	93%
Nonutility operations	8%	7%	7%

During FY 98, the peak-day sendout of gas occurred on December 31, 1997 and was 248,659 thousands of cubic feet (mcf). During FY 98, about 50% of gas operating revenues were derived from residential customers, 20% from commercial firm customers, 1% from industrial firm customers, 16% from interruptible customers, 11% from off-system sales and 2% from transportation.

CNG holds pipeline transportation contracts with Algonquin Gas Transmission Co., CNG Transmission Corp., Iroquois Gas Transmission System, National Fuel, Tennessee Gas Pipeline Co., Texas Eastern Gas Transmission Corp. and Transcontinental Gas Pipeline Corp. Supply contracts signed directly with upstream producers now back these contracts. CNG also buys spot market gas when conditions warrant such purchases.

The company's diversified businesses include TEN and its wholly-owned subsidiaries, the Hartford Steam Company (HSC), TEN Transmission, ENI GAS Services, TEN Gas Services, Inc. and ENServe Inc. TEN and HSC provide district heating and cooling services to many buildings and complexes in downtown Hartford. TEN also owns a 50% interest in the Downtown Cogeneration Associates partnership, which owns and operates a 4.2 Megawatt cogeneration facility in downtown Hartford, CT

In June 1998, HSC acquired a cogeneration facility located adjacent to and serving Hartford Hospital. This acquisition will be used to provide both steam and electricity. HSC will manage this 7.5 Megawatt location and supply the hospital with steam and electricity over a twenty-year contract period. In September 1998, TEN entered into a marketing alliance with Pratt Whitney, Inc., Carrier Corp., and Oxford Technologies, Inc., to provide energy for heating, cooling, and electricity to large commercial, industrial locations through a combination of cogeneration and district energy.

Per Share Data ($) (Year Ended Sep. 30)	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Tangible Bk. Val.	14.21	15.99	15.86	15.07	14.57	14.24	13.20	12.71	12.77	12.49
Earnings	1.71	1.60	1.87	1.71	1.85	1.76	1.75	1.44	1.51	1.60
Dividends	1.00	1.52	1.50	1.48	1.48	1.46	1.44	1.40	1.37	1.36
Payout Ratio	58%	95%	80%	87%	80%	83%	82%	97%	91%	85%
Prices - High	26¾	26½	25½	25¼	31¾	32⅞	28⅞	21½	18⅝	19
- Low	21⅞	20¾	21¾	21¼	22⅛	26¼	20	16¼	16	15⅛
P/E Ratio - High	16	17	14	15	17	18	16	15	12	12
- Low	13	13	12	12	12	15	11	11	11	9
Income Statement Analysis (Million $)										
Revs.	283	306	315	275	291	265	236	214	224	223
Depr.	19.8	18.2	17.8	17.0	15.5	12.6	11.3	10.1	9.6	8.9
Maint.	8.4	8.7	8.6	7.9	7.7	7.5	7.9	8.0	7.4	7.0
Fxd. Chgs. Cov.	2.0	3.4	3.3	2.9	3.4	3.5	3.0	2.8	2.8	3.1
Constr. Credits	0.1	0.3	0.2	0.0	0.0	0.4	NA	NA	NA	NA
Eff. Tax Rate	46%	50%	43%	36%	43%	45%	45%	48%	48%	48%
Net Inc.	15.2	17.1	19.0	17.0	17.7	16.9	15.3	12.3	12.8	12.7
Balance Sheet & Other Fin. Data (Million $)										
Gross Prop.	514	492	471	455	431	404	365	334	312	298
Cap. Exp.	22.4	24.6	24.3	26.8	27.9	25.5	26.1	33.3	23.3	25.0
Net Prop.	338	332	326	322	312	297	269	249	233	223
Capitalization:										
LT Debt	216	127	136	150	154	142	127	115	116	128
% LT Debt	69	43	45	50	52	51	52	51	51	55
Pfd.	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0
% Pfd.	0.30	0.30	0.30	0.30	0.30	0.30	0.40	0.40	0.40	0.40
Common	123	169	169	150	139	136	117	110	109	104
% Common	36	57	55	50	47	49	48	49	48	45
Total Cap.	404	381	394	394	382	362	326	305	307	252
% Oper. Ratio	87.1	90.9	90.3	89.4	89.4	89.4	88.2	88.7	88.9	89.3
% Earn. on Net Prop.	8.8	5.2	9.4	9.2	10.1	10.0	10.8	10.2	11.0	11.1
% Return On Revs.	5.4	5.6	6.0	6.2	6.1	6.4	6.5	5.8	5.7	5.7
% Return On Invest. Capital	10.6	5.7	8.3	10.6	8.3	10.7	9.2	8.3	8.3	10.4
% Return On Com. Equity	10.3	10.1	11.9	11.7	12.8	13.3	13.4	11.4	11.9	12.8

Data as orig. reptd.; bef. results of disc opers. and/or spec. items. Per share data adj. for stk. divs. as of ex-div. date. Bold denotes diluted EPS (FASB 128). E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

Office—100 Columbus Blvd., Hartford, CT 06103. **Tel**—(860) 727-3010. **Website**—http://www.ctgcorp.com **Chrmn, Pres & CEO**—A. C. Marquardt. **SVP-Fin & CFO**—J. P. Bolduc. **VP & Secy**—R. L. Babcock. **Investor Contact**—Mary M. Hart. **Dirs**—B. W Bennett, H. J. Fonteyne, V. H. Frauenhofer, B. L. Hamilton, H. S. Levenson, A. C. Marquardt, D. F. Mullane, R. J. Shima, L. A. Tanner, D. C. Thomas, M. W. Tomasso. **Transfer Agent**—ChaseMellon Shareholder Services, Ridgefield, NJ. **Incorporated**—in Connecticut in 1848. **Empl**— 555. **S&P Analyst:** John D. Staszak.

18-22

Energen Corp.

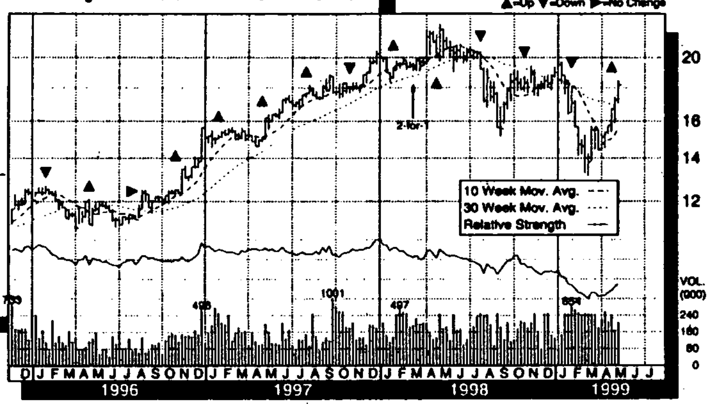
NYSE Symbol **EGN**
In S&P SmallCap 600

08-MAY-99 **Industry:** Natural Gas

Summary: This diversified energy company's business activities include natural gas distribution, and oil and gas exploration and production.

Quantitative Evaluations
Outlook (1 Lowest—5 Highest)
• 2
Fair Value
• 17⅝
Risk
• Low
Earn./Div. Rank
• A
Technical Eval.
• Bearish since 2/99
Rel. Strength Rank (1 Lowest—99 Highest)
• 79
Insider Activity
• NA

Recent Price • 18⅛ | Yield • 3.5%
52 Wk Range • 21½-13⅛ | 12-Mo. P/E • 15.3



Business Profile - 04-MAR-99

In January 1999, the company stated that, with oil prices at or near 12-year lows, EGN was focusing on natural gas production and that over 85% of this output was hedged at an average price of $2.31 per Mcf. In October 1998, Energen Resources acquired TOTAL Minatome Corp. and then sold 31% of TOTAL Minatome to Westport Oil and Gas Company, Inc. The TOTAL Minatome purchase raised the company's proved oil and natural gas reserves to nearly one trillion cubic feet equivalent. Energen Resources estimates that it will spend $70 million during the next several years to exploit proved, undeveloped reserves.

Operational Review - 04-MAR-99

For the three months ended December 31,1998, operating revenues declined 9.5%, year to year, due mainly to a 25% decrease in demand for natural gas distribution related to warmer weather, and a decline in charges recovered through the Gas Supply Adjustment (GSA), partially offset by significantly higher oil and gas revenues associated with acquisitions. Expenses were down 10%, as a 25% increase in operations and maintenance expense and 30% higher depreciation and depletion were outweighed by a 47% drop in the cost of gas. Following 36% greater interest expense, pretax income fell 47%. After a tax benefit of $278,000, versus taxes at 8.9%, net income declined 37% to $3,842,000 ($0.13 a share), from $6,127,000 ($0.21).

Stock Performance - 07-MAY-99

In the past 30 trading days, EGN's shares have increased 26%, compared to a 5% rise in the S&P 500. Average trading volume for the past five days was 40,860 shares, compared with the 40-day moving average of 49,921 shares.

Key Stock Statistics

Dividend Rate/Share	0.64	Shareholders	9,140
Shs. outstg. (M)	29.6	Market cap. (B)	$0.538
Avg. daily vol. (M)	0.042	Inst. holdings	48%
Tang. Bk. Value/Share	11.99		
Beta	0.69		

Value of $10,000 invested 5 years ago: $ 20,927

Fiscal Year Ending Sep. 30

	1999	1998	1997	1996	1995	1994
Revenues (Million $)						
1Q	114.0	125.9	97.00	78.82	73.48	87.92
2Q	188.4	198.0	182.9	171.0	140.8	168.1
3Q	—	93.91	90.88	87.13	61.53	73.13
4Q	—	78.05	77.41	62.50	45.37	47.94
Yr.	—	502.6	448.2	399.4	321.2	377.1
Earnings Per Share ($)						
1Q	**0.13**	**0.21**	0.14	0.10	0.13	0.11
2Q	**1.42**	**1.37**	1.21	1.06	0.99	1.01
3Q	—	**Nil**	0.12	0.05	0.05	0.18
4Q	—	**-0.34**	-0.29	-0.23	-0.29	-0.21
Yr.	—	**1.23**	1.14	0.97	0.89	1.09

Next earnings report expected: late July

Dividend Data (Dividends have been paid since 1943.)

Amount ($)	Date Decl.	Ex-Div. Date	Stock of Record	Payment Date
0.160	Jul. 22	Aug. 12	Aug. 14	Sep. 01 '98
0.160	Oct. 28	Nov. 10	Nov. 13	Dec. 01 '98
0.160	Jan. 27	Feb. 10	Feb. 12	Mar. 01 '99
0.160	Apr. 28	May. 12	May. 14	Jun. 01 '99

Business Summary - 04-MAR-99

Energen (EGN) is a diversified energy holding company engaged in natural gas distribution and oil and natural gas exploration and production; its two major subsidiaries are Alabama Gas Corp. (Alagasco) and Energen Resource Corp., (formerly Taurus Exploration Inc.). While Alagasco earns within its allowed range of return of equity, the company's five-year plan, spanning through FY 00 (Sep.), calls for Energen to invest, through Energen Resources, $400 million in the acquisition of producing properties with development potential, and $100 million in offshore Gulf of Mexico exploration and development.

Alagasco, Alabama's largest gas distribution utility, purchases gas through interstate and intrastate marketers and suppliers and distributes the purchased gas through its distribution facilities for sale to end-users of natural gas. Alagasco also provides transportation services to industrial and commercial customers located on its distribution system. These customers purchase gas directly from producers, marketers or suppliers and arrange for delivery of the gas into the Alagasco distribution system; Alagasco charges a fee to transport the gas through its distribution system to the customer's facility. In FY 98, Alagasco served an average of 423,602 residential customers, 34,733 small commercial and industrial customers, and 49 large commercial and industrial transportation customers. Deliveries of sales and transportation gas totaled 115,347 million cubic feet (MMcf) in FY 1998.

The Alagasco distribution system includes approximately 9,060 miles of main and more than 9,800 miles of service lines, odorization and regulation facilities, and customer meters. Alagasco also operates two liquefied natural gas facilities, which it uses to meet peak demand. Alagasco's distribution system is connected to and has firm transportation contracts with two major interstate pipeline systems: Southern and Transcontinental Gas Pipe Line Corp.

Energen Resources is involved in the exploration and production of natural gas and oil in the Gulf of Mexico, and through coalbed methane projects in Alabama's Black Warrior Coal Basin. At the end of FY 98, Energen Resources' remaining recoverable reserves totaled 764.9 billion cubic feet equivalent (Bcfe), and were located primarily in Alabama, New Mexico, Texas, Mississippi, Louisiana and the Gulf of Mexico. Natural gas represents over 70% of Energen Resources' reserves with oil and natural gas liquids constituting the balance. In October 1998, Energen Resources acquired TOTAL Minatome Corp. and then sold 31% of TOTAL Minatome to Westport Oil and Gas Company, Inc. Energen paid about $135 million for TOTAL Minatome, raising EGN's proved oil and natural gas reserves to nearly one trillion cubic feet equivalent.

Per Share Data ($) (Year Ended Sep. 30)	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Tangible Bk. Val.	23.98	10.46	8.44	7.97	7.65	6.80	6.38	6.04	6.11	5.84
Earnings	1.23	1.16	0.97	0.89	1.09	0.89	0.77	0.71	0.68	0.59
Dividends	0.94	0.60	0.58	0.56	0.55	0.53	0.51	0.48	0.45	0.43
Payout Ratio	76%	52%	60%	64%	50%	59%	66%	67%	66%	72%
Prices - High	22½	20⅝	15⅝	12⅞	12	13⅞	9⅞	9½	10¼	12¼
- Low	15⅛	14½	10⅞	10⅛	9⅝	9⅛	7½	8	8	7¾
P/E Ratio - High	18	18	16	14	11	15	13	13	15	20
- Low	12	13	11	11	9	10	10	11	12	13
Income Statement Analysis (Million $)										
Revs.	503	448	399	321	377	357	332	326	325	309
Depr.	81.0	59.7	41.1	29.6	28.0	25.3	26.3	24.1	23.0	22.4
Maint.	NA	11.1	11.1	9.8	9.5	9.2	9.1	8.2	8.4	6.8
Fxd. Chgs. Cov.	2.1	2.4	2.9	3.0	3.5	3.0	2.5	2.5	2.5	2.6
Constr. Credits	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Eff. Tax Rate	NA	9.65%	19%	16%	22%	16%	2.40%	2.50%	8.90%	8.60%
Net Inc.	36.2	29.0	21.5	19.3	23.8	18.1	15.7	14.1	13.2	11.1
Balance Sheet & Other Fin. Data (Million $)										
Gross Prop.	1,152	1,042	545	504	465	429	411	393	377	357
Cap. Exp.	175	283	168	68.9	45.5	43.7	22.5	46.9	41.9	59.5
Net Prop.	756	667	277	256	233	213	208	206	205	203
Capitalization:										
LT Debt	373	280	196	132	118	85.9	90.6	77.7	82.8	86.2
% LT Debt	53	48	51	43	42	38	41	39	40	43
Pfd.	Nil	Nil	Nil	Nil	Nil	Nil	1.8	1.8	1.8	2.5
% Pfd.	Nil	Nil	Nil	Nil	Nil	Nil	0.80	0.90	0.90	1.20
Common	329	301	188	174	167	140	130	122	121	113
% Common	47	52	49	57	59	62	58	61	59	56
Total Cap.	702	581	385	312	292	232	230	225	236	236
% Oper. Ratio	87.3	89.1	91.6	90.0	92.2	92.5	93.2	92.9	93.0	94.1
% Earn. on Net Prop.	8.6	9.4	12.7	13.2	13.1	12.7	10.8	11.2	11.9	9.6
% Return On Revs.	7.2	6.5	5.4	6.0	6.3	5.1	4.7	4.3	4.1	3.6
% Return On Invest. Capital	5.6	6.1	10.2	11.5	13.4	12.5	11.5	10.7	10.3	8.9
% Return On Com. Equity	11.5	11.8	11.9	11.3	15.5	13.4	12.5	12.0	11.3	11.0

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. Bold denotes diluted EPS (FASB 128)-prior periods restated. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

Office—605 21st Street North, Birmingham, AL 35203. Tel—(205) 326-2700. Website—http://www.energen.com Chrmn, Pres & CEO—W. M. Warren Jr. EVP-Fin, Treas & CFO—G. C. Ketcham. Secy—D. C. Reynolds. Investor Contact—Julie S. Ryland (205-326-2634). Dirs—S. D. Ban, J. W. Banton, R. D. Cash, J. M. Davis Jr., J. S. M. French, R. J. Lysinger, W. M. Warren Jr. Transfer Agent & Registrar—First Chicago Trust Company of New York. Incorporated—in Alabama in 1929. Empl— 1,421. S&P Analyst: John D. Staszak

18-23

South Jersey Industries

NYSE Symbol **SJI**

08-MAY-99 **Industry:** Natural Gas

Summary: SJI provides regulated natural gas distribution service in southern NJ and also has non-regulated operations that market natural gas and provide total energy management services.

Quantitative Evaluations

Outlook (1 Lowest—5 Highest)
• 2

Fair Value
• 24¼

Risk
• Low

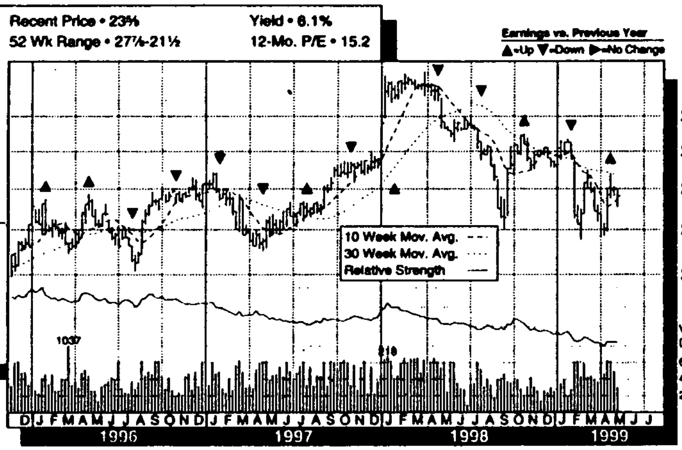
Earn./Div. Rank
• B+

Technical Eval.
• Bearish since 2/99

Rel. Strength Rank (1 Lowest—99 Highest)
• 43

Insider Activity
• Favorable

Recent Price • 23⅝ Yield • 6.1%
52 Wk Range • 27¼-21½ 12-Mo. P/E • 15.2



Business Profile - 04-MAY-99

The company believes that it is well prepared to add new customers from the expanding Atlantic City casino marketplace and from the growing suburban communities of Philadelphia. Its non-regulated operations now offer a broader range of products and services to traditional customers and to new markets. In April 1999, SJI and Energy East Corp. completed the formation of a jointly owned limited liability company that will market retail electricity and energy management services. This strategic move is intended to create significant efficiencies and expand service capabilities for both companies in the deregulated energy marketplace.

Operational Review - 04-MAY-99

Revenues in the first three months of 1999 climbed 19%, year to year, aided by revisions to South Jersey Gas Company's Temperature Adjustment Clause, increased large-volume firm natural gas contract levels, and 6,500 new natural gas customers. Further benefiting from continued attention to cost control, operating profit advanced 35%. After a 13% increase in interest charges and preferred dividend requirements of a subsidiary, income from continuing operations was up 45%, to $17.9 million ($1.66 a share), from $12.4 million ($1.15). Results exclude losses from discontinued operations of nil and $0.02 a share in the respective interims.

Stock Performance - 07-MAY-99

In the past 30 trading days, SJI's shares have increased 4%, compared to a 5% rise in the S&P 500. Average trading volume for the past five days was 5,840 shares, compared with the 40-day moving average of 10,803 shares.

Key Stock Statistics

Dividend Rate/Share	1.44	Shareholders	11,429
Shs. outstg. (M)	10.8	Market cap. (B)	$0.255
Avg. daily vol. (M)	0.012	Inst. holdings	21%
Tang. Bk. Value/Share	15.70		
Beta	0.52		

Value of $10,000 invested 5 years ago: $ 13,756

Fiscal Year Ending Dec. 31

	1999	1998	1997	1996	1995	1994
Revenues (Million $)						
1Q	146.7	122.8	125.4	159.7	110.5	138.9
2Q	—	71.66	62.31	62.25	68.85	67.35
3Q	—	131.5	54.15	49.03	60.33	68.06
4Q	—	124.2	100.7	101.3	114.2	99.6
Yr.	—	450.3	348.6	355.5	353.8	374.0
Earnings Per Share ($)						
1Q	1.66	1.15	1.39	1.67	1.23	0.99
2Q	—	-0.14	Nil	-0.18	-0.01	0.05
3Q	—	-0.27	-0.42	-0.36	-0.27	-0.15
4Q	—	0.55	0.73	0.67	0.69	0.34
Yr.	—	1.28	1.71	1.70	1.39	1.21

Next earnings report expected: mid July

Dividend Data (Dividends have been paid since 1952.)

Amount ($)	Date Decl.	Ex-Div. Date	Stock of Record	Payment Date
0.360	May. 22	Jun. 08	Jun. 10	Jun. 30 '98
0.360	Aug. 21	Sep. 08	Sep. 10	Sep. 30 '98
0.360	Nov. 20	Dec. 08	Dec. 10	Jan. 04 '99
0.360	Feb. 19	Mar. 08	Mar. 10	Mar. 31 '99

South Jersey Industries, Inc.

08-MAY-99

Business Summary - 04-MAY-99

South Jersey Industries is a diversified holding company whose main subsidiary, South Jersey Gas Co., is a regulated natural gas distribution company that accounted for 66% of revenues and 99% of operating profits in 1998. SJI also has non-regulated operations that market natural gas and provide total energy management services. As of year-end 1998, non-regulated operations consisted of South Jersey Energy Co.; SJ EnerTrade; and Energy & Minerals.

South Jersey Gas Co. (SJG) is an operating public utility company engaged in the purchase, transmission and sale of natural gas to residential, commercial and industrial customers. SJG was serving, as of year-end 1998, an area of 2,500 square miles in the southern part of New Jersey. SJG also makes off-system sales of natural gas on a wholesale basis to various customers on the interstate pipeline system. It also transports natural gas purchased directly from producers or suppliers by some of its customers.

SJG's service territory included, as of year-end 1998, 112 municipalities throughout the New Jersey counties of Atlantic, Cape May, Cumberland and Salem and portions of Burlington, Camden and Gloucester. The estimated permanent population of the area was about 1.1 million.

SJG was serving, as of year-end 1998, 267,065 residential, commercial and industrial customers in southern New Jersey. Gas sales and transportation for 1998 amounted to 80,521 MMcf, of which 46,862 MMcf was firm sales and transportation, 6,743 MMcf interruptible sales and transportation, and 26,916 MMcf off-system sales.

Firm sales in 1998 were divided as follows: 36% residential, 10% commercial, 5% cogeneration and electric generation, 1% industrial, and 48% transportation. At year-end 1998, SJG was serving 248,210 residential customers, 18,457 commercial and 398 industrial, including 1998 net additions of 6,078 residential customers, 420 commercial, and zero industrial.

The South Jersey Energy Co. subsidiary provides services for the acquisition and transportation of natural gas and electricity for commercial, industrial and residential users.

The SJ EnerTrade subsidiary provides services for the sale of natural gas to energy marketers, electric and gas utilities, and other wholesale users in the mid-Atlantic and southern regions of the country.

The Energy & Minerals subsidiary principally manages temporary cash investments and owns the stock of South Jersey Fuel, Inc. (SJF), an inactive nonutility subsidiary.

Per Share Data ($) (Year Ended Dec. 31)	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Tangible Bk. Val.	15.70	16.11	16.06	14.67	14.46	14.33	13.90	13.53	13.58	13.49
Earnings	1.28	1.71	1.70	1.65	1.21	1.55	1.61	1.28	1.33	1.66
Dividends	1.44	1.44	1.44	1.44	1.44	1.44	1.41	1.41	1.40	1.36
Payout Ratio	112%	84%	85%	87%	119%	93%	88%	111%	105%	82%
Prices - High	30¾	30½	24⅝	23½	24	27½	23⅛	20⅞	20⅞	22⅞
- Low	22	21	20⅛	17⅞	16⅝	21⅛	19⅛	17⅝	16⅝	17⅝
P/E Ratio - High	24	18	14	14	20	18	14	16	15	14
- Low	17	12	12	11	14	14	12	14	12	11
Income Statement Analysis (Million $)										
Revs.	450	349	355	354	374	334	317	279	260	259
Depr.	17.1	16.0	14.9	17.8	16.6	15.4	14.5	13.7	12.6	11.4
Maint.	NA	NA	NA	NA	NA	NA	6.1	5.9	6.1	5.7
Fxd. Chgs. Cov.	2.1	2.4	2.4	1.6	2.3	2.4	2.4	2.1	2.1	2.5
Constr. Credits	NA	NA	NA	NA	NA	Nil	Nil	Nil	Nil	Nil
Eff. Tax Rate	46%	37%	36%	35%	36%	32%	32%	31%	30%	27%
Net Inc.	13.8	18.4	18.3	17.6	12.4	15.0	15.1	11.7	11.6	14.0
Balance Sheet & Other Fin. Data (Million $)										
Gross Prop.	683	623	581	601	568	532	499	470	437	419
Cap. Exp.	65.9	49.6	43.2	44.6	41.4	36.7	31.7	40.1	38.0	38.5
Net Prop.	502	455	422	423	402	375	355	351	325	301
Capitalization:										
LT Debt	232	176	150	169	153	144	119	107	112	67.0
% LT Debt	58	46	46	52	49	50	47	46	47	36
Pfd.	NA	37.2	2.3	2.0	2.5	2.6	2.7	2.8	3.0	3.3
% Pfd.	NA	9.63	0.60	0.60	0.80	0.90	1.00	1.20	1.30	1.80
Common	169	173	173	157	155	141	132	125	123	114
% Common	42	45	53	48	50	49	52	53	52	62
Total Cap.	491	422	407	403	381	358	307	284	284	230
% Oper. Ratio	92.0	88.9	89.2	89.0	91.7	92.1	90.2	90.2	89.7	89.8
% Earn. on Net Prop.	7.5	8.8	4.3	9.4	7.9	8.4	8.8	8.0	8.6	9.3
% Return On Revs.	3.1	5.3	5.2	5.0	3.3	4.5	4.8	4.2	4.5	5.4
% Return On Invest. Capital	10.9	9.3	9.7	9.9	8.4	9.2	10.5	9.6	10.4	11.5
% Return On Com. Equity	8.1	10.6	10.9	11.3	8.4	11.3	11.8	9.5	9.8	12.4

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. Bold denotes diluted EPS (FASB 128)-prior periods restated. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

Office—One South Jersey Plaza, Route 54, Folsom, NJ 08037-9917. Tel—(609) 561-9000. Website—http://www.sjindustries.com Chrmn—R. L. Dunham. Pres & CEO—C. Bisciegia. VP & CFO—D. A. Kindlick. Secy & Treas—G. L. Baulig Dirs—C. Bisclegila, A. G. Dickson, R. L. Dunham, W. C. Edwards, T. L. Glenn Jr., H. D. James, C. D. McCormick, F. R. Raring, S. M. Vioni. Transfer Agent & Registrar—First Union National Bank of North Carolina, Charlotte. Incorporated—in New Jersey in 1910; reincorporated in New Jersey in 1969. Empl— 667. S&P Analyst: C.F.B.

18-24

18-25

STANDARD &POOR'S
STOCK REPORTS

Delta Natural Gas

NASDAQ Symbol **DGAS**

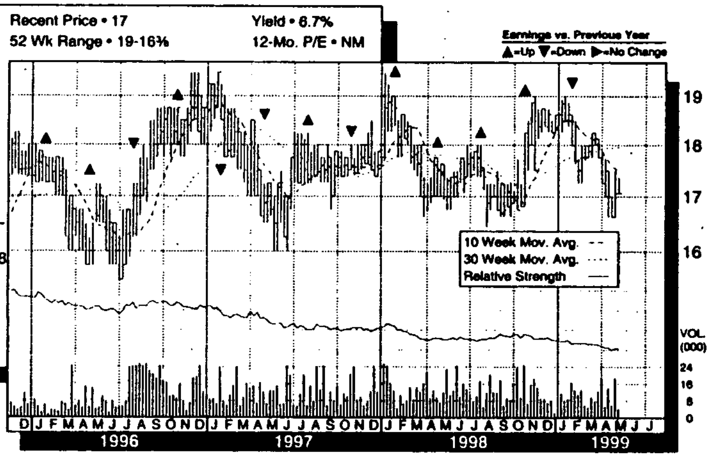
08-MAY-99 **Industry:** Natural Gas

Summary: This company is engaged in the distribution, transmission and production of natural gas in central and southeastern Kentucky.

Quantitative Evaluations
Outlook (1 Lowest—5 Highest)
• NA
Fair Value
• NA
Risk
• Low
Earn./Div. Rank
• B+

Technical Eval.
• **Bearish** since 11/98
Rel. Strength Rank (1 Lowest—99 Highest)
• 32
Insider Activity
• NA

Recent Price • 17
52 Wk Range • 19-16⅝
Yield • 6.7%
12-Mo. P/E • NM



Business Profile - 24-FEB-99

Delta Natural Gas continues to expand its distribution and transmission system. DGAS increased the scope of its Annville Gas & Transmission operation to provide service to additional customers in the City of Annville. DGAS also finished the development of its Canada Mountain underground natural gas storage field during FY 98 (Jun.), which included the completion of 14 miles of 12-inch diameter pipeline that connects the storage field to DGAS' system. Delta Natural Gas connected a 43 mile, 8-inch diameter steel pipeline at its TranEx division to the company's system in the Richmond area. This pipeline will also be used to provide natural gas to DGAS' Canada Mountain storage field, as well as for system supply and transportation.

Operational Review - 24-FEB-99

During the six months ended December 31, 1998, operating revenues declined 20%, year to year, mainly reflecting a decrease in retail sales volumes related to warmer winter weather, and lower rates associated with a gas cost recovery clause. Expenses decreased 22%, aided by a 40% decline in purchased gas expense due to fewer gas purchases for retail sales, and sharply lower income tax attributable to changes in net income, partially offset by 12% higher depreciation. But following a 7.6% increase in interest expense, the net loss widened to $441,002 ($0.18 a share), from $222,170 ($0.09).

Stock Performance - 07-MAY-99

In the past 30 trading days, DGAS's shares have declined 4%, compared to a 5% rise in the S&P 500. Average trading volume for the past five days was 800 shares, compared with the 40-day moving average of 2,192 shares.

Key Stock Statistics

Dividend Rate/Share	1.14	Shareholders	2,410
Shs. outstg. (M)	2.4	Market cap. (B)	$0.041
Avg. daily vol. (M)	0.002	Inst. holdings	6%
Tang. Bk. Value/Share	10.51		
Beta	0.02		

Value of $10,000 invested 5 years ago: $ 10,639

Fiscal Year Ending Jun. 30

	1999	1998	1997	1996	1995	1994
Revenues (Million $)						
1Q	4.94	5.22	4.07	3.77	3.63	3.60
2Q	8.63	11.79	10.02	8.41	7.13	7.80
3Q	—	18.31	18.65	16.02	14.90	16.50
4Q	—	8.94	9.43	83.70	6.18	6.95
Yr.	—	44.26	42.17	36.58	31.84	34.85
Earnings Per Share ($)						
1Q	-0.29	-0.35	-0.33	-0.41	-0.34	-0.33
2Q	0.11	0.25	0.09	0.34	0.12	0.32
3Q	—	1.00	0.88	1.44	1.22	1.48
4Q	—	0.14	0.09	0.03	0.04	-0.04
Yr.	—	1.04	0.75	1.41	1.04	1.50

Next earnings report expected: late May

Dividend Data (Dividends have been paid since 1964.)

Amount ($)	Date Decl.	Ex-Div. Date	Stock of Record	Payment Date
0.285	May. 21	May. 28	Jun. 01	Jun. 15 '98
0.285	Aug. 20	Aug. 27	Aug. 31	Sep. 15 '98
0.285	Nov. 19	Nov. 27	Dec. 01	Dec. 15 '98
0.285	Feb. 18	Feb. 25	Mar. 01	Mar. 15 '99

Business Summary - 24-FEB-99

Delta Natural Gas Company distributes, transmits, stores, and produces natural gas from locations in 20 counties in central and southeastern Kentucky. The company has about 38,000 residential, commercial, industrial, and transportation customers. DGAS also delivers natural gas to several interconnected pipelines. Delta's several wholly owned subsidiaries include Delta Resources, Delgasco Deltran, Enpro, and TranEx. Delta Resources purchases gas and resells it to industrial firms and to Delta for system supply. Delgasco buys gas and sells it to Delta Resources, as well as to customers located outside of DGAS' system. Deltran operates an underground natural gas storage facility that it leases from the company. Enpro owns and manages production properties and undeveloped land. TranEX owns a 43 mile intrastate pipeline. Delta's service territory consists primarily of light industry, farming and coal mining operations. The communities in this area typically contain populations of less than 20,000.

At present, more than 99% of DGAS' customers consist of residential and commercial accounts. However, the company's light industrial customers bought 6% of the total volume of gas sold during 1998. During FY 98 (Jun.), DGAS produced $33,435,000 in revenues from retail gas sales of 4,112,000 Mcf, compared to $33,581,000 in revenues and 4,299,000 Mcf in FY 97. Heating degree days billed in FY 98 totaled only 93.5% of normal, versus 103.5% in 1997. As a result, sales volumes declined by 187,000 Mcf or 4.4% during FY 98. In FY 98, Delta's natural gas transportation revenues totaled $4,360,000, compared with $3,596,000 in FY 97. On-system and off-system transportation customers contributed $3,877,000 (3,467,000 Mcf) and $483,000 (1,489,000 Mcf), respectively.

To increase gas production and transportation opportunities, in June 1997 Delta purchased TranEx Corp., which owns a 43 mile, 8-inch diameter steel pipeline, extending from Clay County to Madison County. In 1998, TranEx connected this pipeline to the company's system in the Richmond area. TranEx also interconnects with a pipeline of Columbia Gulf Transmission Co., and Delta's transmission pipeline. DGAS is using its pipeline to deliver natural gas for injection into Delta's Canada Mountain storage field, and for system supply and transportation.

Both Kentucky and interstate sources provide Delta its gas supply. The company's interstate gas supply is either transported, stored, or both by Tennessee Gas Pipeline Co., Columbia Gas Transmission Corp., Columbia Gulf , and Texas Eastern Transmission Corp. Delta buys its interstate gas supply from gas marketers. The company has also purchased gas supply from Kentucky producers and suppliers. Enpro produces oil and gas from leased properties in southeastern Kentucky. For its system supply, Delta buys Enpro's natural gas production. Enpro's other proved, developed natural gas reserves are estimated at 4,200,000 Mcf. Delta bought a total of 225,000 Mcf from Enpro properties in 1998.

Compoar Growth Rate

Per Share Data ($) (Year Ended Jun. 30)	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Tangible Bk. Val.	10.51	11.15	11.42	10.79	12.05	10.61	9.99	9.47	9.77	10.06 — 0.5%
Cash Flow	2.50	2.03	2.74	2.26	2.62	2.72	2.56	1.86	1.88	2.15
Earnings	1.04	0.75	1.41	1.04	1.50	1.60	1.52	0.73	0.76	1.07 — (0.3%)
Dividends	1.14	1.14	1.12	1.12	1.11	1.09	1.08	1.06	1.08	1.07 — 0.7%
Payout Ratio	110%	152%	79%	108%	74%	68%	72%	149%	142%	109%
Prices - High	19¼	19½	19½	18¾	21¾	23½	18½	16	14⅝	16⅝
- Low	16⅝	16	15½	15½	15¾	17¼	14½	11¾	11¼	13½
P/E Ratio - High	19	26	14	18	14	15	12	22	19	15
- Low	16	21	11	15	11	11	10	16	15	13
Income Statement Analysis (Million $)										
Revs.	44.3	42.1	36.6	31.8	34.8	31.2	29.2	26.8	27.2	25.7
Oper. Inc.	6.7	9.3	9.5	7.6	8.3	8.2	7.7	5.4	5.3	5.4
Depr.	3.4	2.9	2.5	2.3	2.0	1.8	1.7	1.8	1.8	1.5
Int. Exp.	4.3	1.1	2.8	2.4	2.2	2.2	2.2	2.0	1.8	1.5
Pretax Inc.	3.9	2.7	4.2	3.0	4.2	4.2	3.9	1.7	1.8	2.3
Eff. Tax Rate	36%	91%	37%	35%	36%	37%	37%	33%	34%	34%
Net Inc.	2.5	1.7	2.7	1.9	2.7	2.6	2.5	1.2	1.2	1.5
Balance Sheet & Other Fin. Data (Million $)										
Cash	0.1	0.5	0.1	0.1	0.2	0.2	0.2	0.1	0.2	0.3
Curr. Assets	5.5	7.8	6.4	2.8	4.1	3.4	2.6	3.0	2.9	3.1
Total Assets	103	96.6	81.1	65.9	61.9	55.1	42.1	41.8	32.7	33.6
Curr. Liab.	10.7	19.3	5.7	12.3	7.7	11.4	8.2	5.9	11.4	6.4
LT Debt	52.6	38.1	42.6	23.7	24.5	19.6	20.2	21.5	12.2	13.0
Common Eqty.	29.8	29.4	23.6	22.5	22.2	17.5	16.2	15.1	15.4	15.7
Total Cap.	91.1	76.2	74.3	52.6	52.7	43.6	42.1	41.8	32.7	33.6
Cap. Exp.	11.2	16.6	13.4	8.1	7.4	6.3	5.1	5.2	6.3	5.4
Cash Flow	5.9	4.7	5.2	4.2	4.7	4.5	4.1	3.0	2.9	3.1
Curr. Ratio	0.5	0.4	1.1	0.2	0.5	0.3	0.3	0.5	0.3	0.5
% LT Debt of Cap.	57.8	50.0	57.3	45.1	46.5	45.0	48.0	51.4	37.4	38.8
% Net Inc.of Revs.	5.5	4.1	7.3	6.1	7.7	8.4	8.4	4.3	4.4	6.0
% Ret. on Assets	2.5	1.9	3.6	3.0	4.3	4.9	5.0	2.5	2.8	3.4
% Ret. on Equity	8.3	6.5	11.5	8.6	12.8	15.4	15.5	7.6	7.7	10.3

Data as orig. reptd.; bef. results of disc. opers. and/or spec. items. Per share data adj. for stk. divs. as of ex-div. date. Bold denotes diluted EPS (FASB 128). E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

Office—3617 Lexington Rd., Winchester, KY 40391. Tel—(606) 744-6171. Website—http://deltagas.comFax—(606) 744-6552. Chrmn—H. D. Peet. Pres & CEO—Glenn R. Jennings. VP, Treas & Secy—J. F. Hall. Dirs—D. R. Crowe, Jane H. Green, B. J. Hall, J. D. Harrison, G. R. Jennings, [illegible] D. Peet, V. E. Scott, H. C. Thompson, A. E. Walker, Jr.Transfer Agent & Registrar—Fifth Third Bank, Cincinnati, OH. Inco[illegible]—In [illegible]tucky in 1949. Empl— 181. S&P Analyst: John Staszak

CASCADE NAT'L GAS NYSE-CGC

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
18	15.7	(Trailing: 16.5 Median: 17.0)	0.93	5.4%	470

TIMELINESS 3 Raised 10/9/98
SAFETY 3 New 7/27/90
TECHNICAL 3 Lowered 4/16/99
BETA .55 (1.00 = Market)

High:	10.8	13.8	12.7	16.9	16.8	19.4	18.1	17.5	17.5	19.0	18.7	18.3
Low:	9.2	9.4	10.1	11.1	13.6	15.5	12.8	13.0	13.4	15.3	14.6	14.4

Target Price Range 2002 | 2003 | 2004

2002-04 PROJECTIONS

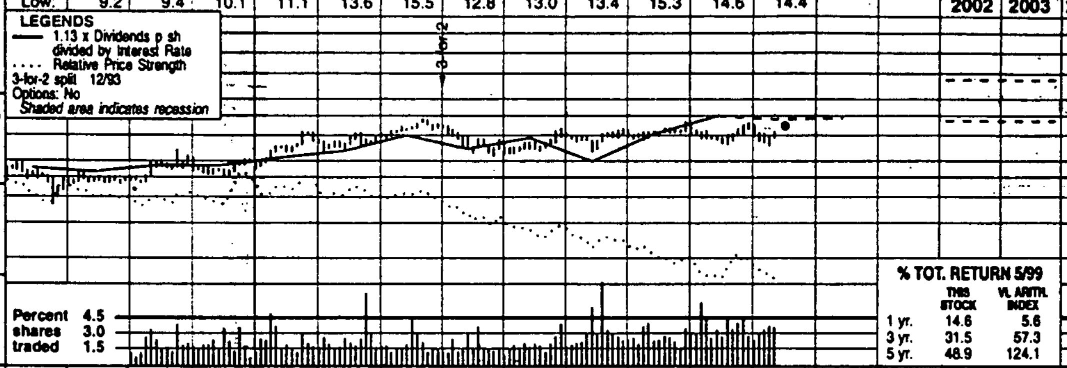
	Price	Gain	Ann'l Total Return
High	30	(+65%)	17%
Low	19	(+5%)	7%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q1998	3Q1998	4Q1998
to Buy	27	29	25
to Sell	8	10	11
Hld's(000)	3378	2998	3224



% TOT. RETURN 5/99

	THIS STOCK	VL ARITH. INDEX
1 yr.	14.6	5.6
3 yr.	31.5	57.3
5 yr.	48.9	124.1

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC.	02-04
35.53	43.76	37.80	25.06	24.07	24.51	26.87	24.45	23.27	20.03	21.88	21.59	19.98	17.11	17.85	17.17	*18.20*	*19.15*	Revenues per sh A	*22.50*
1.35	2.35	2.18	1.14	1.56	1.97	2.47	2.36	2.29	1.66	2.04	1.71	2.07	1.98	1.92	2.06	*2.25*	*2.40*	"Cash Flow" per sh	*3.00*
.41	1.39	1.25	.16	.64	.84	1.29	1.26	1.14	.63	1.05	.60	.80	.95	.93	.84	*1.10*	*1.20*	Earnings per sh AB	*1.55*
.75	.76	.81	.85	.85	.85	.85	.87	.90	.93	.94	.96	.96	.72	.96	.96	*.96*	*.97*	Div'ds Decl'd per sh C=	*1.00*
1.86	.97	1.40	2.02	1.43	1.62	1.99	2.50	2.97	4.64	3.85	3.06	4.12	2.42	2.66	2.32	*2.10*	*2.10*	Cap'l Spending per sh	*2.40*
7.21	7.83	8.25	7.60	7.45	7.46	7.96	8.33	8.63	9.09	9.96	9.81	9.76	10.09	10.16	10.07	*11.05*	*10.95*	Book Value per sh D	*13.05*
5.22	5.34	5.78	5.84	6.36	6.43	6.49	6.56	6.63	7.61	8.57	8.91	9.14	10.79	10.97	11.05	*11.25*	*11.50*	Common Shs Outst'g E	*12.00*
15.6	5.4	8.5	69.6	16.0	11.7	8.6	8.9	12.2	23.7	16.6	25.7	18.2	16.4	17.6	19.4	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
1.32	.50	.69	4.71	1.07	.97	.65	.66	.78	1.44	.98	1.69	1.22	1.03	1.01	1.02	*Value Line*		Relative P/E Ratio	*1.00*
11.7%	10.2%	7.6%	7.7%	8.3%	8.7%	7.7%	7.8%	6.4%	6.2%	5.4%	6.2%	6.6%	4.6%	5.9%	5.9%	*estimates*		Avg Ann'l Div'd Yield	*4.2%*

CAPITAL STRUCTURE as of 3/31/99

Total Debt $130.0 mill. Due in 5 Yrs $6.0 mill.
LT Debt $125.0 mill. LT Interest $9.4 mill.
(LT interest earned: 2.8x; total interest coverage: 3.4x)

Pension Liability None

Pfd Stock $6.4 mill. Pfd Div'd $.5 mill.

Common Stock 11,045,095 shs. as of 4/30/99

MARKET CAP: $200 million (Small Cap)

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		02-04
174.5	160.5	154.3	152.5	187.5	192.4	182.7	184.6	195.8	189.7	*205*	*220*	Revenues ($mill) A	*270*
8.5	8.4	7.7	4.8	8.9	5.8	7.7	9.4	10.6	9.8	*13.0*	*14.0*	Net Profit ($mill)	*18.0*
37.9%	35.3%	35.5%	36.8%	37.0%	37.8%	36.8%	34.3%	37.1%	37.4%	*37.5%*	*37.5%*	Income Tax Rate	*37.5%*
4.9%	5.2%	5.0%	3.2%	4.7%	3.0%	4.2%	5.1%	5.4%	5.2%	*6.3%*	*6.4%*	Net Profit Margin	*7.0%*
52.4%	51.5%	46.6%	49.2%	48.3%	51.3%	51.4%	46.8%	50.6%	48.4%	*51.0%*	*51.5%*	Long-Term Debt Ratio	*50.0%*
45.1%	46.3%	46.7%	45.6%	47.3%	44.8%	45.0%	50.0%	46.5%	48.7%	*46.5%*	*48.5%*	Common Equity Ratio	*50.0%*
114.7	118.2	122.5	151.8	180.2	194.9	198.5	217.8	239.4	228.5	*255*	*260*	Total Capital ($mill)	*310*
129.3	137.0	148.1	174.7	197.4	213.9	239.1	255.7	265.2	276.6	*285*	*300*	Net Plant ($mill)	*330*
10.1%	9.7%	8.7%	5.2%	6.6%	4.9%	5.9%	6.1%	6.2%	6.1%	*7.0%*	*7.0%*	Return on Total Cap'l	*8.0%*
15.5%	14.6%	11.7%	6.3%	9.5%	6.1%	8.0%	8.1%	9.0%	8.3%	*10.5%*	*11.5%*	Return on Shr. Equity	*12.0%*
18.1%	15.0%	13.1%	6.1%	9.7%	5.9%	8.1%	8.3%	9.1%	8.3%	*11.0%*	*11.5%*	Return on Com Equity	*12.0%*
5.4%	4.5%	3.9%	NMF	1.6%	NMF	NMF	1.8%	.7%	NMF	*1.5%*	*2.0%*	Retained to Com Eq	*4.5%*
67%	71%	71%	NMF	84%	NMF	106%	79%	93%	108%	*88%*	*81%*	All Div'ds to Net Prof	*84%*

CURRENT POSITION A ($MILL.)	1997	1998	3/31/99
Cash Assets	3.2	2.3	6.8
Other	25.6	21.0	37.2
Current Assets	28.8	23.3	44.0
Accts Payable	7.8	10.2	11.7
Debt Due	12.9	16.9	5.0
Other	14.3	15.7	22.4
Current Liab.	35.0	42.8	39.1
Fix. Chg. Cov.	242%	225%	298%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '02-'04
Revenues	-3.5%	-4.5%	4.5%
"Cash Flow"	2.5%	--	7.0%
Earnings	5.0%	-.5%	9.5%
Dividends	.5%	-1.0%	.5%
Book Value	3.0%	2.0%	4.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	56.9	67.6	33.5	26.6	184.6
1997	65.0	71.2	33.7	25.9	195.8
1998	61.1	65.5	37.0	26.1	189.7
1999	62.9	71.1	*40.0*	*31.0*	*205*
2000	*68.0*	*76.0*	*43.0*	*33.0*	*220*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	.56	.72	d.12	d.19	.95
1997	.59	.69	d.10	d.23	.93
1998	.51	.57	d.07	d.17	.84
1999	.60	*.75*	*d.05*	*d.20*	*1.10*
2000	*.65*	*.80*	*d.05*	*d.20*	*1.20*

Cal-endar	QUARTERLY DIVIDENDS PAID C= Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1995	.24	.24	.24	.24	.96
1996	.24	.24	.24	.24	.96
1997	.24	.24	.24	.24	.96
1998	.24	.24	.24	.24	.96
1999	.24	.24			

BUSINESS: Cascade Natural Gas Corporation distributes natural gas to nearly 170,000 customers in Washington and Oregon. In 1998, total throughput was 133.0 billion cu.ft. Core customers: residential, commercial, firm industrial, interruptible (62% of oper. margin, 16% of gas deliveries); non-core: industrial, transportation service (38%, 84%). Serves pulp & paper, plywood, chem. fertilizers, oil refining, & food process. inds. Main connecting pipeline: Northwest Pipeline Corp. '98 deprec. rate: 3.0%. Est'd plant age: 12 yrs. Has about 480 employees; 7,950 common shrhldrs. Off. and dir. own 1.1% of com. (12/98 proxy). Chrmn. & C.E.O.: W.B. Matsuyama. Pres. & C.O.O.: Ralph E. Boyd. Inc.: WA. Address: 222 Fairview Ave. North, Seattle, WA 98109. Tel.: 206-624-3900.

Strong customer growth will likely be a primary driver of Cascade Natural Gas Corporation's share-earnings improvement through fiscal 2000. (Years end September 30th.) The gas distributor's service territories continue to benefit from healthy economic conditions. In light of this trend, account hookups are apt to hold close to a 6% annual clip, which amounts to about three times the national average. We still believe that roughly half of the new business will result from conversions from alternate fuel sources. Moreover, we expect ongoing demand for natural gas used for electric power generation. It ought to be noted, though, that such growth has its share of costs. High levels of meter additions usually lead to added operating expenses and extensive capital outlays to support expansion. This capital spending often brings about added borrowings and associated interest expense.

A change in the treatment of depreciation expense should also provide a boost to the bottom line. Cascade performed an extensive review of depreciation costs, which ultimately determined that the estimated useful lives of plant assets were not in line with those of the industry overall. As of the start of this fiscal year, depreciation rates were lowered from 3.5% to 3.0%. Too, this change should complement the reduction of salary costs because of early retirement programs.

As always, weather remains the wild card. The company's share income fluctuates considerably as a result of swings in service area temperatures, due to the absence of weather-normalization adjustment mechanisms in utility rate structures. This weather sensitivity was the main culprit behind the share-net shortfall in fiscal 1998. Note that our estimates and projections assume normal temperatures going forward.

Cascade shares offer a good dividend yield, which lies about a percentage point above the gas distribution industry average. Future increases in payments, though, may well be limited by cash flow needed to support the aforementioned rapid customer growth. This equity is ranked to mirror the stock market averages over the next 12 months.

Oscar L. Vidal *June 25, 1999*

(A) Cal. yr. thru. 12/95. Changed to 9/30 fiscal yr. in '96. 9/96 pro forma to incl. '95.Q4. (B) Primary egs. thru. '97, then diluted. Excl. nonrec. gns. (loss): '91, 19¢; '93, 3¢; '96, (11¢); '98, (2¢). Qtrly. egs in '96 do not add due to chng. in shrs. '97 and '98 qtrly egs. do not add due to rounding. Nxt. egs. rpt. due late Jul. (C) Nxt. div'd mtg. late Jun. Nxt. ex date abt. Jul. 10. Div'd pmt. dates: abt. Feb. 15, May 15, Aug. 15, Nov. 15. = Div'd reinvest. plan avail. (D) Incl. deferred chrgs. In '98: $10.0 mill., $0.90/sh. (E) In mill., adj. for stk. split.

Company's Financial Strength	B
Stock's Price Stability	95
Price Growth Persistence	20
Earnings Predictability	45

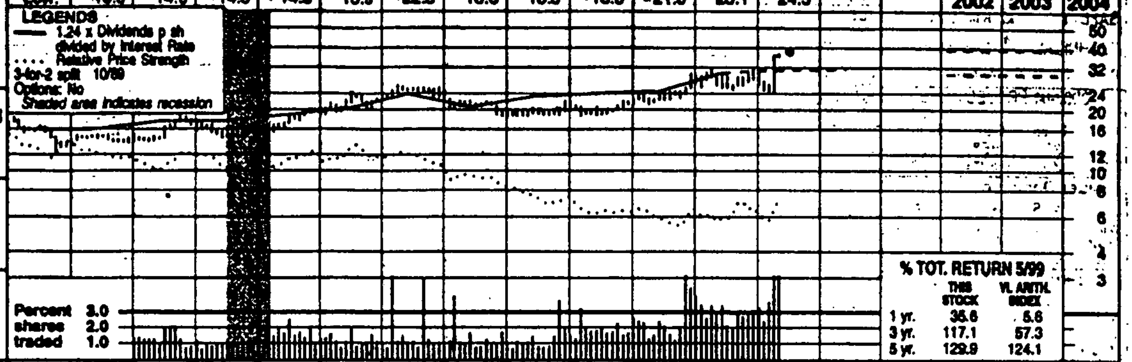
18-26

CONN. ENERGY NYSE-CNE	RECENT PRICE 39	P/E RATIO 19.2 (Trailing: 21.1 Median: 13.0)	RELATIVE P/E RATIO 1.14	DIV'D YLD 3.5%	VALUE LINE

TIMELINESS — Suspended 4/30/99
SAFETY 2 New 7/27/90
TECHNICAL — Suspended 4/30/99
BETA .60 (1.00 = Market)

High:	15.3	18.9	18.0	20.4	24.8	26.6	25.0	22.5	22.3	30.4	32.3	38.9	
Low:	13.5	14.0	14.5	14.3	18.9	22.5	18.6	18.5	18.6	21.0	25.1	24.3	

Target Price Range 2002 | 2003 | 2004



2002-04 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+5%)	4%
Low	30	(-25%)	-2%

Insider Decisions

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

Institutional Decisions

	2Q1998	3Q1998	4Q1998
to Buy	36	34	30
to Sell	24	15	12
Hld's(000)	3713	3766	4009

Percent shares traded 3.0 2.0 1.0

% TOT. RETURN 5/99

	THIS STOCK	VL ARITH. INDEX
1 yr.	35.6	5.6
3 yr.	117.1	57.3
5 yr.	129.9	124.1

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	©VALUE LINE PUB., INC.	02-04
37.06	36.28	31.45	29.56	29.52	25.79	27.73	27.90	25.25	28.08	28.41	27.69	26.18	28.97	27.47	23.56	*22.85*	*24.30*	Revenues per sh A	*30.00*
2.81	3.06	2.54	2.34	2.79	2.83	2.93	2.81	2.75	3.06	3.08	2.97	3.17	3.32	3.51	3.49	*3.65*	*3.65*	"Cash Flow" per sh	*4.30*
1.36	1.35	1.21	1.16	1.39	1.49	1.28	1.12	1.38	1.43	1.50	1.58	1.60	1.70	1.81	1.75	*1.95*	*1.90*	Earnings per sh B	*2.30*
.93	1.01	1.07	1.12	1.12	1.17	1.20	1.23	1.24	1.26	1.28	1.30	1.30	1.31	1.32	1.33	*1.35*	*1.37*	Div'ds Decl'd per sh C■	*1.60*
2.37	3.00	3.33	3.90	3.34	3.30	3.86	3.74	2.87	3.15	3.49	3.07	3.12	2.80	3.11	3.51	*2.85*	*2.50*	Cap'l Spending per sh	*2.50*
10.04	10.38	10.67	11.03	11.44	12.04	12.14	11.91	12.49	12.80	13.33	14.45	14.84	15.31	15.76	17.22	*17.60*	*18.15*	Book Value per sh D	*20.50*
4.43	4.52	5.21	5.28	5.35	6.09	6.18	6.25	7.10	7.24	7.49	8.70	8.87	9.01	9.17	10.29	*10.50*	*10.70*	Common Shs Outst'g E	*11.00*
8.2	7.5	9.9	13.4	11.4	9.7	12.4	14.6	12.1	14.7	16.1	14.2	12.2	11.8	12.4	14.7	Bold figures are		Avg Ann'l P/E Ratio	*15.0*
.52	.70	.80	.91	.76	.81	.94	1.08	.77	.89	.95	.93	.82	.74	.71	.77	Value Line		Relative P/E Ratio	*1.00*
11.0%	10.0%	8.9%	7.2%	7.1%	8.1%	7.6%	7.5%	7.4%	6.0%	5.3%	5.8%	6.6%	6.5%	5.9%	4.8%	estimates		Avg Ann'l Div'd Yield	*4.7%*

CAPITAL STRUCTURE as of 3/31/99

Total Debt $158.5 mill. Due in 5 Yrs $20.6 mill.
LT Debt $148.8 mill. LT Interest $12.8 mill.
(LT interest earned: 2.6x)
(total interest coverage: 2.3x)

Leases, Uncapitalized Annual rentals $3.1 mill.
Pension Liability None

Pfd Stock None
Common Stock 10,375,702 shs.
as of 5/7/99
MARKET CAP: $400 million (Small Cap)

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		02-04
171.3	174.4	179.2	203.0	212.8	240.9	232.1	261.1	252.0	242.4	*240*	*260*	Revenues ($mill) A	*330*
7.8	6.9	9.0	10.3	11.1	12.8	14.1	15.2	16.4	18.0	*20.5*	*20.5*	Net Profit ($mill)	*25.0*
53.5%	41.6%	38.9%	23.9%	25.7%	29.6%	34.6%	33.4%	35.2%	25.3%	*36.0%*	*36.0%*	Income Tax Rate	*36.0%*
4.6%	4.0%	5.0%	5.1%	5.2%	5.3%	6.1%	5.8%	6.5%	7.4%	*8.5%*	*7.9%*	Net Profit Margin	*7.6%*
51.2%	54.9%	49.4%	50.2%	54.5%	48.8%	47.6%	50.1%	48.1%	45.9%	*45.0%*	*44.5%*	Long-Term Debt Ratio	*43.0%*
48.2%	44.6%	50.1%	49.4%	45.2%	51.2%	52.4%	49.9%	51.9%	54.1%	*55.0%*	*55.5%*	Common Equity Ratio	*57.0%*
155.5	168.7	176.7	187.4	221.0	245.6	250.9	276.7	278.6	327.2	*335*	*350*	Total Capital ($mill)	*390*
182.2	189.9	199.4	210.5	221.8	237.0	250.1	260.6	269.1	275.2	*285*	*290*	Net Plant ($mill)	*320*
7.5%	6.6%	7.7%	7.9%	7.3%	7.5%	7.7%	7.5%	8.1%	7.4%	*8.0%*	*7.5%*	Return on Total Cap'l	*8.0%*
10.3%	9.2%	10.1%	11.0%	11.0%	10.2%	10.7%	11.0%	11.4%	10.2%	*11.0%*	*10.5%*	Return on Shr. Equity	*11.5%*
10.4%	9.3%	10.2%	11.0%	11.0%	10.2%	10.7%	11.0%	11.4%	10.7%	*11.5%*	*10.5%*	Return on Com Equity	*11.5%*
.7%	NMF	.9%	1.3%	1.6%	1.7%	2.0%	2.5%	3.1%	3.0%	*3.5%*	*3.0%*	Retained to Com Eq	*3.5%*
93%	110%	92%	88%	86%	84%	81%	77%	73%	76%	*69%*	*72%*	All Div'ds to Net Prof	*70%*

CURRENT POSITION ($MILL.)	1997	1998	3/31/99
Cash Assets	6.6	10.1	8.5
Other	54.0	48.3	73.0
Current Assets	60.6	58.4	81.5
Accts Payable	12.6	10.5	12.4
Debt Due	36.1	23.7	9.7
Other	21.3	13.9	36.0
Current Liab.	70.0	48.1	58.1
Fix. Chg. Cov.	277%	276%	na

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '02-'04
Revenues	-.5%	-.5%	*2.0%*
"Cash Flow"	2.5%	3.0%	*4.0%*
Earnings	3.0%	4.5%	*4.0%*
Dividends	1.5%	1.0%	*3.5%*
Book Value	3.5%	4.5%	*4.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	69.8	120.2	44.0	27.1	261.1
1997	74.9	106.9	44.0	26.2	252.0
1998	76.5	100.8	38.0	27.1	242.4
1999	61.6	106.2	*42.2*	*30.0*	*240*
2000	*65.0*	*115*	*48.0*	*32.0*	*260*

Fiscal Year Ends	EARNINGS PER SHARE AB Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	.57	1.64	d.08	d.43	1.70
1997	.60	1.67	d.13	d.33	1.81
1998	.64	1.47	d.10	d.26	1.75
1999	.59	1.62	*d.05*	*d.21*	*1.95*
2000	*.67*	*1.50*	*d.06*	*d.21*	*1.90*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1995	.325	.325	.325	.325	1.30
1996	.325	.33	.33	.33	1.32
1997	.33	.33	.33	.33	1.32
1998	.33	.335	.335	.335	1.34
1999	.335	.335			

BUSINESS: Connecticut Energy Corporation, through its principal subsidiary, The Southern Connecticut Gas Co., is engaged primarily in the distribution of natural gas to about 160,000 customers in 22 Conn. communities. The company also has subs. involved in non-regulated energy businesses. Revenue mix for FY '98: residential, 59%; commercial firm, 18%; industrial firm, 4%; firm transportation, 5%; interruptible and other, 14%. In FY '98, purchased gas costs equalled 50% of revenues. FY '98 deprec. rate: 4.2%. Has about 500 employees, 9,800 stckhldrs. Brinson Partners owns 6.1% of common stock; offs. & dirs., 1.5% (12/98 Proxy). Chair., Pres. and C.E.O.: J.R. Crespo. Inc.: CT. Addr.: 855 Main Street, Bridgeport, CT 06604. Tel.: 800-760-7776. Internet: www.ConnEnergy.com.

Connecticut Energy has agreed to be acquired by Energy East (NEG) for $42 a share in cash and/or common stock. CNE stockholders would be able to specify the percentages of cash and stock, subject to prorating so that the price is paid 50% each in cash and stock. Shareholders who elect stock would receive between 1.82 and 1.43 shares of stock, depending on the average price of NEG's stock before the closing; at its recent price of about $27 a share, the exchange ratio would be about 1.55 NEG shares for each CNE share. If the price falls below $23.10, the exchange ratio would remain at 1.82. The merger requires approval by CNE's stockholders, the SEC, and Connecticut's Department of Public Utility Control (DPUC) and would probably close early next year.

We think Connecticut Energy stockholders should hold their stock to realize the full merger price. The DPUC will probably not block the acquisition of CNE if the companies can show some benefits to ratepayers, and that should be possible. As an Energy East subsidiary, CNE would be able to increase its capital spending, and CNE ratepayers might also get lower gas prices through Energy East's hookups to five additional pipelines. CNE stockholders are also very likely to realize the full $42 merger price, as NEG's stock is well above the $23.10 floor. Energy East will shortly net about $1.3 billion from the sale of its generating plants, and it is using a substantial part of the proceeds to buy back stock; this should support Energy East's stock price over the coming year.

Meanwhile, good customer growth is boosting earnings, though a pending rate case poses some uncertainties. CNE is well on its way to achieving its 1999 goal of 2,600 new residential heating customers (a 1.6% gain). It will file a rate case in July, and the DPUC has indicated that it might seek to lower the company's allowed return on equity. We think any rate reduction, which will take effect next year, would not be too onerous.

CNE stock is unranked for Timeliness, as it is trading in relation to its merger value. If the merger does not go through, however, it would probably fall by around 20%.

Sigourney B. Romaine *June 25, 1999*

(A) Fiscal year ends Sept. 30th.; calendar year prior to 1990.
(B) Primary egs. thru fiscal '97; diluted thereafter. Incl. unusual item: '89, d4¢. Excl. extra. items: '86, 37¢; '89, 21¢. Next egs. report due early August. (C) Next div'd mtg. about August 25. Goes ex about Sept. 14. Div'd payment dates: about Mar. 31, June 30, Sept. 30, Dec. 31. ■ Div'd reinvestment plan available.
(D) Incl. deferred chgs. In '98: $60.8 mill., $5.91/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	25
Earnings Predictability	85

18-27

CTG RESOURCES, INC. NYSE-CTG

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
33	16.6 (Trailing: 16.7; Median: 13.0)	0.98	3.2%	690

TIMELINESS 3 Raised 10/23/98
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 11/27/98
BETA .55 (1.00 = Market)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
High:	16.3	19.0	18.6	21.5	28.4	32.4	31.8	25.3	25.5	26.5	26.8
Low:	16.0	15.1	16.0	16.3	20.0	26.3	21.9	21.3	21.8	20.8	21.9

(High 34.0, Low 22.1)

Target Price Range 2002 2003 2004

2002-04 PROJECTIONS

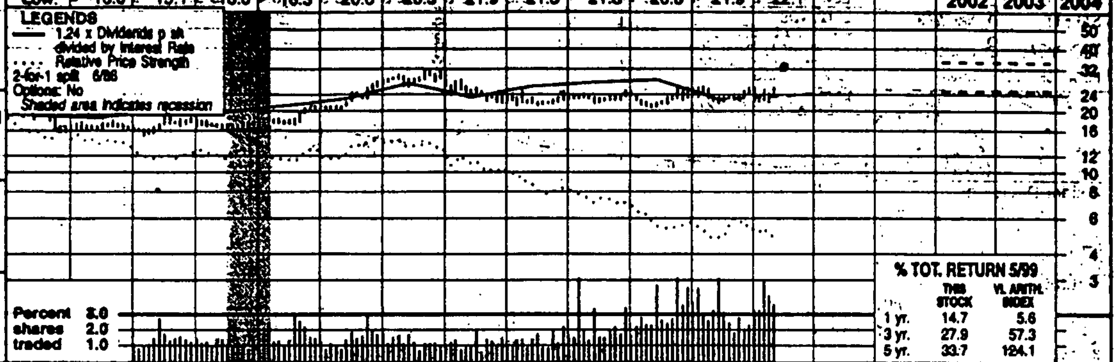
	Price	Gain	Ann'l Total Return
High	35	(+5%)	5%
Low	25	(-25%)	-2%

Insider Decisions

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

Institutional Decisions

	3Q1998	3Q1998	4Q1998
to Buy	20	24	19
to Sell	18	22	17
Hld's(000)	2106	2163	2201



% TOT. RETURN 5/99

	THIS STOCK	VL ARITH. INDEX
1 yr.	14.7	5.6
3 yr.	27.9	57.3
5 yr.	33.7	124.1

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC.	02-04
31.10	28.62	28.91	28.20	25.35	25.61	26.79	28.29	24.86	26.86	27.81	30.47	27.71	29.69	28.69	32.68	*33.55*	*36.80*	Revenues per sh A	*44.45*
1.77	2.07	2.36	2.42	2.42	2.48	2.59	2.62	2.60	3.06	3.08	3.47	3.23	3.41	3.34	3.98	*4.15*	*4.40*	"Cash Flow" per sh	*5.10*
1.16	1.34	1.57	1.57	1.62	1.46	1.60	1.51	1.44	1.75	1.76	1.85	1.52	1.82	1.60	1.71	*1.85*	*2.00*	Earnings per sh B	*2.45*
1.15	1.20	1.25	1.30	1.33	1.36	1.36	1.37	1.40	1.44	1.46	1.48	1.48	1.50	1.52	1.00	*1.04*	*1.08*	Div'ds Decl'd per sh C■	*1.20*
1.77	1.53	2.19	3.81	3.20	3.64	3.00	2.97	3.87	2.97	2.68	2.92	2.70	2.29	2.31	2.59	*4.00*	*4.00*	Cap'l Spending per sh	*4.50*
9.33	9.53	10.04	10.52	11.50	11.90	12.49	12.77	12.77	13.28	14.29	14.62	15.12	15.90	15.89	14.26	*15.15*	*18.20*	Book Value per sh	*19.35*
6.29	6.55	6.77	6.93	7.55	7.73	8.33	8.50	8.61	8.79	9.54	9.54	9.93	10.62	10.65	8.65	*8.65*	*8.70*	Common Shs Outst'g D	*9.00*
8.7	8.1	9.1	13.1	11.9	11.6	10.7	11.3	12.3	12.4	15.9	14.4	15.0	12.7	14.2	14.1	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*12.0*
.74	.75	.74	.89	.80	.96	.81	.84	.79	.75	.94	.94	1.00	.80	.82	.74	*estimates*		Relative P/E Ratio	*.80*
11.4%	11.0%	8.8%	6.3%	6.9%	8.0%	7.9%	8.0%	7.9%	6.6%	5.2%	5.6%	6.5%	6.5%	6.7%	4.1%			Avg Ann'l Div'd Yield	*4.0%*

CAPITAL STRUCTURE as of 3/31/99
Total Debt $220.8 mill. Due in 5 Yrs $45.0 mill.
LT Debt $217.5 mill. LT Interest $14.0 mill.
(LT interest earned: 3.0x)
total interest coverage: 2.8x)

Pension Liability None.

Pfd Stock $.88 mill. Pfd Div'd $.06 mill.

Common Stock 8,648,029 shs.
as of 4/27/99
MARKET CAP: $275 million (Small Cap)

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		02-04
223.0	223.5	214.1	236.2	265.3	290.7	275.2	315.4	305.6	282.7	*290*	*320*	Revenues ($mill) A	*400*
12.7	12.8	12.3	15.3	16.9	17.7	15.2	18.5	17.1	15.2	*16.0*	*17.5*	Net Profit ($mill)	*22.0*
46.8%	46.9%	47.3%	44.7%	45.4%	43.2%	42.6%	43.1%	50.8%	46.2%	*46.0%*	*46.0%*	Income Tax Rate	*44.0%*
5.7%	5.7%	5.8%	6.5%	6.4%	6.1%	5.5%	5.9%	5.6%	5.4%	*5.5%*	*5.5%*	Net Profit Margin	*5.5%*
53.2%	50.6%	50.0%	50.9%	50.1%	52.3%	49.9%	44.6%	42.7%	63.5%	*62.0%*	*61.0%*	Long-Term Debt Ratio	*55.0%*
46.1%	48.7%	49.5%	48.7%	49.5%	47.3%	49.8%	55.2%	57.0%	36.3%	*37.8%*	*38.8%*	Common Equity Ratio	*45.0%*
225.5	222.9	222.0	239.1	275.3	294.6	301.4	306.2	297.0	340.1	*350*	*355*	Total Capital ($mill)	*370*
223.4	232.6	249.2	269.2	296.6	311.7	322.1	325.8	331.6	338.0	*350*	*360*	Net Plant ($mill)	*400*
7.4%	8.1%	8.0%	8.8%	7.9%	7.9%	7.1%	8.0%	7.7%	6.5%	*6.5%*	*7.5%*	Return on Total Cap'l	*8.0%*
12.1%	11.6%	11.1%	13.0%	12.3%	12.6%	10.1%	10.9%	10.0%	12.2%	*12.0%*	*12.5%*	Return on Shr. Equity	*12.5%*
12.2%	11.7%	11.2%	13.0%	12.3%	12.6%	10.1%	10.9%	10.0%	12.3%	*12.0%*	*12.5%*	Return on Com Equity	*12.5%*
1.8%	1.1%	.3%	2.3%	2.1%	2.5%	.3%	1.8%	.5%	5.3%	*5.5%*	*5.5%*	Retained to Com Eq	*6.5%*
85%	91%	97%	83%	83%	80%	97%	84%	95%	57%	*56%*	*55%*	All Div'ds to Net Prof	*49%*

CURRENT POSITION ($MILL.)

	1997	1998	3/31/99
Cash Assets	4.5	1.3	22.0
Other	56.4	64.8	83.3
Current Assets	60.9	66.1	105.3
Accts Payable	37.0	30.8	28.5
Debt Due	29.0	7.7	3.3
Other	9.2	6.7	24.6
Current Liab.	75.2	45.2	56.4
Fix. Chg. Cov.	351%	270%	na

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '02-'04
Revenues	1.5%	2.5%	*6.0%*
"Cash Flow"	4.0%	4.0%	*6.0%*
Earnings	1.0%	.5%	*6.6%*
Dividends	--	-1.5%	*-2.0%*
Book Value	3.0%	2.5%	*4.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	90.5	130.6	54.0	40.3	315.4
1997	89.3	124.7	53.2	38.4	305.6
1998	92.4	105.4	48.4	36.5	282.7
1999	81.7	113.0	*54.0*	*41.3*	*290*
2000	*95.0*	*120*	*60.0*	*45.0*	*320*

Fiscal Year Ends	EARNINGS PER SHARE AB Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	.82	1.40	d.06	d.34	1.82
1997	.63	1.19	.06	d.28	1.60
1998	.85	1.12	.02	d.33	E1.71
1999	.66	1.41	*.05*	*d.27*	*1.85*
2000	*.80*	*1.40*	*.06*	*d.26*	*2.00*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1995	.37	.37	.37	.37	1.48
1996	.37	.38	.38	.38	1.51
1997	.38	.38	.38	.25	1.39
1998	.25	.25	.25	.26	1.01
1999	.26	.26			

BUSINESS: CTG Resources, Inc. is the parent company for Connecticut Natural Gas (CNG) and The Energy Network (TEN). CNG is engaged in the regulated business of natural gas distribution and sale to 141,000 customers in 22 municipalities in Connecticut. TEN operates a district heating and cooling (DHC) system, providing steam and chilled water to office buildings in Hartford. 1998 revenue: reg., 93%; non-reg., 7%. Pre-tax inc.: reg., 94%; non-reg., 6%. Gas revs.: 50% residential; 21% commercial; 16% interruptible; 13% other. '98 dep. rate: 3.8%. About 550 employees, 10,180 stockholders. Offs/dirs own 1.2% of common (12/98 proxy). Pres. & C.E.O.: A. C. Marquardt. Inc.: CT. Addr.: 100 Columbus Blvd., Hartford, CT 06144. Tel.: 860-727-3010. Int.: www.ctgcorp.com.

CTG's stock is showing some life. The shares recently touched a long-time high on the news that CTG had hired an investment bank to advise it on strategic alternatives, including the sale of the company. The news came five weeks after Connecticut Energy's announcement that it is merging with a New York utility at a price that represents about 2.4 times CNE's book value and a roughly 34% premium to CNE's stock price before that merger was announced. Similar figures for CTG would imply a value in the low thirties. While we expect consolidation in New England's fragmented local gas distribution business to continue, it's impossible to predict which utility will merge next. Accordingly, we suggest that conservative investors sell their CTG shares now, since the current dividend yield would be inadequate to support the recent price in the absence of merger interest.

Continued heating customer gains should boost earnings slowly. CTG signed up 2,000 new heating customers in the last year, and we look for that pace to continue as long as the economy remains strong. First-half earnings (fiscal year ends September 30th) benefited from colder weather than last year's, though it was still warmer than normal. Weather stabilization insurance contributed $0.08 a share to first-half net, nd the company plans to take a similar policy next year. A likely continuation of present oil prices should also bring back some customers that have switched to oil heat recently.

Hartford's South Side and Adriaen's Landing present growth opportunities for District Heating and Cooling. CTG has signed a contract to furnish heating and cooling to the Learning Corridor, a six-building complex under construction adjacent to Hartford Hospital, another recent DHC client. And Adriaen's Landing, a 35-acre redevelopment of Hartford's waterfront, remains a likely prospect. There should be enough private-sector investment to activate contingent government support, even though the NFL Patriots won't be coming to town.

These neutrally ranked shares have limited investment interest, but some speculative takeover appeal, at their recent price.

Sigourney B. Romaine *June 25, 1999*

(A) Fiscal year ends Sept. 30.
(B) Primary egs. thru '97; basic thereafter. Excl. extra. items: '87, 23¢, (10¢); '88, 17¢; '91, 27¢. Excl. gain from discont. ops.: '90, 5¢. Excl. net nonrec. gains: '95, 19¢; '96, 5¢. Next egs. report due early Aug. (C) Next div'd mtg. abt. Aug 1. Goes ex about Sept. 10. Div'd payment dates about March 25, June 24, Sept. 23, Dec. 18. ■Div'd reinvest. plan available.
(D) In millions, adj'd for stock split.
(E) Qtrs. don't add due to changes in shs. outstanding.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	25
Earnings Predictability	75

18-28

ENERGEN CORP. NYSE-EGN

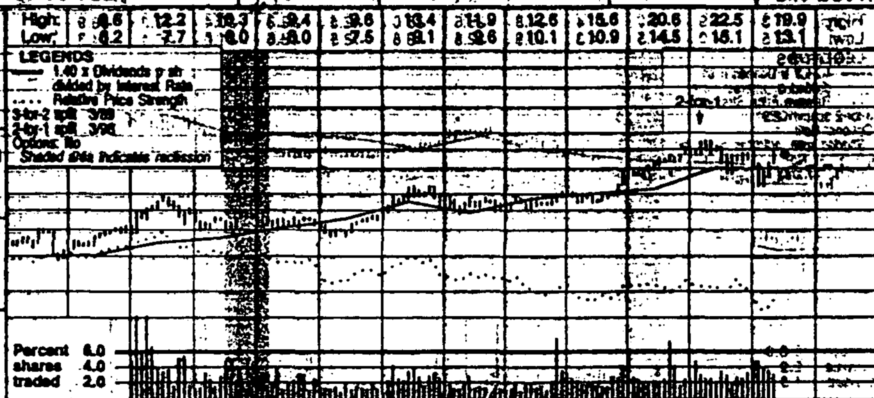
RECENT PRICE 19 | P/E RATIO 14.2 (Trailing: 15.7, Median: 13.0) | RELATIVE P/E RATIO 0.84 | DIV'D YLD 3.5% | VALUE LINE 4720

TIMELINESS 4 Raised 5/7/99
SAFETY 2 New 7/27/90
TECHNICAL 4 Lowered 5/21/99
BETA .80 (1.00 = Market)

High:	8.6	12.2	10.3	9.4	9.6	13.4	11.9	12.6	15.6	20.6	22.5	19.9
Low:	6.2	7.7	8.0	8.0	7.5	9.1	9.6	10.1	10.9	14.5	16.1	13.1

Target Price Range 2002 2003 2004

LEGENDS
1.40 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 3/89
2-for-1 split 3/98
Options: No
Shaded area indicates recession



2002-04 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+85%)	19%
Low	25	(+30%)	10%

Insider Decisions

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

Institutional Decisions

	3Q1998	3Q1998	4Q1998
to Buy	63	49	45
to Sell	34	33	29
Hld's(000)	14467	14855	14903

Percent shares traded 6.0 4.0 2.0

% TOT. RETURN 5/99

	THIS STOCK	VL ARITH INDEX
1 yr.	-2.4	3.8
3 yr.	82.0	[illegible]
5 yr.	127.0	[illegible]

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC.	02-04
33.06	34.39	29.89	28.54	25.06	22.75	15.92	16.45	16.11	16.30	17.30	17.27	14.72	17.89	15.57	17.14	16.35	16.65	Revenues per sh A	21.30
1.47	1.44	1.58	1.59	2.02	2.12	1.73	1.83	1.89	2.06	2.10	2.28	2.24	2.81	3.08	4.00	4.30	4.55	"Cash Flow" per sh	6.65
.53	.51	.47	.41	.70	.84	.60	.68	.71	.77	.89	1.01	.89	.98	1.16	1.23	1.30	1.40	Earnings per sh B	1.95
.28	.30	.33	.35	.37	.39	.42	.46	.48	.51	.53	.55	.57	.59	.61	.63	.65	.67	Div'ds Decl'd per sh C■	.75
1.28	1.49	2.72	3.32	3.33	2.58	3.07	2.12	2.32	1.31	2.12	2.09	3.16	7.54	9.84	5.95	8.85	8.25	Cap'l Spending per sh	4.70
4.48	4.68	4.83	4.65	5.02	5.59	5.84	6.10	6.04	6.38	6.80	7.65	7.97	8.44	10.46	11.23	13.10	14.15	Book Value per sh D	18.05
11.83	11.99	12.51	12.93	13.09	15.98	19.39	19.75	20.21	20.37	20.64	21.84	21.82	22.33	28.80	29.33	30.00	32.00	Common Shs Outst'g E	34.00
5.8	7.4	9.5	12.8	10.1	8.3	16.1	13.3	12.6	11.0	12.4	11.1	12.3	12.0	13.4	15.4	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	14.5
.49	.69	.77	.87	.68	.69	1.22	.99	.80	.67	.73	.73	.82	.75	.77	.81			Relative P/E Ratio	.95
9.1%	7.9%	7.2%	6.7%	5.2%	5.6%	4.4%	5.1%	5.4%	6.0%	4.8%	4.9%	5.2%	5.0%	3.9%	3.3%			Avg Ann'l Div'd Yield	2.7%

CAPITAL STRUCTURE as of 3/31/99
Total Debt $523.8 mill. Due in 5 Yrs $200.0 mill.
LT Debt $371.8 mill. LT Interest $26.5 mill.
(Total interest coverage: 2.0x)

Leases, Uncapitalized Annual rentals $3.9 mill.

Pension Liability None

Pfd Stock None

Common Stock 29,714,856 shs.
as of 2/11/99

MARKET CAP: $575 million (Small Cap)

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		02-04
308.6	324.9	325.6	332.0	357.1	377.1	321.2	399.4	448.2	502.6	490	530	Revenues ($mill) A	725
11.2	13.3	14.2	15.8	18.2	21.8	19.3	21.5	29.0	36.3	38.5	45.0	Net Profit ($mill)	66.0
8.6%	6.9%	2.5%	2.4%	16.8%	22.7%	18.0%	19.0%	9.6%	8.8%	10.0%	15.0%	Income Tax Rate	[illegible]
3.6%	4.1%	4.4%	4.8%	5.1%	5.8%	6.0%	5.4%	6.5%	7.2%	8.1%	8.5%	Net Profit Margin	9.1%
42.7%	40.4%	38.6%	40.8%	38.0%	41.5%	43.1%	50.9%	48.1%	53.1%	52.0%	52.0%	Long-Term Debt Ratio	50.0%
56.1%	58.7%	60.6%	58.4%	62.0%	58.5%	56.9%	49.1%	51.9%	46.9%	48.0%	48.0%	Common Equity Ratio	50.0%
201.9	205.2	201.5	222.3	226.2	286.3	305.5	384.0	580.7	702.0	820	940	Total Capital ($mill)	1225
246.6	262.2	273.5	254.6	273.1	287.2	327.3	444.9	662.0	756.3	930	1030	Net Plant ($mill)	1180
7.2%	8.3%	8.8%	9.1%	10.1%	9.5%	8.6%	7.1%	8.4%	6.8%	6.5%	6.5%	Return on Total Cap'l	7.0%
9.7%	10.9%	11.6%	12.0%	12.9%	13.1%	11.1%	11.4%	9.8%	11.0%	10.0%	10.0%	Return on Shr. Equity	11.0%
9.8%	10.9%	11.6%	12.1%	12.9%	13.1%	11.1%	11.4%	9.6%	11.0%	10.0%	10.0%	Return on Com Equity	11.0%
2.9%	3.7%	3.8%	4.2%	5.2%	6.0%	4.0%	4.6%	4.5%	5.5%	5.0%	5.0%	Retained to Com Eq	6.5%
70%	67%	68%	66%	60%	54%	64%	60%	53%	50%	50%	48%	All Div'ds to Net Prof	39%

CURRENT POSITION ($MILL.)

	1997	1998	3/31/99
Cash Assets	105.4	103.2	11.0
Other	136.8	115.3	141.3
Current Assets	242.2	218.5	152.3
Accts Payable	49.2	33.5	31.1
Debt Due	203.9	160.2	152.0
Other	77.7	90.5	107.9
Current Liab.	330.8	284.2	290.9
Fix. Chg. Cov.	227%	205%	197%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '02-'04
Revenues	-4.0%	-.5%	2.0%
"Cash Flow"	6.5%	10.5%	9.0%
Earnings	5.5%	7.5%	8.0%
Dividends	5.0%	4.0%	3.5%
Book Value	7.0%	9.5%	10.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	78.8	171.0	87.1	62.5	399.4
1997	97.0	182.9	90.9	77.4	448.2
1998	125.8	198.0	100.7	78.1	502.6
1999	114.0	188.4	105	82.6	490
2000	125	205	110	90.0	530

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	.11	1.07	.06	d.24	.98
1997	.14	1.21	.12	d.29	1.16
1998	.21	1.37	[illegible]	d.34	1.23
1999	.13	1.42	.04	d.29	1.30
2000	.17	1.44	.05	d.26	1.40

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1995	.14	.14	.145	.145	.57
1996	.145	.145	.15	.15	.59
1997	.15	.15	.155	.155	.61
1998	.155	.155	.16	.16	.63
1999	.16	.16			

BUSINESS: Energen Corporation is a holding company. Its principal subsidiary, the Alabama Gas Corporation, sells to more than 465,000 customers in central and northern Alabama, including Birmingham and Montgomery. 1998 utility revenues: residential, 65.4%; commercial and industrial, 24.2%; transport and other, 10.4%. 1998 deliveries: 115.3 MMcf. Energy Resources Corporation, a subsidiary, engages primarily in exploration and production of natural gas. 1998 gas reserves: coalbed methane, 222.5 MMcf; conventional, 542.4 MMcf. Has about 1,420 employees. Chairman, President & C.E.O.: Wm. Michael Warren, Jr. Inc.: AL. Addr.: 2101 Sixth Avenue North, Birmingham, AL 35203-2784. Tel.: 205-326-2700. Internet addr.: http://www.energen.com.

Energen should benefit nicely from the recent improvement in the near-term outlook for oil and gas prices. Indeed, this brightening picture is a departure from our somewhat negative earlier view. Our revised commodity forecasts augur well for Energen Corporation's exploration and production (E&P) division, especially in light of the segment's healthy production volumes. Indeed, we have raised our fiscal 1999 and 2000 share-earnings estimates by $0.05 and $0.10, respectively. (Years end September 30th.)

The timing of Energen's accelerated gas and oil reserve acquisition efforts appears to be fortuitous. In the December quarter, the company paid approximately $135 million for the assets of TOTAL Minatome, its largest reserve purchase to date. In this transaction, Energen received roughly 208 billion cubic feet equivalent of proved oil and gas reserves. Such efforts give us greater confidence in the company meeting our share-net expectations out to fiscal 2000. Too, should the commodity spot market unexpectedly falter, the E&P business is afforded a good degree of protection by various price hedges currently in effect. Finally, the bottom line is also apt to receive a boost from nonconventional fuels tax credits related to certain E&P ventures. These positives will probably be offset to some extent, though, by added depreciation, depletion, amortization, and development expenses.

Stepped-up capital spending will likely require further external financing. We expect a common equity offering in the neighborhood of $50 million sometime in fiscal 2000. We have already adjusted our earnings model accordingly.

The gas distributor, meanwhile, ought to be a steady performer. The utility's Rate Stabilization and Equalization (RSE) mechanism should allow the unit to maintain its earnings and cash flow contribution. The RSE is specifically designed to allow the division to post a consistent return on equity between 13.15% to 13.65%.

Energen stock has risen sharply since our March review, most likely as a result of the healthier commodity markets. The dividend yield has come down somewhat, however, as the price has surged, and the stock remains untimely.

Oscar L. Vidal *June 25, 1999*

(A) Fiscal year ends September 30th.
(B) Primary eps thru. '96, then diluted. Excl. nonrec. items: '96, d25¢; '92, 6¢; '94, 9¢. Excl. loss from disc. ops.: '89, [illegible]. Next egs. report due late Jul.
(C) Next dividend meeting about Jul. 28. Goes ex about Aug. 15. Approx. dividend payment dates: March 1, June 1, Sept. 1, Dec. 1. ■ Dividend reinvestment plan available.
(D) Includes intang. assets. In '98: $18.7 mill., [illegible]
(E) In mill., adjusted for stock splits.
(F) Quarters do not add to total due to change in shares outstanding.

Company's Financial Strength [illegible]
Stock's Price Stability [illegible]
Price Growth Persistence [illegible]
Earnings Predictability [illegible]

18-29

SOUTH JERSEY INDS. NYSE-SJI

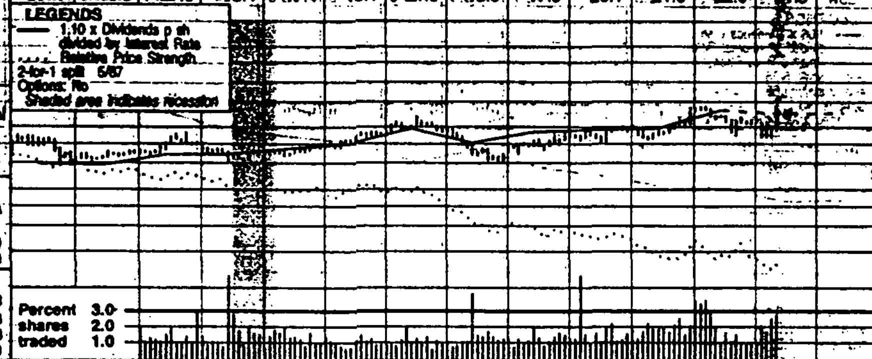
RECENT PRICE 28 | P/E RATIO 14.0 (Trailing: 15.6 Median: 14.0) | RELATIVE P/E RATIO 0.83 | DIV'D YLD 5.1% | VALUE LINE 486

TIMELINESS 4 Lowered 5/1/98
SAFETY 2 Lowered 1/4/91
TECHNICAL 4 Lowered 6/11/99
BETA .50 (1.00 = Market)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
High:	18.7	22.9	20.6	20.3	23.2	27.5	24.0	23.5	24.6	30.5	30.8	30.0
Low:	16.3	17.6	18.4	17.4	19.1	21.8	16.6	17.9	20.1	21.0	22.0	26.5

Target Price Range 2002 2003 2004

LEGENDS
— 1.10 x Dividends p sh divided by Interest Rate
···· Relative Price Strength
2-for-1 split 6/87
Options: No
Shaded area indicates recession



2002-04 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+25%)	10%
Low	30	(+5%)	7%

Insider Decisions

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

Institutional Decisions

	2Q1998	3Q1998	4Q1998
to Buy	14	14	18
to Sell	15	15	13
Hld's(000)	1608	2211	2290

Percent shares traded 3.0 2.0 1.0

% TOT. RETURN 5/99

	THIS STOCK	VL ARITH. INDEX
1 yr.	8.5	5.6
3 yr.	46.9	57.3
5 yr.	87.9	124.1

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC.	02-04
55.32	44.50	33.56	32.66	32.59	29.66	30.54	28.80	30.19	33.33	34.06	34.90	33.00	33.05	32.36	41.77	40.10	40.75	Revenues per sh	48.00
2.95	2.68	2.33	2.55	2.79	3.03	3.00	2.68	2.75	3.12	3.08	2.70	3.30	3.08	3.19	2.87	3.60	3.75	"Cash Flow" per sh	4.25
1.41	1.41	1.19	1.28	1.57	1.88	1.66	1.33	1.27	1.61	1.55	1.21	1.65	1.70	1.71	1.28	2.00	2.15	Earnings per sh A	2.45
1.14	1.20	1.22	1.24	1.26	1.29	1.36	1.40	1.41	1.41	1.43	1.44	1.44	1.44	1.44	1.44	1.44	1.45	Div'ds Decl'd per sh B ■	1.60
2.42	2.94	3.74	4.26	4.25	4.41	4.55	4.21	4.34	3.39	3.74	3.86	4.16	4.02	4.61	6.11	3.50	3.50	Cap'l Spending per sh	3.75
11.72	11.60	11.74	12.02	12.42	13.24	13.49	13.58	13.53	13.90	14.33	14.46	14.67	16.06	16.11	15.70	16.65	18.05	Book Value per sh C	20.75
5.65	7.22	7.69	7.71	7.84	8.47	8.48	9.03	9.24	9.50	9.80	10.72	10.72	10.76	10.77	10.78	11.00	11.35	Common Shs Outst'g D	13.00
7.7	8.4	11.5	13.5	12.7	9.3	11.9	13.6	14.5	13.2	15.8	16.1	12.2	13.3	13.8	21.2	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	13.5
.65	.78	.93	.92	.85	.77	.90	1.01	.93	.80	.93	1.06	.82	.83	.80	1.12			Relative P/E Ratio	.90
10.4%	10.1%	8.9%	7.1%	6.3%	7.4%	6.9%	7.7%	7.6%	6.6%	5.9%	7.4%	7.2%	6.4%	6.1%	5.3%			Avg Ann'l Div'd Yield	4.8%

CAPITAL STRUCTURE as of 3/31/99
Total Debt $260.4 mill. Due in 5 Yrs $110.0 mill.
LT Debt $192.5 mill. LT Interest $15.1 mill.
(Total interest coverage: 2.5x)

Pension Liability $16.1 mill. in '98 vs. $9.9 mill. in '97

Pfd Stock $37.1 mill. Pfd Div'd $3.1 mill.
2,100 shs 4.7% cum. ($100 par) callable 101.5; 19,242 shs. 8.0% cum. ($100 par) callable 106.7; 1.4 mill. shs. 8.35% cum. Mandatorily Redeemable series. (Div'ds are a tax deductible fixed charge)

Common Stock 10,781,236 shs.
MARKET CAP: $300 million (Small Cap)

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		02-04
259.0	260.0	278.9	316.7	333.9	374.0	353.8	355.5	348.6	450.2	440	480	Revenues ($mill)	625
14.2	11.8	11.9	15.3	15.2	12.6	17.8	18.5	18.4	13.8	22.0	24.0	Net Profit ($mill)	32.0
26.5%	30.0%	31.4%	31.6%	31.8%	35.1%	34.4%	35.5%	36.8%	46.2%	36.0%	36.0%	Income Tax Rate	36.0%
5.5%	4.6%	4.3%	4.8%	4.5%	3.4%	5.0%	5.2%	5.3%	3.1%	5.0%	5.0%	Net Profit Margin	5.1%
36.3%	47.0%	45.5%	46.9%	50.2%	49.3%	51.4%	46.1%	45.6%	48.5%	47.0%	47.0%	Long-Term Debt Ratio	46.0%
62.0%	51.7%	53.3%	52.1%	48.9%	49.9%	47.9%	53.2%	44.8%	42.2%	44.0%	45.5%	Common Equity Ratio	48.0%
184.6	237.2	234.4	253.6	287.4	310.6	328.4	324.8	387.1	401.1	415	450	Total Capital ($mill)	560
301.1	325.3	351.1	354.8	375.4	402.1	422.7	423.9	456.5	504.3	520	535	Net Plant ($mill)	630
9.8%	7.2%	7.4%	8.3%	7.4%	6.1%	7.8%	7.9%	6.7%	5.3%	7.5%	7.0%	Return on Total Cap'l	8.0%
12.1%	9.4%	9.3%	11.4%	10.6%	8.0%	11.2%	10.5%	8.7%	6.7%	12.0%	11.5%	Return on Shr. Equity	12.0%
12.2%	9.5%	9.4%	11.5%	10.5%	8.0%	11.2%	10.6%	10.6%	8.2%	12.0%	11.5%	Return on Com Equity	12.0%
2.2%	NMF	NMF	1.4%	.6%	NMF	1.4%	1.6%	1.7%	NMF	3.5%	4.0%	Retained to Com Eq	4.0%
82%	105%	110%	88%	94%	119%	88%	85%	84%	112%	72%	67%	All Div'ds to Net Prof	66%

CURRENT POSITION ($MILL.)

	1997	1998	3/31/99
Cash Assets	13.1	6.6	5.7
Other	87.7	113.5	99.1
Current Assets	100.8	120.1	104.8
Accts Payable	49.1	52.0	40.1
Debt Due	54.9	105.9	67.9
Other	35.8	30.7	43.9
Current Liab.	139.8	188.6	151.9
Fix. Chg. Cov.	244%	215%	251%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '02-'04
Revenues	1.0%	2.0%	5.0%
"Cash Flow"	1.0%	.5%	5.5%
Earnings	--	1.0%	7.5%
Dividends	1.5%	.5%	2.0%
Book Value	2.5%	3.0%	4.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	150.1	59.3	44.9	101.2	355.5
1997	131.4	62.3	54.2	100.7	348.6
1998	122.8	71.7	131.5	124.2	450.2
1999	146.7	80.0	75.0	138.3	440
2000	155	87.0	83.0	155	480

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	1.57	d.18	d.36	.67	1.70
1997	1.39	d.01	d.42	.75	1.71
1998	1.15	d.14	d.27	.54	1.28
1999	1.66	d.06	d.35	.75	2.00
2000	1.73	d.05	d.33	.80	2.15

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1995	.72	.36	.36	--	1.44
1996	.72	.36	.36	--	1.44
1997	.72	.36	.36	--	1.44
1998	.72	.36	.36	--	1.44
1999	.72				

BUSINESS: South Jersey Industries, Inc. is a holding company. Its subsidiary, South Jersey Gas Co., distributes natural gas to 267,065 customers in New Jersey's southern counties, which cover 2,500 sq. miles and include Atlantic City. Principal suppliers include Transcontinental Gas Pipeline and Columbia Gas Pipeline. Gas revenue mix: resident'l, 49%; comm'l and ind'l, 14%; transport., 9%; off-system (incl. non-regulated gas marketing), 23%; cogeneration, power generation, and other, 5%. Has 675 employees, 12,100 shareholders. Directors control 1.1% of com. shs.; Farmers and Merchants Nat'l Bank, 13.5% (3/99 proxy). Chrmn: R.L. Dunham. Pres. & C.E.O.: Charles Biscieglia. Inc.: NJ. Address: 1 South Jersey Plaza, Route 54, Folsom, NJ 08037. Tel.: 609-561-9000.

South Jersey Industries has been undertaking self-help measures. Narrow dividend coverage has kept the quarterly payout fixed at $0.36 a share for many years. To re-establish a rising dividend policy, the company has been reconditioning itself to make cash flow more predictable and to achieve a more reliable yearly uptrend in earnings. A fitting move a few years back was the sale of nonenergy-related assets and certain unpromising businesses, with the proceeds providing the gas utility with added equity funds and allowing it more borrowing capacity. Management has also been working to bring the utility's earning power up to par. This year, the state modified the Temperature Adjustment Clause to help put profits on a smooth, upward curve. The record first-quarter share earnings suggests the TAC is working according to plan.

This untimely stock now looks to be a much more secure income vehicle. Under the new TAC, which is operative during the heating season, the gas distributor no longer has to gamble on the weather. The equalizer works to eliminate the impact of winter temperature extremes on gas sales, allowing yearly revenue gains to reflect the growth of the customer rolls of about 2.5%. If the TAC continues to work to the utility's favor this fall, 1999 would stand to be South Jersey Industries' best year ever, with share earnings, perhaps, reaching the $2 milestone. Results would move higher in 2000, especially if colder weather generates more profit from high-volume gas sales to industrial buyers off the main distribution system. Notably, the parent company, on its own and via partnerships, is also active in developing subsidiaries engaged in non-regulated gas marketing, energy management services, and air-pollution monitor systems for hazardous sites. So, next year, if the non-regulated activities help to bring the payout ratio below 70%, we believe directors would consider raising the dividend a bit.

Conservative investors may consider the generous yield, which remains above the gas-utility average. Participants in the dividend reinvestment plan now receive newly issued shares in lieu of cash. The advantage to SJI: a better cash flow and more equity capital.

Gerald Holtzman *June 25, 1999*

(A) Based on average shares. Excl. nonrecurring profits (losses): '85, $0.09; '86, $0.22; '88, ($0.04); '89, ($0.05). Excl gain (loss) from discont. oper.: '96, $1.14; '97, ($0.24); '98, ($0.26). Excl. gain due to acct'g change: '93, $0.04. Next egs. report due early Aug. (B) Next div'd meeting about Aug. 13. Goes ex about Sept. 3. Div'd paym't dates about: Jan. 4, Mar. 31, June 30, Sept. 30. Plus stock: '93, 2%. ■ Div'd reinvest. plan available (2% discount). (C) Incl. deferred charges. In '98: $8.49/sh. (D) In mills., adj. for stock split and div'd.

Company's Financial Strength B++
Stock's Price Stability 100
Price Growth Persistence 15
Earnings Predictability 70

18-30

Cascade

EARNINGS INFORMATION

FOR 12 MONTHS ENDING:	07/1999	
EARNINGS PER SHARE:	1.20	
PRICE/EARNINGS RATIO:	14.9	
	CURRENT	PREVIOUS
INDICATED ANNUAL DIVIDEND:	0.960	
CURRENT DIVIDEND:	0.2400	0.2400
EX-DIVIDEND DATE:	07/13/1999	04/13/1999
RECORD DATE:	07/15/1999	04/15/1999
PAYABLE DATE:	08/13/1999	05/14/1999

I/B/E/S: EARNINGS ESTIMATES

	------EPS EST'S------			# OF	CHG IN MEAN($):	
--PERIOD-	MEAN	HIGH	LOW	ESTS	1MONTH	3MONTH
FY 09/99	1.18	1.20	1.15	4	0.09	0.09
FY 09/00	1.19	1.21	1.15	4	-0.01	-0.01
QTR 09/99	-0.20	-0.18	-0.22	3	0.00	-0.70
QTR 12/99	0.65	0.65	0.65	1	0.00	0.65

EARNINGS PER SHARE ANNUAL GROWTH RATES

LAST 5 YEARS	-25.6%	FY99/98	40.5%	QTR 09/99	N-%
NEXT 5 YEARS	3.5%	FY00/99	1.1%	QTR 12/99	8.3%

		ESTD F/Y EPS:		
CGC CASCADE NAT GAS				
INDUSTRY CODE: GASUTI	PRICE	09/99	09/00	YIELD
GAS UTILITIES	18.00	1.18	1.19	5.3%

FY09/98 EPS:	0.84	DIVIDEND:	0.96	YIELD:	5.3%
FY09/99 P/E:	15.3	P/E REL S&P:	0.49	P/E REL IND:	0.57
FY09/00 P/E:	15.1	P/E REL S&P:	0.57	P/E REL IND:	0.65

	----FCST EPS GRWTH----			---RELATIVE----	
	CGC	IND	S&P 500	CGC TO IND	CGC TO S&P
FY99 VS FY98	40.5%	14.2%	16.1%	285	251
FY00 VS FY99	1.1%	20.6%	17.1%	5	6
NEXT 5 YEARS	3.5%	11.6%	15.8%	30	22
LAST 5 YEARS	-25.6%	8.1%	16.4%	-220	-162
P/E FY 1998	15.3	26.5	30.9	57	49
P/E FY 1999	15.1	23.3	26.6	65	57

DISTRIBUTION OF EPS ESTS. AS OF 07/30/99

CGC EPS FY 09/98 $ 0.84

FY 09/99 - 4 ESTS — MEAN EPS $ 1.18

FY 09/00 - 4 ESTS — MEAN EPS $ 1.19

```
                                                            X
        R     R R R                         N             XX
 +--------+--------+--------+  +--------+--------+--------+
$1.10    1.15     1.20    1.1.10    1.15     1.20    1.25
X=EST R/L=RAISED/LOWERED PAST MO. N=NEW PAST MO. *=9+ ESTS
```

18-31

Conn. Eng.

RNINGS INFORMATION

FOR 12 MONTHS ENDING:	07/1999	
EARNINGS PER SHARE:	1.98	
PRICE/EARNINGS RATIO:	19.3	

	CURRENT	PREVIOUS
INDICATED ANNUAL DIVIDEND:	1.340	
CURRENT DIVIDEND:	0.3350	0.3350
EX-DIVIDEND DATE:	06/16/1999	03/17/1999
RECORD DATE:	06/18/1999	03/19/1999
PAYABLE DATE:	06/30/1999	03/31/1999

I/B/E/S: EARNINGS ESTIMATES

	------EPS	EST'S------		# OF	CHG IN	MEAN($):
--PERIOD-	MEAN	HIGH	LOW	ESTS	1MONTH	3MONTH
FY 09/99	1.94	1.98	1.90	4	0.01	-0.00
FY 09/00	1.97	2.05	1.84	4	0.00	-0.02
QTR 09/99	-0.38	-0.38	-0.38	1	-0.12	-1.99
QTR 12/99	0.60	0.60	0.60	1	0.00	0.69

EARNINGS PER SHARE ANNUAL GROWTH RATES

LAST 5 YEARS	-3.6%	FY99/98	2.1%	QTR 09/99	N-%
NEXT 5 YEARS	7.2%	FY00/99	1.7%	QTR 12/99	1.7%

		ESTD F/Y	EPS:	
CNE CONN ENERGY				
INDUSTRY CODE: GASUTI	PRICE	09/99	09/00	YIELD
GAS UTILITIES	37.38	1.94	1.97	3.6%

FY09/98 EPS:	1.90	DIVIDEND:	1.34	YIELD:	3.6%
FY09/99 P/E:	19.3	P/E REL S&P:	0.62	P/E REL IND:	0.73
FY09/00 P/E:	18.9	P/E REL S&P:	0.71	P/E REL IND:	0.81

	----FCST	EPS GRWTH----		---RELATIVE----	
	CNE	IND	S&P 500	CNE TO IND	CNE TO S&P
FY99 VS FY98	2.1%	14.2%	16.1%	15	13
FY00 VS FY99	1.7%	20.6%	17.1%	8	10
NEXT 5 YEARS	7.2%	11.6%	15.8%	62	46
LAST 5 YEARS	-3.6%	8.1%	16.4%	-31	-23
P/E FY 1998	19.3	26.5	30.9	73	62
P/E FY 1999	18.9	23.3	26.6	81	71

DISTRIBUTION OF EPS ESTS. AS OF 07/30/99

```
        CNE          EPS FY 09/98    $  1.90
   FY 09/99 -  4 ESTS              FY 09/00 -  4 ESTS
    MEAN EPS $  1.94                MEAN EPS $  1.97

                                                   X
         R    X    X     X          X              X    X
+---------+---------+---------+  +---------+---------+---------+
$1.85     1.90      1.95   2.1.80     1.90      2.00    2.10
X=EST R/L=RAISED/LOWERED PAST MO. N=NEW PAST MO. *=9+ ESTS
```

18-32

CTG Resources

EARNINGS INFORMATION

FOR 12 MONTHS ENDING:	07/1999	
EARNINGS PER SHARE:	1.75	
PRICE/EARNINGS RATIO:	20.9	
	CURRENT	PREVIOUS
INDICATED ANNUAL DIVIDEND:	1.040	
CURRENT DIVIDEND:	0.2600	0.2600
EX-DIVIDEND DATE:	06/09/1999	03/10/1999
RECORD DATE:	06/11/1999	03/12/1999
PAYABLE DATE:	06/25/1999	03/26/1999

I/B/E/S: EARNINGS ESTIMATES

	------EPS EST'S------			# OF	CHG IN MEAN($):	
--PERIOD-	MEAN	HIGH	LOW	ESTS	1MONTH	3MONTH
FY 09/99	1.81	1.82	1.80	3	0.00	-0.08
FY 09/00	2.00	2.05	1.95	3	0.00	-0.10
QTR 09/99	-0.32	-0.32	-0.32	2	0.00	-1.67
QTR 12/99	0.75	0.75	0.75	1	0.00	0.70

EARNINGS PER SHARE ANNUAL GROWTH RATES

LAST 5 YEARS	-22.5%	FY99/98	4.4%	QTR 09/99	N+%
NEXT 5 YEARS	5.5%	FY00/99	10.7%	QTR 12/99	13.6%

		ESTD F/Y EPS:		
CTG CTG RESOURCES				
INDUSTRY CODE: GASUTI	PRICE	09/99	09/00	YIELD
GAS UTILITIES	36.63	1.81	2.00	2.8%

FY09/98 EPS:	1.73	DIVIDEND:	1.04	YIELD:	2.8%
FY09/99 P/E:	20.3	P/E REL S&P:	0.66	P/E REL IND:	0.76
FY09/00 P/E:	18.3	P/E REL S&P:	0.69	P/E REL IND:	0.79

	----FCST EPS GRWTH----			---RELATIVE----	
	CTG	IND	S&P 500	CTG TO IND	CTG TO S&P
FY99 VS FY98	4.4%	14.2%	16.1%	31	27
FY00 VS FY99	10.7%	20.6%	17.1%	52	63
NEXT 5 YEARS	5.5%	11.6%	15.8%	47	35
LAST 5 YEARS	-22.5%	8.1%	16.4%	-194	-143
P/E FY 1998	20.3	26.5	30.9	76	66
P/E FY 1999	18.3	23.3	26.6	79	69

DISTRIBUTION OF EPS ESTS. AS OF 07/30/99

```
        CTG          EPS FY 09/98    $ 1.73
   FY 09/99 -  3 ESTS           FY 09/00 -  3 ESTS
    MEAN EPS $  1.81             MEAN EPS $  2.00

                X
                X  X                  X         X         X
+--------+--------+--------+  +--------+--------+--------+
$1.70    1.75     1.80   1.1.90    1.95     2.00     2.05
X=EST R/L=RAISED/LOWERED PAST MO. N=NEW PAST MO. *=9+ ESTS
```

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Energen

EARNINGS INFORMATION

FOR 12 MONTHS ENDING:	07/1999
EARNINGS PER SHARE:	1.31
PRICE/EARNINGS RATIO:	14.3

I/B/E/S: EARNINGS ESTIMATES

	------EPS EST'S------			# OF	CHG IN MEAN($):	
--PERIOD-	MEAN	HIGH	LOW	ESTS	1MONTH	3MONTH
FY 09/99	1.28	1.32	1.25	6	0.01	0.01
FY 09/00	1.38	1.40	1.35	5	0.01	0.08
QTR 09/99	-0.30	-0.24	-0.35	4	-0.01	-1.62
QTR 12/99	0.16	0.16	0.15	2	0.00	0.10

EARNINGS PER SHARE ANNUAL GROWTH RATES

LAST 5 YEARS	18.0%	FY99/98	3.9%	QTR 09/99	N+%
NEXT 5 YEARS	7.2%	FY00/99	8.0%	QTR 12/99	19.2%

EGN ENERGEN CP

		ESTD F/Y EPS:		
INDUSTRY CODE: GASUTI	PRICE	09/99	09/00	YIELD
GAS UTILITIES	18.88	1.28	1.38	3.4%

FY09/98 EPS:	1.23	DIVIDEND:	0.64	YIELD:	3.4%
FY09/99 P/E:	14.8	P/E REL S&P:	0.48	P/E REL IND:	0.56
FY09/00 P/E:	13.7	P/E REL S&P:	0.51	P/E REL IND:	0.59

	----FCST EPS GRWTH----			---RELATIVE----	
	EGN	IND	S&P 500	EGN TO IND	EGN TO S&P
FY99 VS FY98	3.9%	14.2%	16.1%	28	24
FY00 VS FY99	8.0%	20.6%	17.1%	39	47
NEXT 5 YEARS	7.2%	11.6%	15.8%	62	46
LAST 5 YEARS	18.0%	8.1%	16.4%	155	114
P/E FY 1998	14.8	26.5	30.9	56	48
P/E FY 1999	13.7	23.3	26.6	59	51

DISTRIBUTION OF EPS ESTS. AS OF 07/30/99

EGN EPS FY 09/98 $ 1.23

FY 09/99 - 6 ESTS MEAN EPS $ 1.28

FY 09/00 - 5 ESTS MEAN EPS $ 1.38

```
       X                                                      R
       X          X                                  X        X
       X          X   R                              X        X
+---------+---------+---------+  +---------+---------+---------+
$1.20    1.25      1.30    1.1.25     1.30      1.35    1.40
X=EST R/L=RAISED/LOWERED PAST MO. N=NEW PAST MO. *=9+ ESTS
```

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S. Jersey Ind.

EARNINGS INFORMATION

FOR 12 MONTHS ENDING:	07/1999
EARNINGS PER SHARE:	1.91
PRICE/EARNINGS RATIO:	15.7

I/B/E/S: EARNINGS ESTIMATES

	------EPS EST'S------			# OF	CHG IN MEAN($):	
--PERIOD-	MEAN	HIGH	LOW	ESTS	1MONTH	3MONTH
FY 12/99	1.98	2.00	1.95	3	0.05	0.05
FY 12/00	2.00	2.00	2.00	1	0.05	0.05
QTR 09/99	-0.39	-0.35	-0.42	2	-0.04	-0.32
QTR 12/99	0.71	0.71	0.70	2	-0.07	1.06

EARNINGS PER SHARE ANNUAL GROWTH RATES

LAST 5 YEARS	34.3%	FY99/98	54.9%	QTR 09/99	N-%
NEXT 5 YEARS	4.0%	FY00/99	0.8%	QTR 12/99	30.6%

		ESTD F/Y EPS:		
SJI SO JERSEY INDS				
INDUSTRY CODE: GASUTI	PRICE	12/99	12/00	YIELD
GAS UTILITIES	30.00	1.98	2.00	4.8%

FY12/98 EPS:	1.28	DIVIDEND:	1.44	YIELD:	4.8%
FY12/99 P/E:	15.1	P/E REL S&P:	0.49	P/E REL IND:	0.57
FY12/00 P/E:	15.0	P/E REL S&P:	0.56	P/E REL IND:	0.64

	----FCST EPS GRWTH----			---RELATIVE----	
	SJI	IND	S&P 500	SJI TO IND	SJI TO S&P
FY99 VS FY98	54.9%	14.2%	16.1%	386	341
FY00 VS FY99	0.8%	20.6%	17.1%	4	5
NEXT 5 YEARS	4.0%	11.6%	15.8%	34	25
LAST 5 YEARS	34.3%	8.1%	16.4%	295	217
P/E FY 1998	15.1	26.5	30.9	57	49
P/E FY 1999	15.0	23.3	26.6	64	56

DISTRIBUTION OF EPS ESTS. AS OF 07/30/99

SJI EPS FY 12/98 $ 1.28

FY 12/99 - 3 ESTS FY 12/00 - 1 ESTS

MEAN EPS $ 1.98 MEAN EPS $ 2.00

```
                      R
           R          X                                    R
 +---------+---------+---------+  +---------+---------+---------+
$1.90     1.95      2.00   2.1.90     1.95      2.00     2.05
```

X=EST R/L=RAISED/LOWERED PAST MO. N=NEW PAST MO. *=9+ ESTS

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THE VALUE LINE® Investment Survey®

Part 1 Summary & Index

File at the front of the *Ratings & Reports* binder. Last week's *Summary & Index* should be removed.

August 27, 1999

TABLE OF SUMMARY & INDEX CONTENTS

The Median of Estimated **PRICE-EARNINGS RATIOS** of all stocks with earnings	The Median of Estimated **DIVIDEND YIELDS** (next 12 months) of all dividend paying stocks under review	The Estimated Median Price **APPRECIATION POTENTIAL** of all 1700 stocks in the hypothesized economic environment 3 to 5 years hence
16.7	**1.9%**	**65%**
26 Weeks Ago 16.2; Market Low 10-28-87 10.6; Market High 4-22-98 19.7	26 Weeks Ago 2.1%; Market Low 10-28-87 3.7%; Market High 4-22-98 1.6%	26 Weeks Ago 60%; Market Low 10-28-87 120%; Market High 4-22-98 35%

ANALYSES OF INDUSTRIES IN ALPHABETICAL ORDER WITH PAGE NUMBER

Numeral in parenthesis after the Industry is rank for probable performance (next 12 months).

*Reviewed in this week's edition.

In three parts: This is Part 1, the Summary & Index. Part 2 is Selection & Opinion. Part 3 is Ratings & Reports. Volume LIV, No. 51.

Published weekly by VALUE LINE PUBLISHING, INC. 220 East 42nd Street, New York, N.Y. 10017-5891

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U.S. Treasury Yield Curve

{ TC "U.S. Treasury Yield Curve" \l C \l "1" }

1999 Monthly	3 Month Bill	6 Month Bill	1 Year Bill	2 Year Note	3 Year Note	5-Year Note	7 Year Note	10 Year Note	30-Year Bond	10 Year + Avg.
January	4.43	4.49	4.50	4.60	4.66	4.58	4.78	4.71	5.15	5.37
February	4.53	4.59	4.68	4.87	4.94	4.91	5.09	4.99	5.37	5.59
March	4.55	4.63	4.75	5.03	5.15	5.12	5.34	5.21	5.57	5.80
April	4.38	4.53	4.66	4.95	5.04	5.05	5.24	5.17	5.54	5.75
May	4.61	4.74	4.83	5.24	5.39	5.42	5.63	5.53	5.79	6.02
June	4.69	5.00	5.07	5.60	5.76	5.79	6.03	5.89	6.04	6.30

1999 Weekly	3 Month Bill	6 Month Bill	1 Year Bill	2 Year Note	3 Year Note	5-Year Note	7 Year Note	10 Year Note	30-Year Bond	10 Year + Avg.
May 5	4.60	4.65	4.74	5.08	5.21	5.23	5.44	5.39	5.70	5.91
May 12	4.58	4.68	4.75	5.17	5.33	5.37	5.58	5.50	5.82	6.03
May 19	4.60	4.76	4.86	5.34	5.49	5.53	5.71	5.59	5.80	6.02
May 26	4.64	4.79	4.90	5.33	5.51	5.50	5.71	5.55	5.80	6.05
June 2	4.71	4.93	5.03	5.52	5.71	5.72	5.95	5.76	5.92	6.20
June 9	4.59	4.97	5.09	5.61	5.77	5.79	6.03	5.88	6.02	6.27
June 16	4.65	5.00	4.97	5.57	5.79	5.79	6.05	5.91	6.06	6.34
June 23	4.71	5.02	5.16	5.73	5.82	5.90	6.14	6.02	6.14	6.41
June 30	4.75	5.02	5.05	5.52	5.62	5.64	5.90	5.78	5.96	6.25
July 7	4.64	4.70	5.00	5.60	5.70	5.74	5.98	5.87	6.04	6.29
July 14	4.70	4.67	4.96	5.53	5.62	5.61	5.85	5.72	5.91	6.14
July 21	4.57	4.63	4.92	5.40	5.49	5.77	5.81	5.65	5.90	6.13
July 28	4.68	4.78	5.01	5.50	5.64	5.67	5.93	5.79	6.00	6.26
August 4	4.77	4.98	5.09	5.62	5.74	5.82	6.08	5.95	6.11	6.35

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Moody's® Yield Averages

{ TC "Moody's® Yield Averages" \f C \l "1" } { TC "Corporate Bond Yield Averages" \f C \l "2" }

Corporate Bond Yield Averages - Monthly-to-Date

1999	Corporate					Industrial					Public Utility				
Month	Avg	Aaa	Aa	A	Baa	Avg	Aaa	Aa	A	Baa	Avg	Aaa	Aa	A	Baa
January	6.76	6.24	6.68	6.84	7.29	6.65	6.07	6.54	6.70	7.27	6.87	6.41	6.82	6.97	7.30
February	6.89	6.40	6.79	6.97	7.39	6.77	6.23	6.64	6.84	7.37	7.00	6.56	6.94	7.09	7.41
March	7.07	6.62	6.98	7.14	7.53	6.96	6.46	6.83	7.02	7.51	7.18	6.78	7.11	7.26	7.55
April	7.05	6.64	6.96	7.13	7.48	6.94	6.46	6.81	7.03	7.45	7.16	6.80	7.11	7.22	7.51
May	7.32	6.93	7.23	7.40	7.72	7.22	6.77	7.07	7.33	7.70	7.42	7.09	7.38	7.47	7.74
June	7.62	7.23	7.52	7.69	8.02	7.53	7.09	7.37	7.64	8.00	7.70	7.37	7.67	7.74	8.03
July	7.57	7.19	7.48	7.65	7.95	7.47	7.04	7.32	7.58	7.93	7.66	7.33	7.62	7.71	7.96

1999	Corporate					Industrial					Public Utility				
Weekly	Avg	Aaa	Aa	A	Baa	Avg	Aaa	Aa	A	Baa	Avg	Aaa	Aa	A	Baa
August 1															
2	7.73	7.36	7.65	7.79	8.11	7.64	7.21	7.51	7.73	8.09	7.82	7.51	7.78	7.85	8.12
3	7.75	7.39	7.67	7.82	8.14	7.66	7.24	7.53	7.76	8.12	7.84	7.53	7.80	7.88	8.15
4	7.74	7.37	7.66	7.81	8.12	7.65	7.22	7.52	7.75	8.10	7.83	7.52	7.79	7.86	8.13
5	7.69	7.32	7.61	7.76	8.07	7.60	7.17	7.47	7.70	8.05	7.78	7.47	7.74	7.82	8.09
6	7.83	7.47	7.75	7.90	8.21	7.75	7.32	7.61	7.85	8.20	7.91	7.61	7.88	7.95	8.21
7	Sat.														
8	Sun.														
Monthly-to-Date Avg.	7.75	7.38	7.67	7.82	8.13	7.66	7.23	7.53	7.76	8.11	7.84	7.53	7.80	7.87	8.14
High	7.83	7.47	7.75	7.90	8.21	7.75	7.32	7.61	7.85	8.20	7.91	7.61	7.88	7.95	8.21
Low	7.69	7.32	7.61	7.76	8.07	7.60	7.17	7.47	7.70	8.05	7.78	7.47	7.74	7.82	8.09

Note: Moody's® Ratings are subject to change. Because of possible lapse between Moody's® assignment or change of a rating and your use of this weekly publication, we suggest that you verify the current rating of any security or issuer in which you are interested. CUSIPS are included when available.

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THE VALUE LINE Investment Survey®

PAGES 5535-5550
File in page order in the *Selection & Opinion* binder.

PART 2 — *Selection & Opinion* — MAY 28, 1999

The Quarterly Economic View

In This Issue

In Three Parts: Part 1 is the Summary & Index. This is Part 2, Selection & Opinion. Part 3 is Ratings & Reports. Volume LIV, Number 38.

Published weekly by VALUE LINE PUBLISHING, INC.
220 East 42nd Street, New York, NY 10017-5891.

ECONOMIC AND STOCK MARKET COMMENTARY

The U.S. economy continues to move ahead briskly as we proceed through the second quarter, with this strength being underscored by steady improvement in employment, retail sales, industrial production, and factory usage. In fact, except for a widening global trade deficit (weak consumer spending abroad is putting a lid on demand for American goods and services), we see little evidence of any deterioration in the economy, in spite of the fact that the business expansion is now in its ninth year. Moreover, we look for no more than a modest deceleration in growth in the current quarter, with GDP increasing by a still-healthy 3%, or so.

Several key trends account for this strong economic performance. For starters, considerable wealth is being created by the long bull market, as well as by rising income levels and increasing home values. Such wealth, along with modest gains in employment, has given the American public the wherewithal to continue spending freely. Healthy consumer demand, in turn, is giving domestic industrial concerns the incentive to increase their productive capacity. This is helping to boost output at U.S. factories, raise spending on plant and equipment, and necessitate the hiring of additional workers. New spending power and wealth are thus created.

Importantly, this strong economic uptrend is being accompanied, for the most part, by low inflation. Rising productivity (or the output per hour of work), which continues to be fostered by the growing use of labor-saving technologies, has been one of the keys to this nation's low inflation rate for much of this decade. Increased global competition and plentiful and inexpensive sources of raw materials (in particular, energy) have also been instrumental in helping to keep costs down. At the same time, interest rates have trended lower for much of this period. Low rates, too, have helped to sustain the business uptrend, by keeping housing costs under control and by reducing the costs of business expansion. Modest inflation, together with steady economic growth, has given the Federal Reserve the leeway to retain an accommodative monetary stance over the past several years.

Continued on page 5538

VALUE LINE'S FORECAST FOR THE U.S. ECONOMY

Statistical Summary for 1998-2000

	98:4	99:1	99:2	99:3	99:4	2000:1	2000:2	2000:3	1999	2000
GDP AND OTHER KEY MEASURES										
Real Gross Domestic Product (1992 Chained $Bill.)	7678	7763	7821	7871	7916	7951	7998	8048	7843	8024
Unit Car Sales (Million Units)	8.5	8.0	8.2	8.1	8.0	7.8	7.8	7.8	8.1	7.8
Housing Starts (Million Units)	1.70	1.79	1.60	1.55	1.55	1.53	1.53	1.55	1.63	1.55
Pretax Corporate Profits ($Bill.)	708.1	729.5	774.0	759.0	752.0	751.0	805.0	797.0	760.0	798.0
ANNUALIZED RATES OF CHANGE										
Gross Domestic Product (Real)	6.0	4.5	3.0	2.6	2.3	1.8	2.4	2.5	3.8	2.3
GDP Price Index	0.8	1.4	2.5	2.2	2.0	2.0	2.0	2.2	2.0	2.1
CPI-All Urban Consumers	1.7	1.5	4.8	2.5	2.3	2.3	2.4	2.5	2.8	2.5
AVERAGE FOR THE PERIOD										
National Unemployment Rate	4.4	4.3	4.3	4.3	4.3	4.4	4.4	4.5	4.3	4.4
Prime Rate	7.9	7.8	7.8	7.8	8.0	8.0	8.0	8.0	7.8	8.0
30-Year Treasury Bond Rate	5.1	5.4	5.7	5.7	5.6	5.6	5.6	5.7	5.6	5.6

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Value Line Forecast for the U.S. Economy

	ACTUAL	ESTIMATED						
	98:4	99:1	99:2	99:3	99:4	2000:1	2000:2	2000:3
GROSS DOMESTIC PRODUCT AND ITS COMPONENTS (1992 CHAIN WEIGHTED $) BILLIONS OF DOLLARS								
Total Consumption	5246	5332	5372	5409	5448	5488	5531	5575
Nonresidential Fixed Investment	992	1010	1034	1057	1072	1086	1101	1118
Residential Fixed Investment	324	336	335	333	331	327	324	322
Exports	1010	989	1002	1005	1017	1033	1048	1064
Imports	1260	1295	1313	1348	1381	1392	1402	1413
Federal Government	461	460	464	465	467	469	470	471
State & Local Governments	850	865	868	873	881	887	894	901
Gross Domestic Product	8681	8808	8889	8976	9057	9133	9216	9307
Real GDP (1992 Chain Weighted $)	7678	7763	7821	7871	7916	7951	7998	8048
PRICES AND WAGES-ANNUAL RATES OF CHANGE								
GDP Price Index (1992 Chain Weighted)	0.8	1.4	2.5	2.2	2.0	2.0	2.0	2.2
CPI-All Urban Consumers	1.7	1.5	4.8	2.5	2.3	2.3	2.4	2.5
PPI-Finished Goods	1.2	1.9	3.8	2.0	1.5	1.5	1.6	1.7
Employment Cost Index—Total Comp.	2.9	1.4	4.0	3.8	3.7	3.5	3.5	3.6
Output per Hour-Nonfarm	4.6	3.0	3.0	2.0	1.5	1.5	1.5	1.8
PRODUCTION AND OTHER KEY MEASURES								
Industrial Prod. (% Change, Annualized)	2.2	0.7	3.0	3.0	2.5	2.0	2.3	2.5
Capacity Utilization Rate (%)	80.1	79.5	80.5	80.5	80.5	80.0	80.2	80.3
Housing Starts (Mill. Units)	1.70	1.79	1.60	1.55	1.55	1.53	1.53	1.55
Total Light Vehicle Sales (Mill. Units)	16.4	16.0	16.0	15.6	15.6	15.5	15.4	15.4
Unit Car Sales (Mill. Units)	8.5	8.0	8.2	8.1	8.0	7.8	7.8	7.8
U.S. Dollar Exchange Rate (% Change)	-21.0	1.9	7.9	2.9	-0.2	-6.1	-1.5	-1.5
National Unemployment Rate (%)	4.4	4.3	4.3	4.3	4.3	4.4	4.4	4.5
Federal Budget Surplus (Unified, FY, $Bill)	-55.0	5.1	136.0	30.0	35.0	15.0	60.0	-2.0
Price of Oil ($Bbl., U.S. Refiners' Cost)	11.67	11.46	16.15	15.90	16.20	16.45	16.55	16.65
MONEY AND INTEREST RATES								
Annual Money Supply (M2)	4365	4443	4500	4556	4609	4661	4714	4766
Yr-to-Yr % Change	8.5	8.4	7.8	7.3	5.6	4.9	4.8	4.6
3-Month Treasury Bill Rate (%)	4.3	4.4	4.7	4.7	4.7	4.8	4.8	4.8
Federal Funds Rate (%)	4.9	4.7	4.8	4.8	4.9	5.0	5.0	5.0
30-Year Treasury Bond Rate (%)	5.1	5.4	5.7	5.7	5.6	5.6	5.6	5.7
AAA Corporate Bond Rate (%)	6.3	6.4	6.2	6.2	6.2	6.1	6.1	6.2
Prime Rate (%)	7.9	7.8	7.8	7.8	8.0	8.0	8.0	8.0
INCOMES								
Personal Income (Annualized % Change)	5.5	5.4	4.8	4.7	4.5	4.4	4.5	4.7
Real Disp. Inc. (Annualized % Change)	4.3	4.6	3.0	3.0	3.0	3.0	3.5	3.5
Personal Savings Rate (%)	0.0	-0.5	-0.5	-0.3	-0.3	0.1	0.2	0.5
Pretax Corporate Profits (Annualized $Bill)	708.1	729.5	774.0	759.0	752.0	751.0	805.0	797.0
Aftertax Corporate Profits (Annualized $Bill)	472.5	485.9	511.0	501.0	496.0	496.0	531.0	526.0
Yr-to-Yr % Change	-3.0	1.4	6.0	5.0	5.0	2.0	4.0	5.0
COMPOSITION OF REAL GDP-ANNUAL RATES OF CHANGE								
Gross Domestic Product	6.0	4.5	3.0	2.6	2.3	1.8	2.4	2.5
Final Sales	6.6	4.5	3.0	2.0	2.0	2.3	2.5	2.5
Total Consumption	5.0	6.7	3.0	2.8	2.9	3.0	3.2	3.2
Nonresidential Fixed Investment	14.6	7.6	10.0	9.0	6.0	5.0	6.0	6.0
Construction	6.0	-0.1	-5.0	5.0	1.0	2.0	3.0	3.0
Durable Equipment	17.8	10.5	16.0	12.0	9.0	6.0	7.0	7.0
Residential Fixed Investment	10.0	15.6	-1.0	-2.0	-3.0	-5.0	-3.0	-3.0
Exports	19.7	-7.7	5.4	1.0	4.9	6.7	6.0	6.0
Imports	12.0	11.7	5.7	11.2	9.9	3.3	3.0	3.0
Federal Government	7.3	-0.7	3.6	1.1	1.1	1.9	1.0	1.0
State & Local Governments	1.3	7.3	1.2	2.6	3.5	3.1	3.0	3.0

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Value Line Forecast for the U.S. Economy

	ACTUAL					ESTIMATED				
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
GROSS DOMESTIC PRODUCT AND ITS COMPONENTS (1992 CHAIN WEIGHTED $) BILLIONS OF DOLLARS										
Total Consumption	4486	4606	4752	4914	5153	5390	5554	5720	5892	6069
Nonresidential Fixed Investment	648	711	777	859	961	1043	1110	1165	1229	1303
Residential Fixed Investment	267	257	276	283	312	334	323	320	323	330
Exports	712	793	860	970	985	1003	1057	1138	1228	1325
Imports	817	889	971	1106	1223	1334	1407	1467	1546	1662
Federal Government	487	471	466	458	453	464	471	463	458	456
State & Local Governments	766	784	803	827	844	872	897	919	942	964
Gross Domestic Product	6947	7270	7662	8111	8511	8932	9265	9663	10111	10605
Real GDP (1992 Chain Weighted $)	6611	6762	6995	7270	7552	7843	8024	8225	8447	8684
PRICES AND WAGES-ANNUAL RATES OF CHANGE										
GDP Price Index (1992 Chain Weighted)	2.3	2.5	2.1	1.9	1.0	2.0	2.1	2.1	2.2	2.3
CPI-All Urban Consumers	2.6	2.8	2.9	2.3	1.6	2.8	2.5	2.5	2.6	2.7
PPI-Finished Goods	0.6	1.9	2.6	0.4	-0.9	2.3	1.6	1.6	1.8	2.0
Employment Cost Index—Total Comp.	3.2	2.8	2.8	3.1	3.5	3.5	3.5	3.5	3.5	3.5
Output per Hour-Nonfarm	0.5	0.6	0.8	1.2	2.2	2.3	1.5	1.6	1.7	1.7
PRODUCTION AND OTHER KEY MEASURES										
Industrial Prod. (% Change)	5.8	3.3	2.8	6.0	3.7	2.3	2.5	3.0	3.0	3.0
Capacity Utilization Rate (%)	83.1	83.1	82.1	82.0	80.8	80.3	80.2	80.7	81.3	82.0
Housing Starts (Mill. Units)	1.45	1.36	1.47	1.48	1.62	1.63	1.55	1.50	1.50	1.50
Total Light Vehicle Sales (Mill. Units)	15.0	14.8	15.1	15.1	15.6	15.8	15.4	15.4	15.6	15.8
Unit Car Sales (Mill. Units)	9.0	8.6	8.5	8.2	8.2	8.1	7.8	7.7	7.6	7.6
U.S. Dollar Exchange Rate (% Change)	-1.5	-5.7	4.9	8.0	5.0	-1.0	-2.2	-3.3	-2.6	-1.8
National Unemployment Rate (%)	6.1	5.6	5.4	4.9	4.5	4.3	4.4	4.6	4.7	4.8
Federal Budget Surplus (Unified, FY, $Bill)	-203.1	-163.9	-107.0	-22.0	70.2	117.0	108.0	90.0	115.0	125.0
Price of Oil ($Bbl., U.S. Refiners' Cost)	15.52	17.24	20.69	19.11	12.66	14.90	16.60	17.25	17.90	18.75
MONEY AND INTEREST RATES										
Annual Money Supply (M2)	3502	3638	3806	4023	4365	4609	4812	5010	5220	5444
Yr-to-Yr % Change (Q4/Q4)	0.6	3.9	4.6	5.8	8.5	5.6	4.4	4.1	4.2	4.3
3-Month Treasury Bill Rate (%)	4.2	5.5	5.0	5.1	4.8	4.6	4.8	4.8	4.8	4.8
Federal Funds Rate (%)	4.2	5.8	5.3	5.5	5.4	4.8	5.0	5.0	5.1	5.2
30-Year Treasury Bond Rate (%)	7.4	6.9	6.7	6.6	5.6	5.6	5.6	5.6	5.7	5.8
AAA Corporate Bond Rate (%)	8.0	7.6	7.4	7.3	6.5	6.1	6.1	6.1	6.2	6.3
Prime Rate (%)	7.1	8.8	8.3	8.4	8.4	7.8	8.0	8.2	8.3	8.5
INCOMES										
Personal Income (% Change)	5.0	6.3	5.5	5.6	5.0	4.8	4.6	4.6	4.6	4.7
Real Disp. Inc. (% Change)	2.4	3.5	2.9	2.8	3.2	3.1	3.3	3.0	3.0	3.0
Personal Savings Rate (%)	3.8	4.7	4.9	2.1	0.5	-0.4	0.3	0.4	0.5	0.6
Pretax Corporate Profits ($Bill)	531.2	635.6	680.2	734.4	717.8	760.0	798.0	846.0	905.0	977.0
Aftertax Corporate Profits ($Bill)	335.9	424.6	454.1	488.3	477.7	502.0	527.0	558.0	597.0	645.0
Yr-to-Yr % Change	11.9	26.4	9.3	7.5	-2.2	5.0	5.0	6.0	7.0	8.0
COMPOSITION OF REAL GDP-ANNUAL RATES OF CHANGE										
Gross Domestic Product	3.5	2.3	3.4	3.9	3.9	3.8	2.3	2.5	2.7	2.8
Final Sales	2.9	2.5	2.8	3.5	4.0	2.7	2.5	2.5	2.6	2.7
Total Consumption	3.3	2.4	2.6	3.4	4.9	4.6	3.0	3.0	3.0	3.0
Nonresidential Fixed Investment	8.0	9.0	9.2	10.7	11.8	8.6	6.4	5.0	5.5	6.0
Construction	1.0	4.3	4.8	7.1	-0.1	1.0	2.5	2.5	3.0	3.5
Durable Equipment	11.0	10.8	10.9	12.1	16.5	12.0	7.0	5.0	6.0	7.0
Residential Fixed Investment	10.1	-3.8	5.9	2.5	10.4	7.0	-3.0	-1.0	1.0	2.0
Exports	8.2	11.1	8.3	12.8	1.5	1.8	5.3	7.7	7.9	7.9
Imports	12.2	8.9	9.1	13.9	10.6	9.1	5.5	4.2	5.4	7.5
Federal Government	-3.8	-3.3	-1.3	-1.6	-1.0	2.4	1.4	-1.6	-1.0	-0.6
State & Local Governments	2.6	2.1	1.6	3.1	2.0	3.3	3.0	2.4	2.5	2.4

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CURRENT STATISTICS

CONSUMER INSTALLMENT CREDIT

NOT SEASONALLY ADJUSTED

BY MAJOR HOLDER

TOTAL OUTSTANDING (181) — BILLION DOLLARS

	JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	AVG.
[illegible]	1324.5												
[illegible]	1244.0	1234.2	1236.0	1241.1	1243.1	1256.8	1262.6	1277.0	1287.4	1298.6	1305.8	1333.8	1268.4
1997	1199.6	1190.5	1186.4	1195.6	1199.3	1205.0	1209.2	1220.6	1227.3	1234.3	1237.4	1268.1	1214.4
1996	1117.9	1115.8	1120.5	1129.0	1135.9	1146.9	1157.6	1171.6	1177.3	1180.2	1190.3	1214.9	1154.8
1995	984.6	979.6	989.5	1000.4	1013.6	1028.5	1036.6	1054.9	1074.9	1080.7	1099.7	1126.6	1039.3
1994	855.8	853.0	859.3	869.3	880.3	893.5	899.7	916.6	933.6	944.3	956.8	988.1	904.5
1993	795.1	790.8	786.4	792.7	791.9	797.6	802.7	812.2	820.9	827.2	837.7	883.0	809.8
1992	787.4	779.7	775.6	773.6	772.3	772.8	773.0	778.1	781.3	779.8	784.6	801.0	780.0

COMMERCIAL BANKS (181)

	JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	AVG.
1999	508.3												
1998	499.3	492.5	492.1	500.1	497.3	491.4	491.4	498.2	497.9	502.1	498.8	508.9	497.5
1997	521.4	512.9	504.3	510.3	511.6	510.7	514.5	516.2	507.5	507.2	508.3	515.2	511.7
1996	499.4	497.2	497.7	503.9	502.3	505.7	510.2	516.7	517.1	521.3	523.0	529.4	510.3
1995	460.9	459.3	463.0	470.1	473.9	476.3	480.5	490.4	492.4	491.8	496.0	507.8	480.2
1994	398.6	398.4	401.1	408.4	411.7	417.4	423.9	432.7	438.2	443.0	449.0	462.9	423.8
1993	365.3	363.2	362.7	366.3	369.2	370.9	375.4	379.3	383.6	385.8	391.7	399.7	376.1
1992	369.1	364.2	361.3	361.3	359.8	359.1	360.1	360.8	360.4	359.3	360.2	365.5	361.8

FINANCE COMPANIES (181)

	JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	AVG.
1999	168.0												
1998	159.5	155.7	156.5	154.3	153.6	154.3	156.1	159.6	159.1	165.6	166.6	168.5	159.1
1997	153.5	153.3	153.8	152.7	154.9	156.7	156.4	157.2	158.4	156.9	156.4	160.0	155.9
1996	152.1	153.9	152.5	154.3	156.1	153.9	155.8	154.7	154.6	151.4	151.0	152.4	153.6
1995	137.1	134.3	135.4	137.4	139.2	141.3	141.7	145.1	145.7	148.2	148.3	152.1	142.2
1994	117.2	117.7	119.8	122.5	121.8	124.0	122.8	124.8	130.0	131.2	132.5	134.4	124.9
1993	116.8	113.4	112.4	112.9	108.3	110.3	111.9	110.7	110.7	111.3	113.4	116.1	112.4
1992	118.9	120.8	118.9	118.7	116.5	117.0	117.4	118.0	117.5	117.1	117.5	118.1	118.0

BY MAJOR TYPE OF CREDIT

AUTOMOBILE (181) — BILLION DOLLARS

	JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	AVG.
1999	450.3												
1998	413.5	412.1	415.5	416.0	418.2	425.2	429.7	434.9	439.0	442.3	445.5	448.7	428.5
1997	391.8	389.8	388.9	391.9	393.8	398.6	403.7	405.7	409.8	415.0	412.9	418.9	401.8
1996	363.1	364.3	367.6	369.9	374.1	380.7	385.6	388.4	390.4	392.7	392.1	393.2	380.2
1995	328.2	329.4	331.9	333.2	337.2	341.0	345.4	350.3	354.1	358.2	362.6	364.7	344.7
1994	288.8	289.3	293.2	296.9	301.9	307.3	308.4	314.9	321.5	323.8	326.9	328.6	308.5
1993	262.3	264.5	265.1	266.1	268.3	271.4	273.8	278.1	281.2	286.4	287.3	288.9	274.5
1992	265.1	262.6	262.3	261.6	261.3	259.8	260.5	262.8	264.1	262.7	262.1	263.8	262.4

REVOLVING CREDIT (181)

	JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	AVG.
1999	574.9												
1998	541.5	535.3	534.1	535.6	535.6	539.6	537.1	545.0	548.8	555.8	559.0	586.2	546.1
1997	513.5	508.6	503.8	505.8	509.6	511.4	515.1	520.8	524.3	527.5	532.9	555.9	519.1
1996	454.7	453.5	455.1	460.5	466.6	470.3	474.7	480.7	483.3	487.5	497.8	522.9	475.6
1995	378.4	377.8	381.6	385.1	393.8	401.8	404.3	415.1	427.1	432.0	438.7	464.1	408.3
1994	318.1	315.0	316.4	321.0	325.4	331.2	335.9	345.6	348.6	351.5	364.5	383.2	338.0
1993	286.2	283.1	281.8	283.5	285.1	286.9	290.8	294.6	298.3	300.5	308.1	325.0	293.7
1992	270.4	266.0	263.7	264.5	265.5	267.8	267.7	270.6	272.2	274.0	276.8	292.0	270.9

OTHER PERSONAL DEBT HELD BY FINANCIAL INSTITUTIONS (181)

	JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	AVG.
1999	299.3												
1998	288.9	286.8	286.4	289.6	289.2	292.0	295.8	297.1	299.6	300.6	301.4	297.7	293.8
1997	294.3	292.0	293.7	297.8	295.9	294.0	290.4	294.1	293.2	291.9	291.6	293.3	293.5
1996	300.1	298.0	297.8	298.6	295.2	295.8	297.3	302.6	303.5	299.9	300.4	298.8	299.0
1995	278.0	272.5	276.0	282.2	282.5	285.8	287.0	289.5	293.7	290.5	298.3	299.8	286.3
1994	248.9	248.8	249.7	251.3	253.0	255.0	255.3	258.1	263.5	268.9	267.3	276.3	258.0
1993	246.7	243.0	239.6	243.2	238.6	239.3	238.1	239.5	241.4	240.3	242.2	249.1	241.8
1992	251.9	251.1	249.6	247.2	245.5	245.1	244.8	245.7	245.1	243.2	245.7	245.2	246.7

INTEREST RATE

PERCENT

CERTIFICATES OF DEPOSIT 3 MONTHS SECONDARY MARKET (9)

	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	AVG.
1999	4.89	4.90											
1998	5.54	5.54	5.58	5.58	5.59	5.60	5.59	5.58	5.41	5.21	5.24	5.14	5.47
1997	5.43	5.37	5.53	5.71	5.70	5.66	5.60	5.60	5.60	5.65	5.74	5.80	5.65
1996	5.39	5.15	5.29	5.36	5.36	5.46	5.53	5.40	5.51	5.41	5.38	5.44	5.39
1995	6.24	6.16	6.15	6.11	6.02	5.90	5.77	5.77	5.73	5.79	5.74	5.62	5.92
1994	3.15	3.43	3.77	4.01	4.51	4.52	4.73	4.81	5.03	5.51	5.79	6.29	4.63
1993	3.19	3.12	3.11	3.09	3.10	3.21	3.16	3.14	3.12	3.24	3.26	3.17	3.16
1992	4.05	4.07	4.25	4.00	3.82	3.86	3.37	3.31	3.13	3.25	3.58	3.48	3.68

BANKERS ACCEPTANCES PRIME 90 DAYS (9)

	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	AVG.
1999	4.80	4.79											
1998	5.48	5.46	5.50	5.48	5.48	5.50	5.50	5.49	5.38	5.12	5.15	5.08	5.39
1997	5.34	5.29	5.44	5.62	5.62	5.59	5.53	5.53	5.54	5.57	5.66	5.75	5.54
1996	5.31	5.07	5.21	5.28	5.29	5.38	5.45	5.32	5.39	5.32	5.29	5.35	5.31
1995	6.12	6.05	6.04	6.00	5.91	5.80	5.66	5.68	5.66	5.71	5.64	5.52	5.82
[illegible]	3.10	3.40	3.73	3.96	4.45	4.45	4.65	4.74	4.95	5.41	5.71	6.18	4.50
[illegible]	3.14	3.06	3.07	3.05	3.06	3.16	3.12	3.10	3.07	3.19	3.29	3.23	3.13
[illegible]	3.97	4.00	4.19	3.92	3.76	3.88	3.42	3.28	3.10	3.24	3.51	3.44	3.64

[illegible] MONTHS TREASURY BILLS AUCTION AVG. NEW ISSUES (10)

	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	AVG.
1999	4.34	4.45											
1998	5.09	5.11	5.03	5.00	5.03	4.99	4.96	4.94	4.74	4.08	4.44	4.42	4.82
1997	5.06	5.00	5.14	5.17	5.13	4.92	5.07	5.13	4.97	4.95	5.15	5.16	5.07
1996	5.02	4.87	4.96	4.99	5.02	5.11	5.17	5.09	5.15	5.01	5.03	4.87	5.02
1995	5.81	5.80	5.73	5.67	5.70	5.50	5.47	5.41	5.26	5.30	5.35	5.16	5.51
1994	3.02	3.21	3.52	3.74	4.19	4.18	4.39	4.50	4.64	4.96	5.25	5.64	4.27
1993	3.06	2.95	2.97	2.89	2.96	3.10	3.05	3.05	2.96	3.04	3.12	3.08	3.02
1992	3.84	3.84	4.05	3.81	3.66	3.70	3.28	3.14	2.97	3.10	3.14	3.25	3.48

6 MONTHS TREASURY BILLS AUCTION AVG. NEW ISSUES (10)

	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	AVG.
1999	4.36	4.43											
1998	5.07	5.07	5.04	5.08	5.15	5.12	5.03	4.97	4.75	4.15	4.43	4.43	4.86
1997	5.11	5.05	5.24	5.35	5.35	5.14	5.12	5.17	5.11	5.09	5.17	5.24	5.18
1996	4.97	4.79	4.96	5.08	5.12	5.26	5.32	5.17	5.29	5.12	5.07	5.02	5.10
1995	6.31	6.10	5.91	5.80	5.73	5.46	5.41	5.40	5.28	5.34	5.29	5.15	5.60
1994	3.19	3.38	3.79	4.13	4.64	4.58	4.81	4.91	5.02	5.39	5.69	6.21	4.65
1993	3.17	3.08	3.08	3.00	3.07	3.23	3.15	3.17	3.06	3.13	3.27	3.25	3.14
1992	3.88	3.94	4.19	3.93	3.78	3.81	3.36	3.23	3.01	3.20	3.35	3.39	3.59

COMPOSITE LONG-TERM GOV'T SECURITIES (over 10 years) (10)

	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	AVG.
1999	5.39	5.60											
1998	5.87	5.94	6.00	5.98	5.99	5.78	5.76	5.64	5.34	5.24	5.43	5.29	5.69
1997	6.89	6.76	7.03	7.18	7.00	6.82	6.55	6.64	6.54	6.37	6.18	6.06	6.67
1996	6.07	6.28	6.72	6.94	7.08	7.20	7.13	6.94	7.13	6.87	6.55	6.63	6.80
1995	7.93	7.69	7.52	7.41	6.99	6.59	6.71	6.90	6.63	6.43	6.31	6.11	6.94
1994	6.24	6.44	6.90	7.32	7.47	7.43	7.61	7.55	7.81	8.02	8.16	7.97	7.41
1993	7.17	6.89	6.65	6.64	6.68	6.55	6.34	6.18	5.94	5.90	6.25	6.27	6.46
1992	7.48	7.78	7.93	7.88	7.80	7.72	7.40	7.19	7.08	7.34	7.43	7.30	7.53

FEDERAL FUNDS SOLD (9)

	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	AVG.
1999	4.63	4.76											
1998	5.56	5.51	5.49	5.45	5.49	5.56	5.54	5.55	5.51	5.07	4.83	4.68	5.35
1997	5.25	5.19	5.39	5.51	6.50	6.56	5.52	5.54	6.54	5.50	5.56	5.50	5.46
1996	5.56	5.22	5.31	5.22	5.24	5.27	5.40	5.22	5.30	5.24	5.31	5.29	5.30
1995	5.53	5.92	5.98	6.05	6.01	6.00	5.85	5.74	5.80	5.76	5.80	5.60	5.84
1994	3.05	3.25	3.34	3.56	4.01	4.25	4.26	4.47	4.73	4.76	5.29	5.45	4.20
1993	3.02	3.03	3.07	2.96	3.00	3.04	3.06	3.05	3.00	2.99	3.02	2.96	3.02
1992	4.03	4.06	3.98	3.73	3.82	3.76	3.25	3.30	3.22	3.12	3.09	2.92	3.52

COMMERCIAL PAPER (18)

	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	AVG.
1999	1185.9												
1998	989.0	1013.1	1057.7	1083.4	1058.3	1098.4	1098.7	1104.2	1150.8	1142.3	1139.8	1161.8	1089.7
1997	810.6	817.6	836.8	853.8	854.3	867.7	878.9	873.6	901.7	913.2	921.5	950.0	873.3
1996	686.7	688.5	694.7	722.8	718.6	731.3	728.0	741.7	754.8	758.2	782.8	777.7	730.5
1995	613.9	622.4	630.2	656.7	646.8	649.3	652.6	652.9	668.6	674.5	672.4	677.7	651.5
1994	559.4	560.3	557.8	553.5	650.9	563.5	572.9	584.8	574.5	582.5	580.7	601.9	570.1
[illegible]	541.4	530.9	535.4	538.7	543.1	542.5	539.7	544.2	541.9	547.4	548.0	555.1	542.4
[illegible]	533.1	530.0	539.0	541.9	538.1	545.0	540.0	546.1	551.8	554.6	556.5	546.8	544.1

DISCOUNT RATES (11)

FEDERAL RESERVE BANK OF NEW YORK DISCOUNT RATES

DATE	RATE	DATE	RATE	DATE	RATE
1981–Nov 2	13	1985–May 24	7 1/2	1991–Feb 1	6–6 1/2
Dec 4	12	1986–Mar 7	7–7 1/2	4	6
1982–July 20	11 1/2	10	7	Apr 30	5 1/2–6
Aug 2	11	Apr 21	6 1/2–7	May 2	5 1/2
16	10 1/2	July 11	6	Nov 7	4 1/2
27	10	Aug 21	5 1/2–6	Dec 20	3 1/2
Oct 12	9 1/2	22	5 1/2	1992–July 2	3
Nov 22	9	1987–Sept 4	5 1/2–6	1994–May 17	3 1/2
Dec 15	8 1/2	11	6	Aug 16	4
1984–Apr 9	9	1988–Feb 24	6 1/2–7	Nov 15	4 3/4
Nov 21	8 1/2	27	7	1995–Feb 1	5 1/4
Dec 24	8	1990–Dec 19	6 1/2	1996–Jan 31	5
				1998–Oct 15	4 3/4
				Nov 17	4 1/2

PRIME RATE (11)

Charged by banks

DATE	RATE	DATE	RATE	DATE	RATE
1981–July 8	20 1/2	1984–Mar 19	11 1/2	1988–Jan 1	8 3/4
Sept 15	20	April 5	12	Feb 2	8 1/2
22	19	May 8	12 1/2	May 11	9
Oct 5	19	June 25	13	July 14	9 1/2
13	18	Sept 27	12 3/4	Aug 11	10
Nov 3	17 1/2	Oct 17	12 1/2	Nov 28	10 1/2
9	16 1/2–17	29	12	1989–Feb 10	11
17	17	Nov 9	11 3/4	24	11 1/2
20	16 1/2	28	11 1/4	June 5	11
Dec 1	15 3/4	Dec 20	10 3/4	July 31	10 1/2
1982–Feb 2	16 1/6	1985–Jan 15	10 1/2	1990–Jan 8	10
18	17	May 20	10	1991–Jan 2	9 1/2
23	16 1/2	June 18	9 1/2	Feb 4	9
July 20	16	1986–Mar 7	9	May 1	8 1/2
29	15 1/2	April 21	8 1/2	Sept 13	8
Aug 2	15	July 14	8	Nov 7	7 1/2
16	14 1/2	Aug 26	7 1/2	Dec 23	7 1/2-6 1/2
18	14	1987–May 1	8	Dec 24	6 1/2
23	13 1/2	May 15	8 1/4	1992-July 2	6
Sept 30	13 1/2	Sept 9	8 3/4	1994–Mar 24	6 1/4
Oct 7	13	Oct 7	9 1/4	April 19	6 3/4
14	12	15	9 1/4–9 3/4	May 17	7 1/4
Nov 22	11 1/2	21	9 1/4	Aug 16	7 3/4
1983–Jan 11	11	22	9	Nov 15	8 1/2
Feb 28	10 1/2	Nov 5	8 3/4	1995–Feb 1	9
Aug 8	11			July 7	8 3/4
				Dec 19	8 1/2
				1996–Feb 1	8 1/4
				1997–Mar 26	8 1/2
				1998–Sept 30	8 1/4
				Oct 16	8
				Nov 18	7 3/4

Figures in parentheses indicate the page of Basic Statistics on which sources, complete description, and earlier data are published.

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THE ECONOMIC AND BUDGET OUTLOOK: AN UPDATE

July 1, 1999

NOTES
The figures in this report use shaded vertical bars to indicate periods of recession. Those bars extend from the peak to the trough of the recession.
Unemployment rates throughout the report are calculated on the basis of the civilian labor force.
Numbers in the text and tables may not add up to totals because of rounding.

Preface

This volume is one in a series of reports on the state of the economy and the budget that the Congressional Budget Office (CBO) issues each year. It satisfies the requirement of section 202(e) of the Congressional Budget Act of 1974 for CBO to submit periodic reports to the Committees on the Budget with respect to fiscal policy and to provide five-year baseline projections of the federal budget. The budget resolution for fiscal year 2000 required CBO to publish this report by July 1, 1999. In accordance with CBO's mandate to provide objective and impartial analysis, the report contains no recommendations.

In view of the accelerated schedule for this volume, additional supporting materials (listed in the table of contents) will be made available on CBO's World Wide Web site (www.cbo.gov) during the month of July.

The analysis of the economic outlook was prepared by the Macroeconomic Analysis Division under the direction of Robert Dennis, Kim J. Kowalewski, and John F. Peterson. David Brauer was the lead author for the economic section. The baseline outlay projections were prepared by the staff of the Budget Analysis Division under the supervision of Paul N. Van de Water, Robert Sunshine, Priscilla Aycock, Thomas Bradley, Paul Cullinan, Peter Fontaine, James Horney, and Michael Miller. The revenue estimates were prepared by the staff of the Tax Analysis Division under the supervision of Thomas Woodward and Richard Kasten. Jeffrey Holland wrote the introduction and the section on the budget outlook.

An early version of the economic forecast underlying this report was discussed at a meeting of CBO's Panel of Economic Advisers on June 2, 1999. Members of the panel are Alan J. Auerbach, Martin N. Baily, Jagdish Bhagwati, Michael Boskin, Barry P. Bosworth, John Cogan, Robert Dederick, William C. Dudley, Martin Feldstein, Robert J. Gordon, David Hale, Robert E. Hall, N. Gregory Mankiw, Allan Meltzer, William Niskanen, William D. Nordhaus, June E. O'Neill, Rudolph Penner, James Poterba, Robert Reischauer, Joel Slemrod, John Taylor, and Martin B. Zimmerman. Rudy Boschwitz, John Makin, Mark

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McClellan, William McGuire, and Joan Trauner attended as guests. Although those outside advisers provided considerable assistance, they are not responsible for the contents of this report.

Sherry Snyder and Christian Spoor edited the report, and Leah Mazade proofread it. The authors owe thanks to Marion Curry and Linda Lewis Harris, who assisted in preparing the many drafts. Kathryn Quattrone prepared the report for final publication, and Laurie Brown prepared the electronic versions for CBO's Web site.

Dan L. Crippen
Director
July 1, 1999

Contents

The following supporting documents will be posted on CBO's World Wide Web site (www.cbo.gov) during July:

Extended Discussion of CBO's July 1999 Economic Outlook (Now available)

Evaluating CBO's Record of Economic Forecasts

The Federal Sector of the National Income and Product Accounts

The Budget Adjusted for Effects of the Business Cycle

The Long-Term Budget Outlook: An Update

TABLES

FIGURES

BOX

The Congressional Budget Office (CBO) estimates that the total budget surplus will jump from $69 billion in fiscal year 1998 to $120 billion in 1999 and $161 billion in 2000. Those projections assume that current laws affecting revenues and entitlement programs do not change and that the Congress complies with the statutory caps on discretionary outlays. When the off-budget spending and revenues of Social Security and the Postal Service are excluded, the remaining on-budget transactions are projected to show a surplus of $14 billion in 2000. By either measure of the surplus, though, the beneficial effects on the budget of the prolonged economic expansion that began in 1991, combined with slower growth in entitlement spending and reduced levels of debt held by the public, lead CBO to project a sustained period of rising surpluses.

Growth in real (inflation-adjusted) gross domestic product (GDP) has averaged around 4 percent annually over the past three years and is expected to maintain that rate in 1999. Even though such rapid growth has pushed the unemployment rate down to 4.2 percent, it has not sparked inflation--the consumer price index (CPI) rose by only 1.6 percent in calendar year 1998 and is anticipated to grow by about 2.2 percent this year.

Next year, CBO expects growth in output (GDP) to slow and inflation to rise. One reason is that continued rapid growth this year and expectations of higher inflation are likely to cause the Federal Reserve to raise interest rates modestly over the next several months.

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Looking beyond 2000, CBO projects that real growth will average 2.4 percent a year through 2009. That rate marks a significant drop from the 4 percent average annual growth of the past three years, but it still represents a healthy increase in the economy that will keep the budget in good shape.

CBO now projects larger budget surpluses than it estimated in April, when it last assessed the budget outlook.(1) The cumulative total budget surplus over the 1999-2009 period is projected to be more than $300 billion higher and the on-budget surplus more than $180 billion higher. Although the increase in the total surplus may sound large, it equals just 1.2 percent of the revenues projected to flow into government coffers during that period.

The more optimistic projections of the surplus result from changes in economic and other factors that will increase revenues and reduce spending. In particular, slightly more optimistic projections of GDP and inflation (among other economic variables) have led CBO to increase its projection of the cumulative surplus by $275 billion between 1999 and 2009. The only piece of legislation enacted since April with a notable impact on the budget--the 1999 Emergency Supplemental Appropriations Act--lowers projected surpluses by a total of $40 billion over the next 11 years. Overall, revisions to CBO's estimates raise its projections of the total budget surplus by $10 billion in 1999 and an average of about $30 billion a year thereafter. Under current laws and policies (and providing that the economy performs as CBO assumes), the surplus is projected to climb to $413 billion in 2009. Cumulative on-budget surpluses are projected to total nearly $1 trillion between 1999 and 2009. During that same period, cumulative off-budget surpluses will total slightly more than $2 trillion.

The Economic Outlook

CBO now forecasts significantly stronger economic growth in calendar years 1999 and 2000 than it did in January, when it published its previous economic outlook. The new forecast assumes that growth will continue at about the current pace through the rest of this year (see Table 1).(2) Inflation, as measured by either the CPI or the GDP price index, is projected to increase modestly in 1999. However, continued strong growth this year, combined with expectations of higher inflation, will most likely prompt the Federal Reserve to increase the federal funds rate (the overnight interest rate that banks charge one another). Such an increase will help slow the economy next year and cap the inflation rate.

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Table 1.
The CBO Forecast for 1999 and 2000

	Actual 1998	Forecast 1999	Forecast 2000	
Fourth Quarter to Fourth Quarter (Percentage change)				
Nominal GDP	5.2	5.2	4.0	
Real GDP[a]	4.3	3.6	2.1	
GDP Price Index[b]	0.9	1.6	1.9	
Consumer Price Index[c]	1.5	2.5	2.4	
Calendar Year Average (Percent)				
Real GDP[a]	3.9	4.0	2.4	$\bar{x}$
Unemployment Rate	4.5	4.2	4.3	
Three-Month Treasury Bill Rate	4.8	4.6	5.0	4.80
Ten-Year Treasury Note Rate	5.3	5.6	5.9	5.75

SOURCES: Congressional Budget Office; Department of Commerce, Bureau of Economic Analysis; Federal Reserve Board; Department of Labor, Bureau of Labor Statistics.

a. Based on chained 1992 dollars.

b. The GDP price index is virtually the same as the implicit GDP deflator.

c. The consumer price index for all urban consumers.

The Forecast for 1999 and 2000

Real GDP grew at an annualized rate of 4.3 percent in the first quarter of 1999 and shows few signs of slowing. Strong growth is projected to continue in the near term for a number of reasons. First, although CBO expects the growth of consumer spending to slow from its recent breakneck pace, strong incomes and the lingering effects of the increase in wealth from rising stock prices will keep real growth of consumption robust for the rest of 1999, at roughly 3.5 percent. Second, businesses' investment spending will probably continue at a rapid pace as the cost of capital remains fairly low and companies substitute productivity-enhancing capital equipment for increasingly scarce labor. Third, concerns about the Year 2000 (Y2K) computer problem may also spur growth in 1999 as businesses stockpile inventories in anticipation of possible disruptions in their supply. In the other direction, residential construction is likely to slow in 1999 in response to higher mortgage rates this spring and perhaps to shortages of labor and materials for construction.

Long-term interest rates have risen sharply in recent weeks, and prices in the futures market for federal funds suggest that the Federal Reserve will tighten its monetary policy in the next several months. Last fall, concern that dislocations in financial markets would stall the U.S. economy and threaten global recession prompted the Federal Reserve to reduce the target federal funds rate by 75 basis points (0.75 percentage points). The easing of the Asian crisis and of financial-market problems has mostly removed those

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concerns. Following the May 18 meeting of the Federal Open Market Committee, the Federal Reserve announced that it was leaning toward monetary tightening, citing "ongoing strength in demand" and "the potential for a buildup of inflationary imbalances." CBO's forecast assumes that the federal funds rate will be raised by a total of 50 basis points in 1999. That assumption is reflected in the increase in CBO's forecast for interest rates on three-month Treasury bills (see Tables 2 and 3).(3)

Table 2.
Comparison of the CBO Economic Projections for Calendar Years 1999-2009

	Actual	Forecast		Projected								
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nominal GDP (Billions of dollars)												
July 1999	8,511	8,964	9,351	9,751	10,159	10,583	11,027	11,508	12,017	12,554	13,113	13,695
January 1999	8,499[a]	8,846	9,182	9,581	10,015	10,476	10,960	11,465	11,988	12,528	13,089	13,668
Nominal GDP (Percentage change)												
July 1999	4.9	5.3	4.3	4.3	4.2	4.2	4.2	4.4	4.4	4.5	4.5	4.4
January 1999	4.8[a]	4.1	3.8	4.3	4.5	4.6	4.6	4.6	4.6	4.5	4.5	4.4
Real GDP (Percentage change)												
July 1999	3.9	4.0	2.4	2.4	2.3	2.3	2.3	2.5	2.5	2.5	2.5	2.5
January 1999	3.7[a]	2.3	1.7	2.2	2.4	2.4	2.4	2.4	2.4	2.3	2.3	2.3
GDP Price Index[b] (Percentage change)												
July 1999	1.0	1.3	1.8	1.8	1.8	1.8	1.8	1.9	1.9	1.9	1.9	1.9
January 1999	1.0[a]	1.7	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Consumer Price Index[c] (Percentage change)												
July 1999	1.6	2.2	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
January 1999	1.6	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Unemployment Rate (Percent)												
July 1999	4.5	4.2	4.3	4.6	4.9	5.1	5.3	5.4	5.5	5.5	5.5	5.5
January 1999	4.5	4.6	5.1	5.4	5.6	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Three-Month Treasury Bill Rate (Percent)												
July 1999	4.8	4.6	5.0	4.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
January 1999	4.8	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Ten-Year Treasury Note Rate (Percent)												

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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
July 1999	5.3	5.6	5.9	5.5	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
January 1999	5.3	5.1	5.3	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Tax Bases (Percentage of GDP)												
Corporate profits												
July 1999	8.4	8.1	7.3	7.4	7.5	7.4	7.4	7.3	7.3	7.3	7.2	7.2
January 1999	8.5	8.1	7.4	7.6	7.7	7.8	7.9	7.9	7.9	7.8	7.7	7.5
Wages and salaries												
July 1999	48.8	49.2	49.5	49.3	49.2	49.2	49.2	49.3	49.3	49.3	49.3	49.3
January 1999	48.8	49.3	49.7	49.5	49.3	49.2	49.1	49.1	49.1	49.1	49.1	49.1

SOURCES: Congressional Budget Office; Department of Commerce, Bureau of Economic Analysis; Federal Reserve Board; Department of Labor, Bureau of Labor Statistics.

NOTE: Percentage change is year over year. Corporate profits are book profits.

a. Based on data for the first three quarters of 1998 published November 24, 1998.

b. The GDP price index is virtually the same as the implicit GDP deflator.

c. The consumer price index for all urban consumers.

Table 3.
The CBO Economic Projections for Fiscal Years 1999-2009

	Actual	Forecast		Projected								
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nominal GDP (Billions of dollars)	8,404	8,851	9,259	9,652	10,055	10,476	10,913	11,385	11,887	12,418	12,972	13,547
Nominal GDP (Percentage change)	5.0	5.3	4.6	4.2	4.2	4.2	4.2	4.3	4.4	4.5	4.5	4.4
Real GDP (Percentage change)	3.8	4.1	2.8	2.3	2.3	2.3	2.3	2.4	2.5	2.5	2.5	2.5
GDP Price Index[a] (Percentage change)	1.2	1.1	1.8	1.9	1.8	1.8	1.8	1.9	1.9	1.9	1.9	1.9
Consumer Price Index[b] (Percentage change)	1.6	1.9	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Unemployment Rate (Percent)	4.6	4.3	4.2	4.5	4.8	5.1	5.3	5.4	5.5	5.5	5.5	5.5
Three-Month Treasury Bill Rate (Percent)	5.0	4.5	5.0	4.8	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Ten-Year Treasury Note Rate (Percent)	5.6	5.2	5.9	5.6	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Tax Bases (Percentage of GDP)												
Corporate profits	8.6	8.2	7.5	7.4	7.5	7.4	7.4	7.3	7.3	7.3	7.3	7.3

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Corporate profits	8.0	8.2	7.5	7.4	7.5	7.4	7.4	7.3	7.3	7.3	7.3	7.2
Wages and salaries	48.6	49.1	49.5	49.4	49.2	49.2	49.2	49.3	49.3	49.3	49.3	49.3

SOURCES: Congressional Budget Office; Department of Commerce, Bureau of Economic Analysis; Federal Reserve Board; Department of Labor, Bureau of Labor Statistics.

NOTE: Percentage change is year over year. Corporate profits are book profits.

a. The GDP price index is virtually the same as the implicit GDP deflator.

b. The consumer price index for all urban consumers.

Higher interest rates will slow the economy in 2000 through several channels. CBO anticipates a pronounced slowdown in fixed investment, especially in residential construction. At the same time, with interest rates rising and greater growth in compensation putting pressure on profits, stock prices are unlikely to continue increasing at the rate of the past several years. Consequently, the boost to consumer spending from higher stock prices should gradually diminish. Higher interest rates will also help keep the dollar strong; thus, the trade deficit will most likely remain a drag on U.S. output in 2000. In addition, any excess inventory buildup related to Y2K fears will need to be worked off. For all of those reasons, CBO anticipates that growth of real GDP will slow from 4 percent in 1999 to 2.4 percent next year.

Inflation is forecast to rise modestly in both 1999 and 2000, in part because of higher energy prices. In addition, prices of imports other than oil, which have declined during the past two years, and prices for medical care, which have helped keep inflation down in recent years, may reverse course. And with labor markets still exceptionally tight, growth in compensation is likely to speed up.

The Outlook After 2000

CBO does not forecast the ups and downs of the economy more than two years ahead. Its projections beyond that period simply extend historical patterns in the factors that underlie the trend growth of real GDP--factors such as the growth of the labor force, the growth of productivity, and the rate of national saving (see Table 4). Rapid growth in the past three years has driven real GDP above CBO's estimate of potential GDP (the highest level of real GDP that could persist for a substantial period without raising the rate of inflation). Therefore, CBO assumes that real GDP will grow more slowly than potential GDP after 2000 to close the gap between the two and reduce inflationary pressures (see Figure 1).

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Table 4.
Key Assumptions for the CBO Projection of Potential Output (By calendar year)

	Average Annual Growth Rate (Percent)						
	1949-1998	1949-1960	1960-1969	1969-1980	1980-1990	1990-1998	1998-2009 (Projection)
Overall Economy							
Working-Age Population	1.3	0.8	1.4	2.0	1.1	1.0	1.0
Potential Labor Force	1.7	1.0	1.6	2.7	1.6	1.1	1.0
Potential Labor Force Productivity[a]	1.6	2.7	2.4	0.6	1.0	1.2	1.7
Excluding new price indexes	1.6	2.7	2.5	0.6	1.0	1.0	1.4
Effect of new price indexes	n.a.	n.a.	n.a.	n.a.	n.a.	0.1	0.3
Potential Real GDP	3.3	3.8	4.1	3.3	2.6	2.4	2.8
Real GDP	3.4	3.9	4.6	2.8	2.9	2.6	2.6
Nonfarm Business Sector							
Potential Employment	1.8	1.2	1.7	2.8	1.7	1.4	1.1
Potential Hours Worked	1.5	1.0	1.3	2.1	1.6	1.4	1.1
Capital Input	3.7	3.4	4.3	4.1	3.6	3.1	4.1
Potential Total Factor Productivity	1.3	2.0	2.0	1.1	0.5	0.7	1.1
Potential Labor Force Productivity[b]	1.9	2.7	2.9	1.7	1.0	1.3	2.0
Excluding new price indexes	1.9	2.7	2.9	1.7	1.0	1.1	1.5
Effect of new price indexes	n.a.	n.a.	n.a.	n.a.	n.a.	0.2	0.5
Potential Real Output	3.5	3.8	4.3	3.8	2.7	2.7	3.1

SOURCE: Congressional Budget Office using data from the Department of Labor, Bureau of Labor Statistics, and the Department of Commerce, Bureau of Economic Analysis.

NOTES: The years marking the ends of historical periods (except 1998) are years in which the business cycle peaked.

n.a. = not applicable.

a. Growth in potential output per labor force member.

b. Growth in potential output per hour in the nonfarm business sector.

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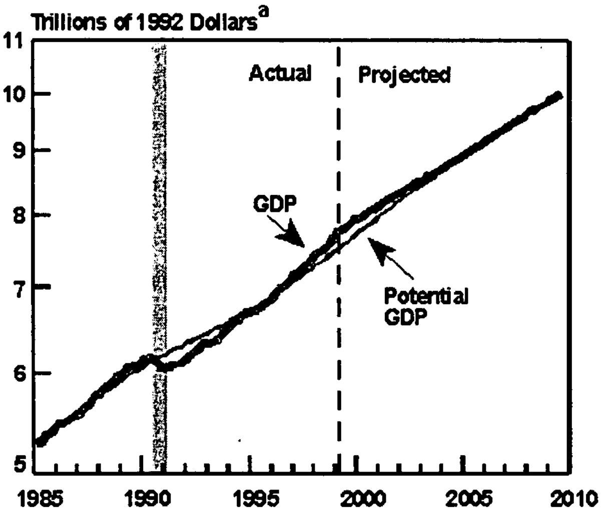
Figure 1.
GDP and Potential GDP



SOURCES: Congressional Budget Office; Department of Commerce, Bureau of Economic Analysis.

NOTE: Values are plotted using a logarithmic scale.

a. Chain weighted.

The current projection for growth of potential GDP--about 2.7 percent a year through 2009--is roughly 0.2 percentage points higher than CBO estimated in January. Half of that difference results from faster projected growth in the capital stock (4.1 percent, up from 3.8 percent last winter) caused by a higher projected rate of business investment that partly reflects larger budget surpluses.

The other half stems from two additional factors. First, CBO has revised its estimate of the technical adjustment that it incorporates into its projections to account for methodological changes to various price indexes. That adjustment reflects the effect on inflation and growth of real GDP from changes in the methods used to calculate the CPI and the price indexes based on the national income and product accounts. Such changes reduce the measured rate of inflation without affecting nominal GDP, thus raising the growth of real GDP. CBO has increased its estimate of the technical adjustment by less than 0.1 percentage point a year, on average, for the 1999-2009 period.

Second, CBO has raised its projection of the growth of total factor productivity slightly to reflect the possibility that part of the recent boom in such growth may be permanent. (The growth of total factor productivity is the growth of output beyond that accounted for by the growth of labor and capital.) Some analysts have argued that the spread of free-market principles around the world, the increase in international trade, the rapid pace of investment in computers and information technology, and the apparent increase in the ability and motivation of managers to innovate will foster stronger productivity growth for years to come. Although those arguments rely on anecdotal evidence, there are few corresponding arguments that would imply significantly slower productivity growth. Thus, CBO has assumed a small increase in productivity growth above and beyond the effects of measurement changes and faster growth in the capital stock.

Taxable Income

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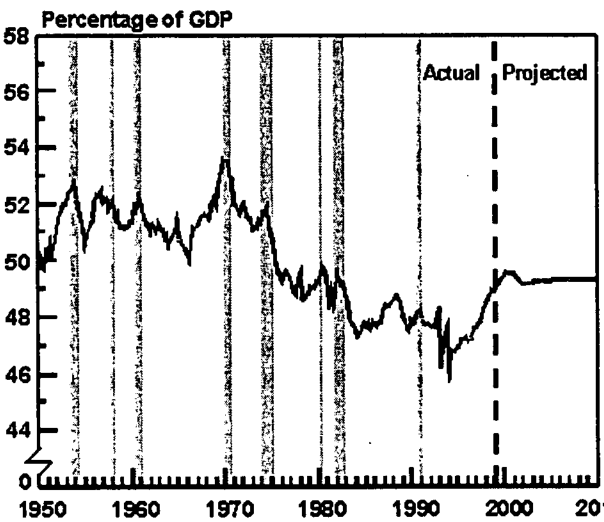
Projections of federal revenues are closely linked to projections of national income. However, different components of income are taxed at different rates, and some are not taxed at all. Thus, the distribution of national income among its various components is one of the most important parts of CBO's economic projections. Wage and salary disbursements and corporate profits are of special interest because they are taxed at the highest effective rates. Together, those two sources of income are expected to decline as a share of GDP by about 0.8 percentage points between 1999 and 2009 (see Table 2).

In response to tight labor markets, wage and salary disbursements are forecast to rise slightly as a percentage of GDP--reaching 49.5 percent in 2000. They are then projected to fall slightly--to an average of about 49.3 percent from 2001 through 2009--as gains in compensation relative to productivity diminish (see Figure 2).

Figure 2.
Wage and Salary Disbursements



SOURCES: Congressional Budget Office; Department of Commerce, Bureau of Economic Analysis.

CBO projects that corporate profits (measured as book profits) will decline as a share of GDP as the economy slows, falling from 8.1 percent in 1999 to 7.3 percent in 2000 and then averaging 7.3 percent through 2009 (see Figure 3). Profits' share of GDP rose dramatically between 1992 and 1997. Although it eased back in 1998, it is still high compared with the average of the past 20 years. The recent increase stemmed from a sharp reduction in interest expenses and the initially slow response of compensation growth to the pickup in productivity growth. Compensation started to catch up with productivity gains during 1998, weakening the profit share. That trend is likely to continue to put downward pressure on profits through 2000.

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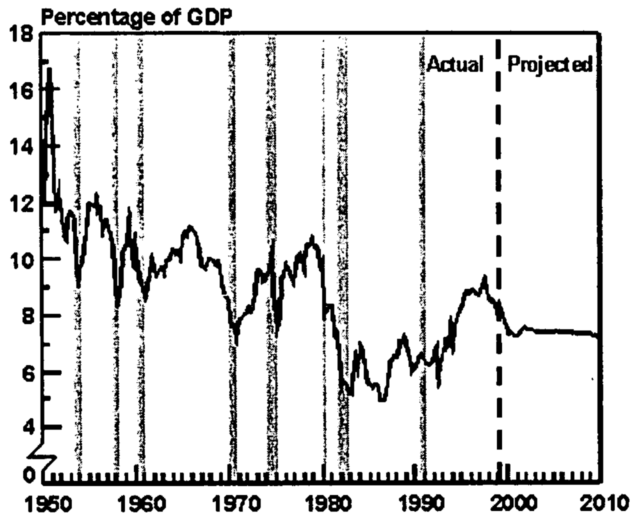
Figure 3.
Corporate Book Profits



SOURCES: Congressional Budget Office; Department of Commerce, Bureau of Economic Analysis.

An increase in depreciation charges will also reduce book profits during the projection period. Corporations can deduct depreciation of plant and equipment from earnings in calculating their tax liability. The rapid rise in investment in recent years and the high level of investment throughout the projection period increase depreciation charges relative to earnings. Therefore, the profits on which corporate taxes are based tend to fall as a share of GDP.

The Budget Outlook

If current laws and policies remain unchanged and the economy performs as CBO assumes, the excess of total federal revenues over total federal outlays will grow from $120 billion in 1999 to $413 billion in 2009, CBO estimates (see Table 5). If those surpluses are realized, past borrowing from the public will be substantially repaid, and debt held by the public will fall from $3,720 billion at the end of 1998 to $865 billion at the end of 2009. As a portion of GDP, debt held by the public will plummet from 44.3 percent at the end of 1998 to 6.4 percent at the end of 2009.

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Table 5.
The Budget Outlook Under Current Policies (By fiscal year)

	Actual 1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
In Billions of Dollars												
Baseline Total Surplus[a]	69	120	161	193	246	247	266	286	334	364	385	413
On-Budget Deficit (-) or Surplus (Excluding Social Security and the Postal Service)[a]	-30	-4	14	38	82	75	85	92	129	146	157	178
Memorandum:												
Off-Budget Deficit (-) or Surplus												
Social Security	99	125	147	155	163	172	181	195	205	217	228	235
Postal Service	b	-1	b	b	1	0	0	0	0	0	0	0
Total	99	125	147	155	164	172	181	195	205	217	228	235
As a Percentage of Gross Domestic Product												
Baseline Total Surplus[a]	0.8	1.4	1.7	2.0	2.5	2.4	2.4	2.5	2.8	2.9	3.0	3.1
On-Budget Deficit (-) or Surplus (Excluding Social Security and the Postal Service)[a]	-0.4	c	0.2	0.4	0.8	0.7	0.8	0.8	1.1	1.2	1.2	1.3

SOURCE: Congressional Budget Office.

a. Assumes that discretionary spending will equal the statutory caps on such spending through 2002 and will grow at the rate of inflation thereafter.

b. Less than $500 million.

c. Less than 0.05 percent.

Revenue growth continues to be the engine that drives mounting estimates of the surplus. From 1994 through 1998, revenues grew by an average of 8.1 percent a year, compared with only 3.1 percent for outlays. The rise in revenues is expected to slow to 5.8 percent in 1999 and to drop further--to an average rate of 4.1 percent a year--from 2000 through 2009. However, annual growth in outlays is projected to remain in the 3 percent range through 2009 (assuming that the caps are honored through 2002 and that discretionary spending grows at the rate of inflation thereafter), thus boosting total budget surpluses.

Total government inflows and outflows include the Social Security trust funds (Old-Age and Survivors Insurance and Disability Insurance), which have their own earmarked sources of revenue. Income going into those funds currently exceeds outlays for benefits and program administration. The trust fund surpluses have, by law, been invested in interest-bearing government securities, and that interest is part of the funds' income. Those investments have in turn reduced the need to borrow from the public to finance other programs.

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Excluding Social Security and the Postal Service (which are classified as off-budget), the remainder of the budget recorded a $30 billion deficit in 1998. That on-budget deficit is expected to decline to $4 billion this year. In 2000, CBO projects, the on-budget measure will be in surplus by $14 billion if discretionary spending does not exceed its statutory caps. However, if the Congress enacts appropriations for discretionary spending that CBO estimates will exceed the statutory caps on outlays, the on-budget surplus in 2000 could disappear (see Box 1). Under CBO's baseline assumptions, though, the on-budget surplus in 2009 ($178 billion) is projected to begin approaching the size of the off-budget surplus ($235 billion).

Box 1.
Will There Be an On-Budget Surplus in 2000?

The concurrent resolution on the budget for fiscal year 2000 (H. Con. Res. 68) assumes enactment of legislation that will reduce revenues starting in 2001. But it also provides for a reduction in revenues in 2000 that is contingent on the Congressional Budget Office's (CBO's) baseline projections in this report. Under section 211 of the resolution, if CBO projects an on-budget surplus in 2000 under current policies, the Chairmen of the House and Senate Budget Committees may adjust the budget resolution to allow a reduction in revenues in 2000 equal to CBO's estimate of the on-budget surplus.

CBO's baseline projections, which assume that discretionary outlays in 2000 will equal the statutory limits (or caps) on such spending, show an on-budget surplus of $14 billion in 2000. However, that projection may overstate the appropriate estimate of the surplus for purposes of section 211 for two reasons:

- A portion of off-budget spending in CBO's projections is treated as on-budget spending in the budget resolution, thereby making it harder to achieve an on-budget surplus.
- In enforcing compliance with the caps on discretionary spending, the House and Senate Budget Committees may use estimates that will allow appropriations to exceed the outlay caps under CBO's estimates.

CBO's baseline calculation of the on-budget surplus excludes about $3 billion in spending for administrative expenses of the Social Security Administration (SSA) because that spending is designated by statute as off-budget. However, since 1991, budget resolutions have treated SSA administrative expenses as on-budget because, according to the Office of Management and Budget's interpretation, they are subject to the caps on discretionary spending. If CBO's projections are made consistent with the budget resolution's treatment of those expenses, the projected on-budget surplus falls to $11 billion.

Both CBO's baseline projections and the budget resolution assume that discretionary spending in 2000 will equal the statutory caps. For purposes of enforcing the resolution, however, the budget committees have indicated that they may reduce CBO's estimate of discretionary outlays resulting from appropriation bills considered this year by about $10 billion for defense, $1 billion for transportation, and $3 billion for other nondefense programs. Thus, if Congressional estimates of enacted appropriations incorporate all of those potential adjustments, discretionary spending will be $14 billion higher than CBO assumed for 2000 in its current baseline projections. Those adjustments largely reflect the fact that the Administration's estimates of outlays from appropriations are significantly lower than CBO's estimates (see *An Analysis of the President's Budgetary Proposals for Fiscal Year 2000*, April 1999). Thus, that scorekeeping adjustment is not likely to lead to a sequestration of discretionary spending.

If all of those adjustments are made, the projected on-budget surplus of $14 billion in 2000 turns into a deficit of more than $3 billion.

Small departures from CBO's economic or technical assumptions could result in budgetary outcomes that are substantially different from the projections, even without changes in policy. For instance, if CBO's economic projections proved overly optimistic or if health care spending resumed its rapid growth, surpluses could be lower than anticipated. Of course, the economy could also be more robust than expected, and the factors that have dampened spending on Medicare and Medicaid could continue. Under those circumstances, the budget outlook would be even brighter than CBO now projects. In any case, results for any one year that differ by as much as $100 billion from current projections are entirely possible. (For an illustration of how different economic assumptions could affect the budget, see Appendix C of CBO's January 1999 report *The Economic and Budget Outlook: Fiscal Years 2000-2009*.)

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Changes in the Projections Since April

The budget outlook has continued to improve since April, when CBO published its previous baseline projections. The total budget surplus for the current year is now anticipated to be $10 billion higher than the earlier estimate (see Table 6). Projected surpluses for the 2000-2009 period average $30 billion a year more than before. Most of the changes in projected surpluses can be attributed to CBO's updated economic forecast.

Table 6.
Changes in Baseline Surpluses Since April 1999 (By fiscal year, in billions of dollars)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
April Baseline Surplus[a]	111	133	156	212	213	239	263	309	338	358	383
Legislative Changes											
Revenues	b	b	b	b	b	b	b	b	b	b	b
Outlays											
Discretionary	4	7	2	1	1	1	1	1	1	1	1
Mandatory											
Medicaid	0	0	1	1	1	1	1	1	1	1	1
Debt service	b	b	1	1	1	1	1	1	2	2	2
Subtotal	4	8	4	2	3	3	3	3	3	4	4
Total[c]	-4	-8	-4	-2	-3	-3	-3	-3	-3	-4	-4
Economic Changes											
Revenues	14	33	36	30	21	11	2	-3	-5	-7	-7
Outlays											
Discretionary	0	0	0	0	-1	-1	-2	-2	-3	-4	-5
Mandatory											
Social Security	0	-1	-2	-2	-3	-3	-4	-4	-5	-5	-6
Other COLA programs	b	b	-1	-1	-1	-2	-2	-2	-2	-3	-3
Unemployment insurance	0	-1	-1	-1	b	b	0	0	0	0	0
Net interest (Rate effects)	b	5	7	3	2	1	1	b	b	b	b
Debt service	b	-2	-3	-5	-7	-8	-10	-10	-11	-12	-13
Other	b	-1	-1	-1	-1	-1	-2	-2	-2	-2	-2
Subtotal	-1	b	b	-7	-11	-14	-18	-20	-23	-26	-29
Total[c]	15	33	37	37	33	26	20	18	18	19	22
Technical Changes											

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Revenues	-8	2	3	1	4	3	6	6	6	6	5
Outlays											
Discretionary	-4	b	b	b	b	b	b	b	b	b	b
Mandatory											
Medicare	-4	-3	-1	-1	-1	-1	-1	-1	-1	-1	-1
Medicaid	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	b
Agriculture programs	1	2	1	1	b	b	b	b	b	b	b
Debt service	b	b	b	b	b	-1	-1	-1	-2	-2	-3
Other	b	1	b	2	2	1	2	-1	-2	-2	-3
Subtotal	-6	-2	-1	1	b	-2	-1	-4	-5	-6	-7
Total[c]	-1	3	4	b	5	5	7	10	11	12	13
Total Changes											
Revenues	7	35	40	30	26	14	8	4	1	-1	-2
Outlays	-3	7	3	-4	-9	-13	-16	-21	-25	-28	-32
Total	10	28	37	34	35	28	24	25	26	27	31
July Baseline Surplus[a]	120	161	193	246	247	266	286	334	364	385	413

SOURCE: Congressional Budget Office.

NOTE: Revenue gains are shown with a positive sign because they increase the surplus. COLA = cost-of-living adjustment.

a. The baseline assumes that discretionary spending will equal the statutory caps on such spending through 2002 and will grow at the rate of inflation thereafter.

b. Less than $500 million.

c. Includes changes in both revenues and outlays. The figure shown is the effect on the surplus. Increases in the surplus are shown as positive.

Recent Legislation. The only legislation enacted since April that will have a significant impact on the budget is the 1999 Emergency Supplemental Appropriations Act (P.L. 106-31). That act designated almost $15 billion in emergency budget authority, which is not subject to the statutory spending caps. It provided funds for military operations in Kosovo and the Middle East, refugee relief in those and other regions, assistance to Jordan and Central America, domestic and international relief for natural disasters (principally the tornadoes in Oklahoma and Kansas and Hurricane Mitch in Central America), and for other purposes.

The act provided close to $13 billion in appropriations designated as emergencies for fiscal year 1999 and nearly $2 billion for 2000. Of the amount provided for 1999, roughly three-quarters is for defense programs. Almost all of the amount for 2000 is for military pay and retirement.

As a result of the additional appropriations, outlays are expected to be $4 billion higher this year, $7 billion higher in 2000, and higher by smaller amounts through 2009. Bumping up the level of outlays permitted under the statutory cap in 2002 causes CBO's projection of discretionary spending in 2003 through 2009 to be $1 billion higher annually. CBO's baseline assumes that total discretionary spending grows at the rate of inflation after the caps are lifted in 2002; the higher level of outlays now projected for 2002 raises the base from which future totals are computed.

One mandatory program was also affected by the Emergency Supplemental Appropriations Act. The act prohibited the federal government from recouping any money for Medicaid from the settlement of states'

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lawsuits against tobacco companies. CBO had previously assumed that the Medicaid program would be able to collect about $1 billion a year after 2000.

Economic Reestimates. Revisions that can be traced to changes in the macroeconomic forecast increase CBO's projection of the surplus for 1999 by $15 billion. Those revisions rise to $37 billion for 2001 and 2002 before diminishing to about $20 billion annually for the latter part of the decade.

Changes to the revenue forecast account for most of the economic differences in the first half of the projection period. Projected revenues have been increased by $14 billion for 1999 and by more than twice that much for each year from 2000 through 2002. Most of those increases result because GDP is projected to be higher than in CBO's previous forecast. The effect of the economic projections on revenues diminishes and then turns negative in 2006 because taxable personal income is estimated to grow more slowly than in the January projection. In addition, book profits (the base of the corporate income tax) are projected to be lower beginning in 2002 than CBO estimated in January.

On the outlay side of the budget, projections of lower inflation reduce estimates of the future costs of a variety of programs whose cost-of-living adjustments (COLAs) are tied to the consumer price index. Reduced estimates of the COLA for Social Security lower projected spending for that program by $6 billion in 2009. Other programs--such as civilian retirement, military retirement, and Supplemental Security Income--face reduced costs of up to $3 billion per year as a result of lower projected inflation. CBO's lower projections for the CPI-U (the CPI for all urban consumers) also result in lower inflation adjustments for discretionary spending after the caps expire.

The recent strength of the job market has been reflected in a low rate of unemployment (CBO's estimate of the civilian unemployment rate for calendar year 1999 is 4.2 percent). Although CBO assumes that the unemployment rate will increase gradually over time, its estimates for the next few years are considerably lower than those of January. Such a reduction brings projected spending on unemployment insurance down by $1 billion a year for 2000 through 2002.

One of the few exceptions to the trend of lower outlay projections is the economic reestimate for net interest. Higher projected interest rates boost net interest (and therefore reduce surpluses) by $5 billion in 2000 and $7 billion in 2001. The effect of higher rates trails off by 2006. By that time, interest savings resulting from lower borrowing needs are projected to increase the surplus by more than $10 billion a year.

Technical Reestimates. Technical revisions are changes that are not ascribed to either new legislation or revisions in the macroeconomic forecast. The wide-ranging factors that account for technical changes lead to increases of a few billion dollars each year in the projected surpluses for 2000 through 2005. By 2009, technical reestimates add $13 billion to the surplus.

Technical changes to revenues stem primarily from data on revenue collections through May. Since no "April surprise" occurred this year (unlike the past couple of years, revenues this April were very close to what CBO expected), such changes are relatively small. Aside from 1999, technical reestimates to revenues increase the surplus by amounts up to $6 billion a year. Among the various categories of revenues, technical changes to individual income tax collections are up and changes to corporate tax revenues are down. Those two categories largely offset one another, however.

CBO's Medicare projections reflect lower-than-expected outlays through the first eight months of 1999. Medicare outlays to date are actually lower than they were for the same period last year. Lower payments for home health services and a drop in the case-mix index (a measure of the relative costliness of the cases treated in hospitals paid under the prospective payment system) explain most of the shortfall in Medicare spending so far this year. Some of the drop in home health spending stems from longer payment lags under

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sequential billing--a new method of processing claims in which payment is made only if all prior claims have been processed. Medicare will suspend that billing process in July, which should increase spending during the last quarter of the fiscal year. In addition, the use of home health services seems to have dropped substantially, probably as a result of both antifraud activities and an unexpectedly cautious response by home health agencies to the per-beneficiary limit under the interim payment system. Medicare will replace the interim payment system for home health services with a prospective payment system in 2001. That system will remove much of the uncertainty about payments that has contributed to the current apparent drop in use of services, so spending for home health services is expected to rebound in 2001 and later years.

CBO has also raised its projections of spending for farm price and income supports by $1 billion for 1999 and $2 billion for 2000. Spending is estimated to total $16 billion in 1999 (including most of the $6 billion in emergency farm spending from the Omnibus Consolidated and Emergency Supplemental Appropriations Act for 1999) and $10 billion in 2000. Farm prices for many supported commodities have continued to decline from the low levels CBO projected last winter; they are now at least as low as in the 1980s and early 1990s. The farm prices of corn and soybeans, for example, are the lowest since 1987 and 1986, respectively. If next year's soybean price is as low as currently projected, it will be the lowest since 1972. For those and other major crops, lower-than-expected prices are triggering loan deficiency payments and marketing loan costs (ways of assisting farmers during periods of low market prices) that were not expected under the Federal Agricultural Improvement and Reform Act of 1996. Those conditions result from consecutive years of plentiful crops coinciding with weak global demand. Over the longer run, demand for U.S. agricultural products is expected to improve, and spending on farm price supports is projected to decline to less than $5 billion by 2003.

Revenue and Spending Projections

CBO projects that revenues will reach a post-World War II high of 20.6 percent of GDP this year. Without any changes in policy, revenues are expected to remain at that level next year before falling slowly to a long-run level of 20.1 percent of GDP by 2004 (see Table 7).

Table 7.
CBO Baseline Budget Projections, Assuming Compliance with the Discretionary Spending Caps (By fiscal year)

	Actual 1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
					In Billions of Dollars							
Revenues												
Individual income	829	887	930	958	991	1,024	1,065	1,113	1,166	1,221	1,281	1,346
Corporate income	189	178	177	181	189	195	202	210	219	227	235	241
Social insurance	572	607	646	671	696	722	749	786	819	855	889	925
Other	133	149	153	160	169	175	181	186	193	198	205	213
Total	1,722	1,821	1,905	1,970	2,045	2,116	2,198	2,296	2,396	2,501	2,609	2,725
On-budget	1,306	1,377	1,431	1,477	1,533	1,585	1,646	1,717	1,793	1,871	1,953	2,042
Off-budget	416	444	474	493	511	532	553	579	603	630	656	683

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Outlays												
Discretionary spending	555	574	580	575	569	583	598	613	628	644	660	677
Mandatory spending	939	977	1,022	1,077	1,132	1,200	1,266	1,350	1,409	1,493	1,590	1,689
Offsetting receipts	-84	-79	-80	-86	-98	-93	-96	-101	-106	-112	-118	-125
Net interest	243	229	222	212	194	179	164	148	131	112	92	71
Total	1,653	1,701	1,744	1,777	1,798	1,869	1,932	2,009	2,062	2,137	2,224	2,312
On-budget	1,336	1,381	1,417	1,440	1,451	1,510	1,561	1,625	1,664	1,725	1,796	1,864
Off-budget	317	320	327	337	347	359	371	384	398	412	428	447
Deficit (-) or Surplus	69	120	161	193	246	247	266	286	334	364	385	413
On-budget	-30	-4	14	38	82	75	85	92	129	146	157	178
Off-budget	99	125	147	155	164	172	181	195	205	217	228	235
Debt Held by the Public	3,720	3,618	3,473	3,297	3,066	2,835	2,584	2,312	1,992	1,640	1,267	865

As a Percentage of Gross Domestic Product

Revenues												
Individual income	9.9	10.0	10.0	9.9	9.9	9.8	9.8	9.8	9.8	9.8	9.9	9.9
Corporate income	2.2	2.0	1.9	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.8
Social insurance	6.8	6.9	7.0	7.0	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.8
Other	1.6	1.7	1.6	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.6
Total	20.5	20.6	20.6	20.4	20.3	20.2	20.1	20.2	20.2	20.1	20.1	20.1
On-budget	15.5	15.6	15.5	15.3	15.3	15.1	15.1	15.1	15.1	15.1	15.1	15.1
Off-budget	4.9	5.0	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.0
Outlays												
Discretionary spending	6.6	6.5	6.3	6.0	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0
Mandatory spending	11.2	11.0	11.0	11.2	11.3	11.5	11.6	11.9	11.9	12.0	12.3	12.5
Offsetting receipts	-1.0	-0.9	-0.9	-0.9	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Net interest	2.9	2.6	2.4	2.2	1.9	1.7	1.5	1.3	1.1	0.9	0.7	0.5
Total	19.7	19.2	18.8	18.4	17.9	17.8	17.7	17.7	17.3	17.2	17.1	17.1
On-budget	15.9	15.6	15.3	14.9	14.4	14.4	14.3	14.3	14.0	13.9	13.8	13.8
Off-budget	3.8	3.6	3.5	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.3	3.3
Deficit (-) or Surplus	0.8	1.4	1.7	2.0	2.5	2.4	2.4	2.5	2.8	2.9	3.0	3.1
On-budget	-0.4	a	0.2	0.4	0.8	0.7	0.8	0.8	1.1	1.2	1.2	1.3
Off-budget	1.2	1.4	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.8	1.7
Debt Held by the Public	44.3	40.9	37.5	34.2	30.5	27.1	23.7	20.3	16.8	13.2	9.8	6.4
Memorandum:												
Gross Domestic Product (Billions of dollars)	8,404	8,851	9,259	9,652	10,055	10,476	10,913	11,385	11,887	12,418	12,972	13,547

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SOURCE: Congressional Budget Office.

a. Less than 0.05 percent.

Individual income tax receipts--bolstered primarily by high capital gains realizations and increases in the effective tax rate--have been the main source of the rapid growth in revenues as a percentage of GDP. A sharp rise in stock prices partly explains the higher realizations of capital gains. And especially rapid growth in income among high-income taxpayers, who are taxed at high marginal rates, has boosted the effective tax rate. CBO expects total revenues to grow by 5.8 percent this year but does not expect them to continue increasing more rapidly than overall growth of GDP.

On the other side of the ledger, outlays are projected to rise more slowly than revenues, increasing by an average of 3.2 percent annually from 2000 through 2009. In dollar terms, total outlays will grow from $1,701 billion in 1999 to $2,312 billion in 2009, CBO estimates. As a percentage of GDP, however, outlays are projected to decline throughout the period--from 19.2 percent of GDP in 1999 to 17.1 percent in 2009.

Discretionary spending is currently restrained by an assortment of caps through 2002 (see Table 8). If left intact, those caps will bring total discretionary spending down from $574 billion in 1999 to $569 billion in 2002. CBO assumes that after 2002, discretionary spending will grow at the rate of inflation. Even so, such spending is projected to decline from 6.5 percent of GDP in 1999 to 5.0 percent in 2009.

Table 8.
CBO Baseline Projections of Discretionary Outlays, Assuming Compliance with the Spending Caps (By fiscal year, in billions of dollars)

	Actual 1998	1999	2000	2001	2002
Defense	270	275	a	a	a
Domestic and International	257	269	a	a	a
Violent Crime Reduction	4	5	6	a	a
Highways	19	21	25	26	27
Mass Transit	4	4	4	5	5
Overall Discretionary	n.a.	n.a.	546	544	537
Total	555	574	580	575	569

SOURCE: Congressional Budget Office.

NOTES: The caps reflect discretionary spending limits as specified by the Office of Management and Budget in the sequestration preview report included in the President's budget, adjusted for CBO's estimate of contingent emergency releases that the President has not yet designated. The caps have also been adjusted for emergency spending enacted since January.

n.a. = not applicable.

a. After the specific cap expires, spending from programs in that category is shown in the "Overall Discretionary" category.

Spending for entitlements and other mandatory programs, by far the largest category of spending, is

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expected to total $977 billion this year. Three programs--Medicare, Medicaid, and Social Security--account for roughly three-quarters of that total (see Table 9). Medicare and Medicaid have consistently been among the fastest-growing programs in the past decade. In 1999, however, outlays for Medicare are expected to fall by $1 billion. The factors that are restraining the growth of Medicare spending will be played out in the near future, and growth is projected to rebound to an average rate of nearly 8 percent a year. Partly as a result, CBO projects that total mandatory spending will increase from 11.0 percent of GDP in 1999 to 12.5 percent in 2009.

Table 9.
CBO Baseline Projections of Mandatory Spending (By fiscal year, in billions of dollars)

	Actual 1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Means-Tested Programs												
Medicaid	101	107	115	124	134	146	159	173	188	205	224	244
State Children's Health Insurance	a	1	2	3	4	4	4	4	4	5	5	5
Food Stamps	20	19	20	21	22	23	23	24	25	25	26	27
Supplemental Security Income	27	28	29	31	33	35	36	41	40	39	45	47
Family Support[b]	18	20	21	21	22	22	23	24	25	26	27	27
Veterans' Pensions	3	3	3	3	3	3	3	4	4	3	4	4
Child Nutrition	9	9	9	10	10	11	11	12	13	13	14	14
Earned Income Tax Credit[c]	23	26	27	27	28	28	29	30	30	31	31	32
Student Loans	3	3	5	5	5	5	5	5	5	5	5	6
Foster Care	4	5	5	6	6	7	7	8	8	9	10	10
Total	209	222	237	252	268	284	302	325	342	361	389	416
Non-Means-Tested Programs												
Social Security	376	387	402	420	440	461	483	507	532	559	588	621
Medicare	211	210	225	243	253	277	298	328	342	377	408	442
Subtotal	587	597	627	663	694	738	781	835	875	936	997	1,063
Other Retirement and Disability												
Federal civilian[d]	47	49	50	52	55	57	60	63	66	69	72	75
Military	31	32	33	34	35	36	37	38	39	40	41	42
Other	4	5	5	5	5	5	5	5	5	5	5	5
Subtotal	83	86	88	91	94	98	102	106	110	114	118	122
Unemployment Compensation	20	21	22	24	26	28	29	30	31	32	34	35
Deposit Insurance	-4	-6	-2	-1	a	a	1	1	-1	-1	-1	-1
Other Programs												

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Veterans' benefits[e]	21	21	22	23	23	24	25	27	26	24	27	27
Farm price and income supports	9	17	11	8	6	5	5	5	5	5	5	5
Social services	5	5	5	5	5	5	5	5	5	5	5	5
Credit reform liquidating accounts	-8	-7	-7	-7	-7	-7	-8	-7	-8	-8	-8	-8
Universal Service Fund	2	4	6	8	13	14	14	14	14	14	14	14
Other	17	19	13	12	11	12	12	11	11	11	12	12
Subtotal	45	58	49	47	51	52	51	54	52	51	54	55
Total	730	755	784	825	864	916	964	1,025	1,067	1,132	1,201	1,273
Total												
All Mandatory Spending	939	977	1,022	1,077	1,132	1,200	1,266	1,350	1,409	1,493	1,590	1,689

SOURCE: Congressional Budget Office.

NOTE: Spending for the benefit programs shown above generally excludes administrative costs, which are discretionary. Spending for Medicare also excludes premiums, which are considered offsetting receipts.

a. Less than $500 million.

b. Includes Temporary Assistance for Needy Families, Family Support, Aid to Families with Dependent Children, Job Opportunities and Basic Skills, Contingency Fund for State Welfare Programs, Child Care Entitlements to States, and Children's Research and Technical Assistance.

c. Includes outlays from the child credit enacted in the Taxpayer Relief Act of 1997.

d. Includes Civil Service, Foreign Service, Coast Guard, other retirement programs, and annuitants' health benefits.

e. Includes veterans' compensation, readjustment benefits, life insurance, and housing programs.

Net interest, which was the fastest-growing category of spending in the 1980s, is now expected to decline substantially. As projected surpluses reduce the stock of debt held by the public by nearly $2.8 trillion, net interest costs will drop from $229 billion (2.6 percent of GDP) in 1999 to $71 billion (0.5 percent of GDP) in 2009 (see Table 10).

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Table 10.
CBO Baseline Projections of Interest Costs and Federal Debt (By fiscal year)

	Actual 1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net Interest Outlays (Billions of dollars)												
Interest on Public Debt (Gross interest)[a]	364	356	358	358	350	345	342	338	333	328	323	316
Interest Received by Trust Funds												
Social Security	-47	-53	-59	-67	-74	-82	-91	-100	-110	-121	-132	-144
Other trust funds[b]	-67	-68	-70	-73	-74	-76	-79	-81	-84	-87	-89	-92
Subtotal	-114	-120	-129	-140	-148	-159	-170	-182	-194	-208	-222	-236
Other Interest[c]	-7	-7	-6	-7	-7	-7	-8	-8	-8	-8	-8	-9
Total	243	229	222	212	194	179	164	148	131	112	92	71
Federal Debt at the End of the Year (Billions of dollars)												
Gross Federal Debt	5,479	5,582	5,664	5,721	5,737	5,760	5,770	5,770	5,732	5,675	5,600	5,500
Debt Held by Government Accounts												
Social Security	730	856	1,003	1,157	1,321	1,493	1,675	1,869	2,075	2,292	2,520	2,755
Other accounts[b]	1,029	1,107	1,188	1,267	1,350	1,431	1,510	1,589	1,666	1,743	1,813	1,880
Subtotal	1,759	1,963	2,190	2,425	2,670	2,925	3,185	3,458	3,741	4,035	4,333	4,635
Debt Held by the Public	3,720	3,618	3,473	3,297	3,066	2,835	2,584	2,312	1,992	1,640	1,267	865
Debt Subject to Limit[d]	5,439	5,543	5,626	5,684	5,700	5,724	5,734	5,736	5,699	5,643	5,568	5,469
Federal Debt as a Percentage of Gross Domestic Product												
Debt Held by the Public	44.3	40.9	37.5	34.2	30.5	27.1	23.7	20.3	16.8	13.2	9.8	6.4

SOURCE: Congressional Budget Office.

NOTE: Projections of interest and debt assume that discretionary spending will equal the statutory caps on such spending through 2002 and will grow at the rate of inflation thereafter.

a. Excludes interest costs of debt issued by agencies other than the Treasury (primarily the Tennessee Valley Authority).

b. Mainly Civil Service Retirement, Military Retirement, Medicare, unemployment insurance, and the Airport and Airway Trust Fund.

c. Mainly interest on loans to the public.

d. Differs from the gross federal debt primarily because most debt issued by agencies other than the Treasury is excluded from the debt limit. The current debt limit is $5,950 billion.

In addition to debt issued to the public, the Department of the Treasury issues securities to government trust

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funds and other government accounts. Debt subject to limit basically measures the combination of debt held by the public and debt held internally by government accounts. Because inflows to major trust funds exceed outlays for benefits and other costs, debt held by government accounts is projected to increase from $2 trillion in 1999 to $4.6 trillion in 2009. At the same time, however, debt held by the public is projected to decrease from $3.6 trillion to $0.9 trillion. Therefore, on net, debt subject to limit is projected to finish 2009 slightly below its current level and is not expected to breach its statutory limit of $5.95 trillion in the next 10 years.

Conclusion

Overall, the outlook for the budget looks good through 2009. CBO's current projections are slightly better than those reported in April, and its economic forecast anticipates healthy growth in the near term. However, demographic tensions loom in the not-so-distant future. After 2010, the retirement of the baby-boom generation will pick up steam, bringing with it a greater demand for Social Security, Medicare, and Medicaid benefits. Budgetary pressures caused by increased participation in such programs can easily reverse the favorable fiscal forces that are operating today.

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1. See the baseline projections published in Appendix A of *An Analysis of the President's Budgetary Proposals for Fiscal Year 2000* (April 1999). The economic assumptions underlying those projections were prepared in December and published in January in Chapter 1 of *The Economic and Budget Outlook: Fiscal Years 2000-2009.*

2. An expanded version of the economic outlook is available on CBO's World Wide Web site (www.cbo.gov).

3. CBO's forecast and the discussion above were produced before the June 29-30 meeting of the Federal Open Market Committee.

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Federal Reserve Statistical Release

H.15

Selected Interest Rates

Release Date: September 3, 1999

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H.15 Daily Update

The weekly release is posted on Monday. Daily updates of the weekly release are posted Tuesday through Friday on this site.

H.15 DAILY UPDATE: WEB RELEASE ONLY
SELECTED INTEREST RATES

For immediate release
September 3, 1999

Yields in percent per annum

Instruments	Mon Aug 30	Tue Aug 31	Wed Sep 1	Thu Sep 2
SELECTED INTEREST RATES				
Federal funds (effective) 1 2 3	5.37	5.57	5.41	5.26
Commercial paper 3 4 5 6				
Nonfinancial				
1-month	5.27	5.28	5.28	5.28
2-month	5.28	5.29	5.30	5.31
3-month	5.31	5.30	5.31	5.31
Financial				
1-month	5.28	5.29	5.28	5.29
2-month	5.30	5.31	5.32	5.31
3-month	5.34	5.32	5.32	5.32
Bankers acceptances (top rated) 3 4 7				
3-month	5.38	5.38	5.33	5.38
6-month	5.70	5.70	5.76	5.70
CDs (secondary market)				
1-month	5.32	5.32	5.32	5.32
3-month	5.43	5.44	5.45	5.46
6-month	5.85	5.87	5.89	5.90
Eurodollar deposits (London) 3 9				
1-month	5.25	5.25	5.25	5.25
3-month	5.38	5.44	5.38	5.44
6-month	5.81	5.81	5.81	5.81
Bank prime loan 2 3 10	8.25	8.25	8.25	8.25
Discount window borrowing 2 11	4.75	4.75	4.75	4.75
U.S. Government securities				
Treasury bills				
Auction high 3 4 12				
3-month	4.88			
6-month	4.99			
1-year				
Secondary market 3 4				
3-month	4.85	4.84	4.83	4.78

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6-month	4.96	5.00	5.00	4.98
1-year	5.02	5.01	5.01	5.01
Treasury constant maturities				
3-month	5.01	4.98	4.97	4.92
6-month	5.21	5.21	5.21	5.19
1-year	5.31	5.30	5.30	5.30
2-year	5.73	5.73	5.74	5.74
3-year	5.81	5.82	5.82	5.83
5-year	5.86	5.88	5.88	5.90
7-year	6.16	6.20	6.20	6.23
10-year	5.95	5.98	5.99	6.03
20-year	6.48	6.49	6.50	6.58
30-year	6.07	6.07	6.08	6.15
Composite				
Over 10 years (long-term) 14	6.41	6.42	6.43	6.50
Corporate bonds				
Moody's seasoned				
Aaa	7.42	7.43	7.44	7.50
Baa	8.18	8.21	8.22	8.27
State & local bonds 15				5.67
Conventional mortgages 16				

FOOTNOTES

1. The daily effective federal funds rate is a weighted average of rates on trades through N.Y. brokers.
2. Weekly figures are averages of 7 calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year or bank interest.
4. On a discount basis.
5. Interest rates interpolated from data on certain commercial paper trades settled by The Depository Trust Company. The trades represent sales of commercial paper by dealers or direct issuers to investors (that is, the offer side). See Board's Commercial Paper Web pages (http://www.federalreserve.gov/releases/cp) for more information.
6. The 1-, 2-, and 3-month rates are equivalent to the 30-, 60-, and 90-day dates reported on the Board's Commercial Paper Web page.
7. Representative closing yields for acceptances of the highest rated money center banks. Source: Telerate, Inc.
8. An average of dealer offering rates on nationally traded certificates of deposit.
9. Bid rates for Eurodollar deposits collected around 9:30 a.m. Eastern time.
10. Rate posted by a majority of top 25 (by assets in domestic offices) insured U.S.-chartered commercial banks. Prime is one of several base rates used by banks to price short-term business loans.
11. Rate for the Federal Reserve Bank of New York.
12. Auction date for daily data; weekly and monthly averages computed on an issue-date basis. Data are stop yields from uniform-price auctions, rounded to two decimal places. (The U.S. Treasury publishes stop yields to three decimal places at http://www.publicdebt.treas.gov).
13. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Treasury.
14. Unweighted average of rates on all outstanding bonds neither due nor callable in less than 10 years.
15. Bond Buyer Index, general obligation, 20 years to maturity, mixed quality; Thursday quotations.
16. Contract interest rates on commitments for fixed-rate first mortgages. Source: FHLMC.

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DESCRIPTION OF THE TREASURY CONSTANT MATURITY SERIES

Yields on Treasury securities at "constant maturity" are interpolated by the U.S. Treasury from the daily yield curve. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations obtained by the Federal Reserve Bank of New York. The constant maturity yield values are read from the yield curve at fixed maturities, currently 3 and 6 months and 1, 2, 3, 5, 7, 10, 20, and 30 years. This method provides a yield for a 10-year maturity, for example, even if no outstanding security has exactly 10 years remaining to maturity. In estimating the 20-year constant maturity, the Treasury incorporates the prevailing market yield on an outstanding Treasury bond with approximately 20 years remaining to maturity.

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Last update: September 3, 1999

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CASCADE NAT'L GAS NYSE-CGC

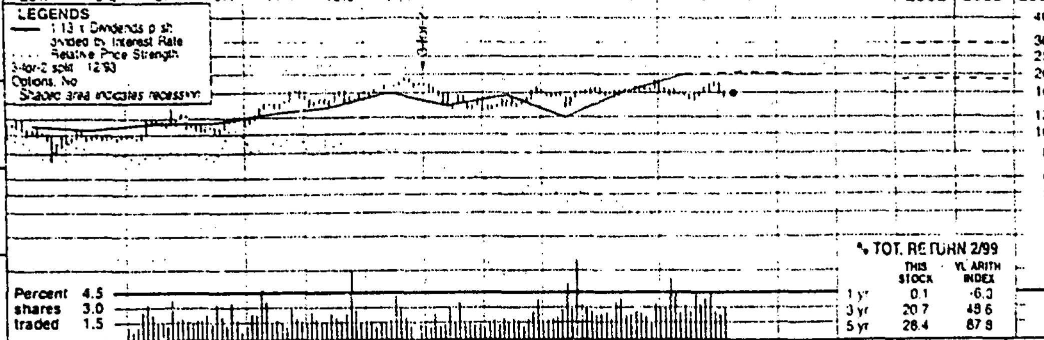
RECENT PRICE 16 | P/E RATIO 14.5 (Trailing: 17.0 / Median: 17.0) | RELATIVE P/E RATIO 0.90 | DIV'D YLD 6.1% | VALUE LINE 470

TIMELINESS 3 Raised 10/3/98
SAFETY 3 New 7/27/90
TECHNICAL 3 Lowered 3/25/99
BETA .55 (1.00 = Market)

High	10.8	13.9	12.7	15.9	16.8	19.4	18.1	17.5	17.5	19.0	18.7	18.3
Low	9.2	9.4	10.1	11.1	13.6	15.5	12.8	13.0	13.4	15.3	14.6	15.1

Target Price Range 2002 | 2003 | 2004

LEGENDS
—— 1.13 x Dividends p sh divided by Interest Rate
···· Relative Price Strength
3-for-2 split 12/93
Options: No
Shaded area indicates recession



2002-04 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+90%)	21%
Low	19	(+20%)	10%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	C	0	0	0	0

Institutional Decisions

	2Q1998	3Q1998	4Q1998
to Buy	27	29	25
to Sell	8	10	11
Hld's(000)	3378	2998	3224

Percent shares traded 4.5 / 3.0 / 1.5

% TOT. RETURN 2/99

	THIS STOCK	VL ARITH INDEX
1 yr	0.1	6.3
3 yr	20.7	49.6
5 yr	28.4	87.9

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC.	02-04
35.53	43.76	37.80	25.06	24.07	24.51	26.87	24.45	23.27	20.03	21.56	21.59	19.98	17.11	17.85	17.17	17.80	18.70	Revenues per sh[A]	22.50
1.35	2.35	2.18	1.14	1.56	1.97	2.47	2.36	2.29	1.66	2.04	1.71	2.07	1.98	1.92	2.06	2.25	2.40	"Cash Flow" per sh	3.00
.41	1.39	1.25	.16	.64	.54	1.29	1.26	1.14	.53	1.05	.60	.80	.95	.93	.84	1.10	1.20	Earnings per sh[AB]	1.55
.75	.76	.81	.85	.85	.85	.85	.87	.90	.93	.94	.96	.96	.96	.96	.96	.96	.97	Div'ds Decl'd per sh[C]	1.00
1.85	.97	1.40	2.02	1.43	1.62	1.99	2.50	2.97	4.64	3.65	3.06	4.12	2.42	2.66	2.32	2.10	2.10	Cap'l Spending per sh	2.40
7.21	7.83	8.25	7.60	7.45	7.46	7.96	8.33	8.63	9.09	9.96	9.81	9.76	10.09	10.16	10.07	11.05	10.95	Book Value per sh[D]	13.05
5.22	5.34	5.78	5.84	6.36	6.43	6.49	6.56	6.63	7.51	8.57	8.91	9.14	10.79	10.97	11.05	11.25	11.50	Common Shs Outst'g[E]	12.00
15.6	5.4	8.5	69.5	18.0	11.7	8.6	9.9	12.2	23.7	16.6	25.7	18.2	16.4	17.6	19.4	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	15.0
1.32	.50	.69	4.71	1.07	.97	.65	.65	.78	1.44	.98	1.69	1.22	1.03	1.01	1.02			Relative P/E Ratio	1.00
11.7%	10.2%	7.6%	7.7%	8.3%	8.7%	7.7%	7.5%	6.4%	6.2%	5.4%	6.2%	6.6%	4.6%	5.9%	5.9%			Avg Ann'l Div'd Yield	4.2%

CAPITAL STRUCTURE as of 12/31/98

Total Debt $134.4 mill. Due in 5 Yrs $24.5 mill.
LT Debt $110.7 mill. LT interest $8.3 mill.
(LT interest earned: 2.9x; total interest coverage: 2.7x)

Pension Liability None

Pfd Stock $6.4 mill. Pfd Div'd $.5 mill.

Common Stock 11,045,095 shs. as of 1/31/99

MARKET CAP: $175 million (Small Cap)

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		02-04
174.5	160.5	154.3	152.5	187.5	192.4	182.7	184.6	195.8	189.7	200	215	Revenues ($mill)[A]	270
8.5	8.4	7.7	4.8	8.9	5.5	7.7	9.4	10.6	9.8	13.0	14.0	Net Profit ($mill)	19.0
37.9%	35.3%	35.5%	36.8%	37.0%	37.8%	36.8%	34.3%	37.1%	37.4%	37.5%	37.5%	Income Tax Rate	37.5%
4.9%	5.2%	5.0%	3.2%	4.7%	3.0%	4.2%	5.1%	5.4%	5.2%	6.5%	6.5%	Net Profit Margin	7.0%
52.4%	51.5%	46.6%	49.2%	48.3%	51.3%	51.4%	46.8%	50.6%	48.4%	51.0%	51.5%	Long-Term Debt Ratio	50.0%
45.1%	46.3%	45.7%	45.6%	47.3%	44.8%	45.0%	50.0%	46.5%	48.7%	46.5%	48.5%	Common Equity Ratio	50.0%
114.7	118.2	122.5	151.8	180.2	194.9	198.5	217.8	239.4	228.5	250	260	Total Capital ($mill)	310
129.3	137.0	148.1	174.7	197.4	213.9	239.1	255.7	265.2	276.6	285	300	Net Plant ($mill)	330
10.1%	9.7%	8.7%	5.2%	6.4%	4.9%	5.9%	6.1%	6.2%	6.1%	7.0%	7.0%	Return on Total Cap'l	8.0%
15.5%	14.6%	11.7%	6.3%	9.5%	6.1%	8.0%	8.1%	9.0%	8.3%	10.5%	11.5%	Return on Shr. Equity	12.0%
16.1%	15.0%	13.1%	6.1%	9.7%	5.9%	8.1%	8.3%	9.1%	8.3%	11.0%	11.5%	Return on Com Equity	12.0%
5.4%	4.5%	3.9%	NMF	1.6%	NMF	NMF	1.8%	7%	NMF	1.5%	2.0%	Retained to Com Eq	4.5%
67%	71%	71%	NMF	84%	NMF	106%	79%	93%	108%	88%	81%	All Div'ds to Net Prof	64%

CURRENT POSITION[A] ($MILL.)

	1997	1998	12/31/98
Cash Assets	3.2	2.3	.2
Other	25.6	21.0	40.8
Current Assets	28.8	23.3	41.0
Accts Payable	7.8	10.2	15.4
Debt Due	12.9	16.9	23.7
Other	14.3	15.7	18.1
Current Liab.	35.0	42.8	57.2
Fix. Chg. Cov.	242%	225%	246%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '02-'04
Revenues	-3.5%	-4.5%	4.5%
"Cash Flow"	2.5%	--	7.0%
Earnings	5.0%	-.5%	9.5%
Dividends	.5%	-1.0%	.5%
Book Value	3.0%	2.0%	4.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.)[A] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	56.9	67.6	33.5	26.6	184.6
1997	65.0	71.2	33.7	25.9	195.8
1998	61.1	65.5	37.0	26.1	189.7
1999	62.9	70.1	39.0	28.0	200
2000	67.0	76.0	42.0	30.0	215

Fiscal Year Ends	EARNINGS PER SHARE[A B] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	.56	.72	d.12	d.19	.95
1997	.59	.69	d.10	d.23	.93
1998	.51	.57	d.07	d.16	.84
1999	.60	.75	d.05	d.20	1.10
2000	.65	.80	d.05	d.20	1.20

Cal-endar	QUARTERLY DIVIDENDS PAID[C] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1995	.24	.24	.24	.24	.96
1996	.24	.24	.24	.24	.96
1997	.24	.24	.24	.24	.96
1998	.24	.24	.24	.24	.96
1999	.24				

BUSINESS: Cascade Natural Gas Corporation distributes natural gas to nearly 170,000 customers in Washington and Oregon. In 1998, total throughput was 133.0 billion cu.ft. Core customers: residential, commercial, firm industrial, interruptible (62% of oper. margin, 16% of gas deliveries); non-core: industrial, transportation service (38%, 84%). Serves pulp & paper, plywood, chem. fertilizers, oil refining, & food process. inds. Main connecting pipeline: Northwest Pipeline Corp. '98 deprec. rate: 3.0%. Est'd plant age: 12 yrs. Has about 480 employees; 7,950 common shrhldrs. Off. and dir. own 1.1% of com. (12/98 proxy). Chrmn. & C.E.O.: W.B. Matsuyama. Pres. & C.O.O.: Ralph E. Boyd. Inc.: WA. Address: 222 Fairview Ave. North, Seattle, WA 98109. Tel.: 206-624-3900.

Weather permitting, Cascade Natural Gas Corporation should post solid share-earnings advances through fiscal 2000. (Years end September 30th.) This company's share income can fluctuate considerably with changes in service territory temperatures, due to the lack of weather normalization adjustment mechanisms in utility rates. Temperatures that were 11% warmer in fiscal 1998 were largely to blame for the earnings shortfall. Our estimates assume normal weather trends.

Favorable changes on the depreciation line will probably be a major factor behind this year's share-net gain. Cascade completed a study of depreciation costs, which came to the conclusion that estimated useful lives of plant assets were not in line with those of the overall industry. Starting with this fiscal year, annual depreciation rates will amount to approximately 3.0%, versus the 3.5% formerly recognized. As for other expenses, salary costs are apt to be under control following recent early retirement programs.

The bottom line ought to receive help from customer growth . . . Annual account hookups should continue to hold to a 5% to 6% clip, in light of healthy economic conditions in Cascade's service territories. This is equal to approximately three times the national industry average. Roughly half of this new business might well be attributable to conversions from alternate forms of energy. Moreover, demand has risen for natural gas to be used for electric power generation.

. . . which does have its costs. Such rapid meter additions often translate into added operating and interest expenses. All told, this offsets share-income growth to an extent until these costs are reflected in rates.

This equity currently offers a worthwhile dividend yield, which lies above the gas-distribution-industry average. However, future increases in payments may be restricted by capital outlays necessitated by the rapidly expanding customer count. One risk factor to also keep in mind is the company's aforementioned sensitivity of earnings to unusual shifts in weather. The stock is ranked to mirror the market over the next six to 12 months.

Oscar L. Vidal *March 26, 1999*

(A) Cal. yr. thru. 12/95. Changed to 9/30 fiscal yr. in '96. 9/96 pro forma to incl. '95 Q4. (B) Primary egs. thru. '97, then diluted. Excl. nonrec. gns. (loss): '91, 19¢; '93, 3¢; '96, (11¢); '98, (2¢). Qtrly. egs in '96 do not add due to chng. in shrs. '97 and '98 qtrly egs. do not add due to rounding. Nxt. egs. rpt. due late Apr. (C) Nxt. div'd mtg. late Mar. Nxt. ex date abt. Apr. 10. Div'd. pmt. dates: abt. Feb. 15, May 15, Aug. 15, Nov. 15. ■ Div'd reinvest. plan avail. (D) Incl. deferred chrgs. In '98: $10.0 mill., $0.90/sh. (E) In mill., adj. for stk. split.

Company's Financial Strength	B
Stock's Price Stability	95
Price Growth Persistence	20
Earnings Predictability	45

18-70

CONN. ENERGY NYSE-CNE

RECENT PRICE 26 | P/E RATIO 13.3 (Trailing: 14.2, Median: 13.0) | RELATIVE P/E RATIO 0.83 | DIV'D YLD 5.2% | VALUE LINE

TIMELINESS 4 Lowered 2/5/99
SAFETY 2 New 7/27/90
TECHNICAL 3 Lowered 7/31/98
BETA .80 (1.00 = Market)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
High:	15.3	18.9	18.0	20.4	24.8	28.5	25.0	22.5	22.3	30.4	32.3	31.8
Low:	13.5	14.0	14.5	14.3	18.9	22.5	18.6	18.5	18.6	21.0	24.1	24.9

Target Price Range 2002 2003 2004

2002-04 PROJECTIONS

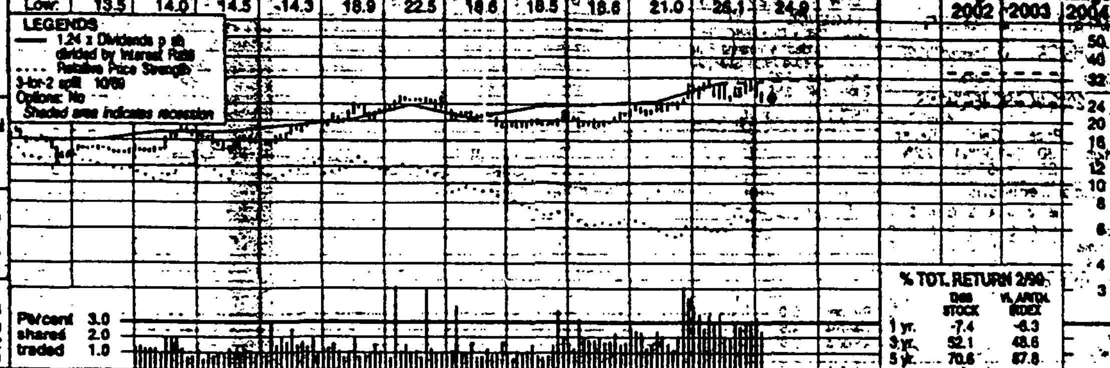
	Price	Gain	Ann'l Total Return
High	35	(+35%)	12%
Low	25	(-5%)	5%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	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

	2Q1998	3Q1998	4Q1998
to Buy	36	34	30
to Sell	24	15	12
Hld's(000)	3713	3768	4009



% TOT. RETURN 2/99

	THIS STOCK	VL ARITH. INDEX
1 yr.	-7.4	-8.3
3 yr.	52.1	48.6
5 yr.	70.6	87.8

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC.	02-04
37.08	36.28	31.45	29.56	29.52	25.79	27.73	27.90	25.25	28.06	28.41	27.69	26.18	28.97	27.47	23.56	23.35	24.75	Revenues per sh A	30.00
2.81	3.06	2.54	2.34	2.79	2.83	2.93	2.81	2.75	3.06	3.08	2.97	3.17	3.32	3.51	3.49	3.65	3.65	"Cash Flow" per sh	4.30
1.36	1.35	1.21	1.16	1.39	1.49	1.28	1.12	1.38	1.43	1.50	1.58	1.60	1.70	1.81	1.78	1.95	1.90	Earnings per sh B	2.30
.93	1.01	1.07	1.12	1.12	1.17	1.20	1.23	1.24	1.26	1.28	1.30	1.30	1.31	1.32	1.33	1.35	1.37	Div'ds Decl'd per sh C■	1.60
2.37	3.00	3.33	3.90	3.34	3.30	3.86	3.74	2.87	3.15	3.49	3.07	3.12	2.80	3.11	3.51	2.30	2.35	Cap'l Spending per sh	2.50
10.04	10.38	10.67	11.03	11.44	12.04	12.14	11.91	12.49	12.80	13.33	14.45	14.84	15.31	15.76	17.22	17.65	18.05	Book Value per sh D	20.50
4.43	4.52	5.21	5.28	5.35	6.09	6.18	6.25	7.10	7.24	7.49	8.70	8.87	9.01	9.17	10.29	10.50	10.70	Common Shs Outst'g E	11.00
6.2	7.5	9.9	13.4	11.4	9.7	12.4	14.6	12.1	14.7	16.1	14.2	12.2	11.8	12.4	14.7	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	13.0
.52	.70	.80	.91	.76	.81	.94	1.08	.77	.89	.95	.93	.82	.74	.71	.77			Relative P/E Ratio	.85
11.0%	10.0%	8.9%	7.2%	7.1%	8.1%	7.8%	7.5%	7.4%	6.0%	5.3%	5.8%	6.6%	6.5%	5.9%	4.8%			Avg Ann'l Div'd Yield	5.3%

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		02-04
	171.3	174.4	179.2	203.0	212.8	240.9	232.1	261.1	252.0	242.4	245	265	Revenues ($mill) A	330
	7.8	6.9	9.0	10.3	11.1	12.8	14.1	15.2	16.4	18.0	20.5	20.5	Net Profit ($mill)	25.0
	53.5%	41.6%	38.9%	23.9%	25.7%	29.6%	34.8%	33.4%	35.2%	25.3%	36.0%	36.0%	Income Tax Rate	36.0%
	4.6%	4.0%	5.0%	5.1%	5.2%	5.3%	6.1%	5.8%	6.5%	7.4%	8.4%	7.7%	Net Profit Margin	7.6%
	51.2%	54.9%	49.4%	50.2%	54.5%	48.8%	47.6%	50.1%	48.1%	45.9%	45.0%	44.5%	Long-Term Debt Ratio	43.0%
	48.2%	44.6%	50.1%	49.4%	45.2%	51.2%	52.4%	49.9%	51.9%	54.1%	55.0%	55.5%	Common Equity Ratio	57.0%
	155.5	166.7	176.7	187.4	221.0	245.6	250.9	276.7	278.6	327.2	335	350	Total Capital ($mill)	390
	182.2	189.9	199.4	210.5	221.8	237.0	250.1	260.6	269.1	275.2	285	290	Net Plant ($mill)	320
	7.5%	6.6%	7.7%	7.9%	7.3%	7.5%	7.7%	7.5%	8.1%	7.6%	8.0%	7.5%	Return on Total Cap'l	8.5%
	10.3%	9.2%	10.1%	11.0%	11.0%	10.2%	10.7%	11.0%	11.4%	10.2%	11.0%	10.0%	Return on Shr. Equity	11.5%
	10.4%	9.3%	10.2%	11.0%	11.0%	10.2%	10.7%	11.0%	11.4%	10.2%	11.0%	10.0%	Return on Com Equity	11.5%
	.7%	NMF	.9%	1.3%	1.6%	1.7%	2.0%	2.5%	3.1%	2.6%	3.5%	2.5%	Retained to Com Eq	4.0%
	93%	110%	92%	88%	86%	84%	81%	77%	73%	75%	69%	72%	All Div'ds to Net Prof	70%

CAPITAL STRUCTURE as of 12/31/98

Total Debt $181.1 mill. Due in 5 Yrs $41.1 mill.
LT Debt $150.0 mill. LT Interest $12.8 mill.
(LT interest earned: 3.0x)
(total interest coverage: 2.8x)

Leases, Uncapitalized Annual rentals $3.1 mill.
Pension Liability None

Pfd Stock None
Common Stock 10,350,638 shs.
as of 2/5/99
MARKET CAP: $275 million (Small Cap)

CURRENT POSITION ($MILL.)	1997	1998	12/31/98
Cash Assets	6.6	10.1	8.1
Other	54.0	48.3	65.0
Current Assets	60.6	58.4	73.1
Accts Payable	12.6	10.5	12.2
Debt Due	36.1	23.7	31.1
Other	21.3	13.9	16.8
Current Liab.	70.0	48.1	60.1
Fix. Chg. Cov.	277%	276%	na

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '02-'04
Revenues	-.5%	-.5%	2.0%
"Cash Flow"	2.5%	3.0%	4.0%
Earnings	3.0%	4.5%	4.0%
Dividends	1.5%	1.0%	3.5%
Book Value	3.5%	4.5%	4.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	69.8	120.2	44.0	27.1	261.1
1997	74.9	106.9	44.0	26.2	252.0
1998	76.5	100.8	38.0	27.1	242.4
1999	61.6	108.4	45.0	30.0	245
2000	70.0	115	48.0	32.0	265

Fiscal Year Ends	EARNINGS PER SHARE AB Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	.57	1.64	d.08	d.43	1.70
1997	.60	1.67	d.13	d.33	1.81
1998	.64	1.47	d.10	d.23	1.78
1999	.59	1.60	d.05	d.19	1.95
2000	.67	1.50	d.06	d.21	1.90

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1995	.325	.325	.325	.325	1.30
1996	.325	.33	.33	.33	1.32
1997	.33	.33	.33	.33	1.32
1998	.33	.335	.335	.335	1.34
1999	.335				

BUSINESS: Connecticut Energy Corporation, through its principal subsidiary, The Southern Connecticut Gas Co., is engaged primarily in the distribution of natural gas to about 158,000 customers in 22 Conn. communities. The company also has subs. involved in non-regulated energy businesses. Revenue mix for FY '98.: residential, 59%; commercial firm, 18%; industrial firm, 4%; firm transportation, 5%; interruptible and other, 14%. In FY '98, purchased gas costs equalled 50% of revenues. FY '98 deprec. rate: 4.2%. Has about 500 employees, 9,800 stckhldrs. Brinson Partners owns 6.1% of common stock; offs. & dirs., 1.5% (12/98 Proxy). Chair., Pres. and C.E.O.: J.R. Crespo. Inc.: CT. Addr. 855 Main Street, Bridgeport, CT 06604. Tel: 800-760-7776. Internet: www.ConnEnergy.com

Connecticut Energy will file a full "rate case". A recently completed rate review by the Connecticut Department of Public Utility Control (DPUC) proposed a $9.4 million revenue reduction and a lowering of the return on equity allowed to CNE's gas subsidiary, from 11.45% to 10.61%. About $5.4 million of the revenue reduction would result from the exclusion of half the costs of a 20-inch trunk line that connects the gas company's two service areas to all three interstate gas pipelines, assuring deliverability. The company will file its case in July, and the DPUC will issue its decision in December or January 2000. Thus, the new rates will not affect fiscal 1999 results (year ends September 30th). We think the eventual new rates will not be too damaging, but we believe some reduction will likely be imposed. Therefore, we're estimating a small retreat in 2000 share net.

Meanwhile, results are mixed. In the December quarter, gross margin (revenues less the cost of purchased gas) and net income were virtually identical to the prior-year period's figures, with the share-net decline due to more shares outstanding. CNE added 932 residential heating customers, compared with 632 a year ago, but throughput to interruptible customers that can use oil for heating dropped by half. Given the strong economy, we think the company will easily achieve its goal of 2,600 new residential customers this year, but continued low oil prices will probably restrain interruptible revenues for the second year in a row.

Merchant power plants should help boost earnings out to 2002-2004. Last summer, CNE started supplying a plant in Bridgeport which was converted to gas, and two nearby units will probably be converted, too. A merchant power plant in Milford is a likely customer for late next year, and the town of Haddam will probably convert a nuclear plant to gas.

These untimely, though good-quality shares, offer a decent, risk-adjusted total return. The rate decision constitutes a short-term uncertainty for CNE, but we think the new rates are unlikely to penalize the company too severely. Meanwhile, the shares' dividend should be appealing to income-oriented investors.

Sigourney B. Romaine *March 26, 1999*

(A) Fiscal year ends Sept. 30th.; calendar year prior to 1990.
(B) Primary egs. thru fiscal '97; diluted thereafter. Incl. unusual item: '89, d4¢. Excl. extra items: '86, 37¢; '89, 21¢; '98, 10¢. Next egs. report due early May. (C) Next div'd mtg. about May 25. Goes ex about June 10. Div'd payment dates: about Mar. 31, June 30, Sept. 30, Dec. 31. ■ Div'd reinvestment plan available.
(D) Incl. deferred chgs. In '98: $60.8 mill., $5.91/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	25
Earnings Predictability	85

18-71

CTG RESOURCES, INC. NYSE-CTG

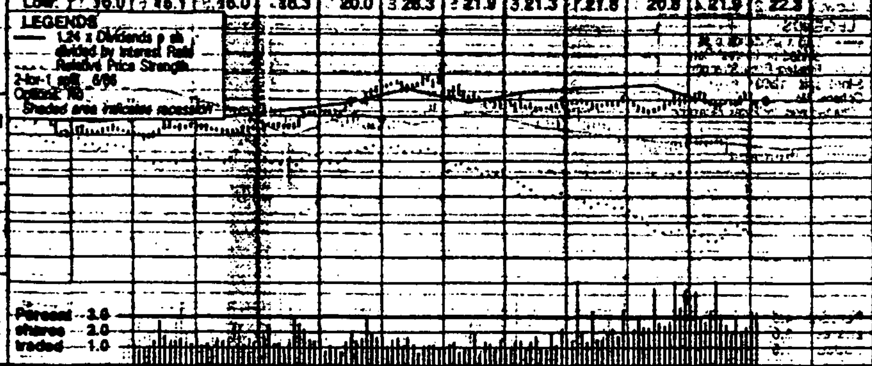
RECENT PRICE 24 | P/E RATIO 13.3 (Trailing: 13.1; Median: 13.0) | RELATIVE P/E RATIO 0.83 | DIV'D YLD 4.4% | VALUE LINE 389

TIMELINESS 3 Raised 10/23/98
SAFETY 3 New 7/27/90
TECHNICAL 3 Raised 11/27/98
BETA .55 (1.00 = Market)

High:	18.3	19.0	18.6	21.5	28.4	32.4	31.8	25.3	24.5	26.5	28.6	26.4
Low:	16.0	15.1	16.0	18.3	20.0	26.3	21.9	21.3	21.8	20.8	21.9	22.3

Target Price Range 2002 2003 2004

LEGENDS
1.24 x Dividends p sh divided by Interest Rate
Relative Price Strength
2-for-1 split 6/86
Options: No
Shaded area indicates recession



2002-04 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+45%)	13%
Low	25	(+5%)	6%

Insider Decisions

Institutional Decisions

	2Q1998	3Q1998	4Q1998
to Buy	20	24	19
to Sell	18	22	17
Hld's(000)	2106	2163	2201

Percent shares traded 3.0 / 2.0 / 1.0

% TOT. RETURN 2/99

	THIS STOCK	VL ARITH. INDEX
1 yr.	2.8	-8.3
3 yr.	25.1	48.6
5 yr.	29.6	87.8

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC.	02-04
30.10	28.62	28.81	28.28	25.35	25.61	26.79	26.29	24.88	26.86	27.81	30.47	27.71	29.69	28.69	32.68	*32.95*	*37.35*	Revenues per sh A	*43.35*
1.77	2.07	2.36	2.42	2.42	2.48	2.59	2.62	2.60	3.06	3.08	3.47	3.23	3.41	3.34	3.98	*4.10*	*4.40*	"Cash Flow" per sh	*5.10*
1.16	1.34	1.57	1.57	1.62	1.46	1.60	1.51	1.44	1.75	1.76	1.85	1.52	1.82	1.60	1.71	*1.80*	*2.00*	Earnings per sh B	*2.45*
1.15	1.20	1.25	1.30	1.33	1.36	1.36	1.37	1.40	1.44	1.46	1.48	1.48	1.50	1.52	1.00	*1.04*	*1.08*	Div'ds Decl'd per sh C=	*1.20*
1.77	1.53	2.19	3.61	3.20	3.64	3.00	2.97	3.87	2.97	2.68	2.92	2.70	2.29	2.31	2.59	*4.80*	*4.60*	Cap'l Spending per sh	*4.50*
9.33	9.53	10.04	10.58	11.50	11.90	12.49	12.77	12.77	13.28	14.29	14.62	15.12	15.90	15.89	14.26	*15.25*	*16.20*	Book Value per sh	*19.35*
6.29	6.55	6.77	6.93	7.55	7.73	8.33	8.50	8.61	8.79	9.54	9.54	9.93	10.62	10.65	8.65	*8.65*	*8.70*	Common Shs Outst'g D	*9.00*
8.7	8.1	9.1	13.1	11.9	11.6	10.7	11.3	12.3	12.4	15.9	14.4	15.0	12.7	14.2	14.1	Bold figures are		Avg Ann'l P/E Ratio	*12.0*
.74	.75	.74	.89	.80	.96	.81	.84	.79	.75	.94	.94	1.00	.80	.82	.74	Value Line		Relative P/E Ratio	*.80*
11.4%	11.0%	8.8%	6.3%	6.9%	8.0%	7.9%	8.0%	7.9%	6.6%	5.2%	5.6%	6.5%	6.5%	6.7%	4.1%	estimates		Avg Ann'l Div'd Yield	*4.0%*

CAPITAL STRUCTURE as of 12/31/98
Total Debt $235.7 mill. Due in 5 Yrs $60.7 mill.
LT Debt $217.5 mill. LT Interest $14.0 mill.
(LT interest earned: 2.6x)
total interest coverage: 2.4x)

Pension Liability None

Pfd Stock $.88 mill. Pfd Div'd $.06 mill.

Common Stock 8,648,029 shs.
as of 2/1/99
MARKET CAP: $200 million (Small Cap)

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		02-04
223.0	223.5	214.1	236.2	265.3	290.7	275.2	315.4	305.6	282.7	*285*	*325*	Revenues ($mill) A	*400*
12.7	12.8	12.3	15.3	16.9	17.7	15.2	18.5	17.1	15.2	*15.5*	*17.5*	Net Profit ($mill)	*22.0*
46.8%	46.9%	47.3%	44.7%	45.4%	43.2%	42.6%	43.1%	50.8%	46.2%	*46.0%*	*46.0%*	Income Tax Rate	*44.0%*
5.7%	5.7%	5.8%	6.5%	6.4%	6.1%	5.5%	5.9%	5.6%	5.4%	*5.4%*	*5.4%*	Net Profit Margin	*5.5%*
53.2%	50.6%	50.0%	50.9%	50.1%	52.3%	49.9%	44.6%	42.7%	63.5%	*62.0%*	*60.0%*	Long-Term Debt Ratio	*52.0%*
46.1%	48.7%	49.5%	48.7%	49.5%	47.3%	49.8%	55.2%	57.0%	36.3%	*37.5%*	*39.2%*	Common Equity Ratio	*37.9%*
225.5	222.9	222.0	239.1	275.3	294.8	301.4	306.2	297.0	340.1	*345*	*345*	Total Capital ($mill)	*365*
223.4	232.6	249.2	269.2	296.8	311.7	322.1	325.8	331.6	338.0	*345*	*355*	Net Plant ($mill)	*400*
7.4%	8.1%	8.8%	8.8%	7.9%	7.9%	7.1%	8.0%	7.7%	6.5%	*7.0%*	*7.5%*	Return on Total Cap'l	*8.0%*
12.1%	11.6%	11.1%	13.0%	12.3%	12.6%	10.1%	10.9%	10.0%	12.2%	*12.0%*	*12.5%*	Return on Shr. Equity	*12.5%*
12.2%	11.7%	11.2%	13.0%	12.3%	12.6%	10.1%	10.9%	10.0%	12.3%	*12.0%*	*12.5%*	Return on Com Equity	*12.5%*
1.8%	1.1%	.3%	2.3%	2.1%	2.5%	.3%	1.8%	.5%	6.3%	*5.0%*	*5.5%*	Retained to Com Eq	*4.0%*
85%	91%	97%	83%	83%	80%	97%	84%	95%	57%	*58%*	*55%*	All Div'ds to Net Prof	--

CURRENT POSITION ($MILL.)	1997	1998	12/31/98
Cash Assets	4.5	1.3	1.0
Other	56.4	64.8	85.9
Current Assets	60.9	66.1	86.9
Accts Payable	37.0	30.8	31.7
Debt Due	29.0	7.7	18.2
Other	9.2	6.7	5.1
Current Liab.	75.2	45.2	55.0
Fix. Chg. Cov.	351%	270%	na

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '02-'04
Revenues	1.5%	2.5%	6.0%
"Cash Flow"	4.0%	4.0%	6.0%
Earnings	1.0%	.5%	6.6%
Dividends	--	-1.5%	-2.0%
Book Value	3.0%	2.5%	4.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	90.5	130.6	54.0	40.3	315.4
1997	89.3	124.7	53.2	38.4	305.6
1998	92.4	105.4	48.4	36.5	282.7
1999	81.7	*105*	*55.0*	*43.3*	*285*
2000	*95.0*	*120*	*60.0*	*50.0*	*325*

Fiscal Year Ends	EARNINGS PER SHARE AB Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	.82	1.40	d.06	d.29	E1.82
1997	.63	1.19	.06	d.28	1.60
1998	.85	1.12	.02	d.33	E1.71
1999	.66	*1.35*	*.05*	*d.26*	*1.80*
2000	*.80*	*1.40*	*.06*	*d.26*	*2.00*

Cal-endar	QUARTERLY DIVIDENDS PAID C= Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1995	.37	.37	.37	.37	1.48
1996	.37	.38	.38	.38	1.51
1997	.38	.38	.38	.25	1.39
1998	.25	.25	.25	.26	1.01
1999	.26				

BUSINESS: CTG Resources, Inc. is the parent company for Connecticut Natural Gas (CNG) and The Energy Network (TEN). CNG is engaged in the regulated business of natural gas distribution and sale to 141,000 customers in 22 municipalities in Connecticut. TEN operates a district heating and cooling (DHC) system, providing steam and chilled water to office buildings in Hartford. 1998 revenue: reg., 93%; non-reg., 7%. Pre-tax inc.: reg., 94%; non-reg., 6%. Gas revs.: 50% residential; 21% commercial; 16% interruptible; 13% other. '98 dep. rate: 3.8%. About 550 employees, 10,180 stockholders. Offs/dirs own 1.1% of common (12/97 proxy). Pres. & C.E.O.: A. C. Marquardt. Inc.: CT. Addr.: 100 Columbus Blvd., Hartford, CT 06144. Tel.: 860-727-3010. Int.: www.ctgcorp.com

CTG's earnings are suffering from the weather, but its weather stabilization insurance should help. The insurance added $0.04 a share to first-quarter earnings (fiscal year ends September 30th), reducing the negative effect of above-normal temperatures to $0.17 a share. Continued warm weather in the second quarter should result in further benefits from the policy this year. (The policy becomes effective when weather is more than 5% warmer or colder than usual.) CTG is adding heating customers at the rate of about 2,000 annually, up about 5% from last year, and 1999 earnings will not be affected by losses of businesses closed last year that amounted to $0.11 a share.

Non-regulated profits are beginning to grow. CTG's cogeneration plant at Hartford Hospital, in the southern part of the city, came on stream in December. The company will probably start to provide some heat for schools under construction near the hospital next year, and nearby Trinity College is a likely eventual customer for energy management services. CTG has formed an alliance with three other companies in the energy field to own and operate heating and cooling systems serving large commercial and institutional users, with a view to reducing energy costs and pollution. We expect the first such project to start up next year. The company plans to invest $15 million to $25 million annually in district heating and cooling (DHC) and energy management projects over the next few years.

Adriaen's Landing should boost earnings starting in 2001. This project, which aims to redevelop 35 acres of Hartford's waterfront, is still being finalized. If approved, as we expect, it will require CTG to relocate its headquarters and a steam plant. The company would be able to hook up the Landing's new convention center and commercial facilities to its district heating and cooling system, which would add about 25% to its downtown DHC load.

Dividend growth prospects for these good-quality shares are above the norm for gas utilities. That's reflected in the stock's yield, which is below average for the group. Rising income from non-regulated businesses supports modest share-price appreciation potential.

Sigourney B. Romaine *March 26, 1999*

(A) Fiscal year ends Sept. 30.
(B) Primary egs. thru '97; basic thereafter. Excl. extra. items: '87, 23¢, (10¢); '88, 17¢; '91, 27¢. Excl. gain from discont. ops.: '90, 5¢. Excl. net nonrec. gains: '96, 19¢; '98, 5¢. Next egs. report due early May. (C) Next div'd mtg. abt. May 20. Goes ex about June 10. Div'd payment dates about March 25, June 24, Sept. 23, Dec. 18. ■Div'd reinvest. plan available.
(D) In millions, adj'd for stock split.
(E) Qtrs. don't add due to changes in shs. outstanding.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	25
Earnings Predictability	75

18-72

ENERGEN CORP. NYSE-EGN | PRICE 15 | RATIO 12.0 (Median: 13.0) | P/E RATIO 0.… | YLD 4.4% | VALUE LINE 472

TIMELINESS	5 Lowered 2/5/99
SAFETY	2 New 7/27/90
TECHNICAL	3 Lowered 10/3/97

BETA .80 (1.00 = Market)

2002-04 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+100%)	22%
Low	25	(+65%)	17%

Insider Decisions

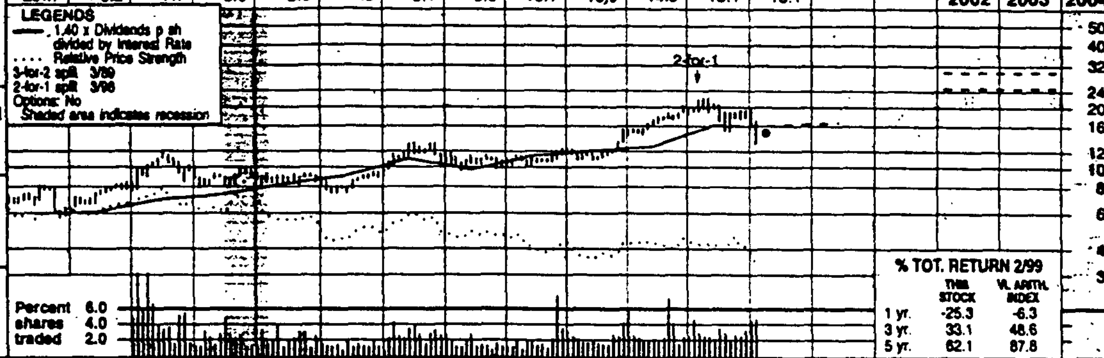
	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	1	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	1	0	0

Institutional Decisions

	2Q1998	3Q1998	4Q1998
to Buy	53	49	45
to Sell	34	33	29
Hld's(000)	14467	14655	14903

High:	8.6	12.2	10.3	9.4	9.6	13.4	11.9	12.6	15.6	20.6	22.5	19.8
Low:	6.2	7.7	8.0	8.0	7.5	9.1	9.6	10.1	10.9	14.5	15.1	13.1

Target Price Range 2002 | 2003 | 2004



1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC.	02-04
33.08	34.39	29.89	28.54	25.06	22.75	15.92	16.45	16.11	16.30	17.30	17.27	14.72	17.89	15.57	17.14	15.70	15.90	Revenues per sh A	21.20
1.47	1.44	1.58	1.59	2.02	2.12	1.73	1.83	1.89	2.06	2.10	2.28	2.24	2.81	3.08	4.00	4.05	4.30	"Cash Flow" per sh	5.60
.53	.51	.47	.41	.70	.84	.60	.68	.71	.77	.89	1.01	.89	.98	1.16	1.23	1.25	1.30	Earnings per sh B	1.90
.28	.30	.33	.35	.37	.39	.42	.46	.48	.51	.53	.55	.57	.59	.61	.63	.65	.67	Div'ds Decl'd per sh C■	.75
1.28	1.49	2.72	3.32	3.33	2.58	3.07	2.12	2.32	1.11	2.12	2.09	3.16	7.54	9.84	5.95	8.25	6.05	Cap'l Spending per sh	4.70
4.48	4.68	4.83	4.65	5.02	5.59	5.84	6.10	6.04	6.38	6.80	7.65	7.97	8.44	10.46	11.23	12.45	13.55	Book Value per sh D	17.90
11.83	11.99	12.51	12.93	13.09	15.98	19.39	19.75	20.21	20.37	20.64	21.84	21.82	22.33	28.80	29.33	31.50	33.00	Common Shs Outst'g E	34.00
5.8	7.4	9.5	12.8	10.1	8.3	16.1	13.3	12.6	11.0	12.4	11.1	12.3	12.0	13.4	15.4	Bold figures are	Value Line	Avg Ann'l P/E Ratio	14.0
.49	.69	.77	.87	.68	.69	1.22	.99	.80	.67	.73	.73	.82	.75	.77	.81	estimates		Relative P/E Ratio	.95
9.1%	7.9%	7.2%	6.7%	5.2%	5.6%	4.4%	5.1%	5.4%	6.0%	4.8%	4.9%	5.2%	5.0%	3.9%	3.3%			Avg Ann'l Div'd Yield	2.8%

CAPITAL STRUCTURE as of 12/31/98
Total Debt $567.8 mill. Due in 5 Yrs $247.0 mill.
LT Debt $372.8 mill. LT Interest $26.5 mill.
(Total interest coverage: 1.9x)

Leases, Uncapitalized Annual rentals $3.9 mill.

Pension Liability None

Pfd Stock None
Common Stock 29,569,925 shs.
as of 2/11/99

MARKET CAP: $450 million (Small Cap)

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		02-04
308.6	324.9	325.6	332.0	357.1	377.1	321.2	399.4	448.2	502.6	495	525	Revenues ($mill) A	720
11.2	13.3	14.2	15.8	18.2	21.8	19.3	21.5	29.0	36.3	38.0	42.0	Net Profit ($mill)	65.0
8.6%	8.9%	2.5%	2.4%	15.8%	22.7%	16.0%	19.0%	9.6%	9.6%	10.0%	15.0%	Income Tax Rate	20.0%
3.6%	4.1%	4.4%	4.8%	5.1%	5.8%	6.0%	5.4%	6.5%	7.2%	7.7%	8.0%	Net Profit Margin	9.0%
42.7%	40.4%	38.6%	40.8%	38.0%	41.5%	43.1%	50.9%	48.1%	53.1%	52.5%	52.5%	Long-Term Debt Ratio	51.5%
56.1%	58.7%	60.6%	58.4%	62.0%	58.5%	56.9%	49.1%	51.9%	46.9%	47.5%	47.5%	Common Equity Ratio	48.5%
201.9	205.2	201.5	222.3	226.2	285.3	305.5	384.0	580.7	702.0	820	940	Total Capital ($mill)	1250
248.6	262.2	273.5	254.6	273.1	287.2	327.3	444.9	667.0	756.3	930	1030	Net Plant ($mill)	1180
7.2%	8.3%	8.8%	9.1%	10.1%	9.5%	8.3%	7.1%	6.4%	6.8%	6.5%	6.0%	Return on Total Cap'l	7.0%
9.7%	10.9%	11.5%	12.0%	12.9%	13.1%	11.1%	11.4%	9.6%	11.0%	9.5%	9.5%	Return on Shr. Equity	10.5%
9.8%	10.9%	11.6%	12.1%	12.9%	13.1%	11.1%	11.4%	9.6%	11.0%	9.5%	9.5%	Return on Com Equity	10.5%
2.9%	3.7%	3.8%	4.2%	5.2%	6.0%	4.0%	4.6%	4.5%	5.5%	4.5%	4.5%	Retained to Com Eq	6.5%
70%	67%	68%	66%	60%	54%	64%	60%	53%	50%	52%	52%	All Div'ds to Net Prof	39%

CURRENT POSITION ($MILL.)	1997	1998	12/31/98
Cash Assets	105.4	103.2	7.3
Other	136.8	115.3	159.0
Current Assets	242.2	218.5	166.3
Accts Payable	49.2	33.5	46.9
Debt Due	203.9	160.2	195.0
Other	77.7	90.5	119.0
Current Liab.	330.8	284.2	360.9
Fix. Chg. Cov.	227%	205%	188%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '02-'04
Revenues	-4.0%	.5%	2.0%
"Cash Flow"	5.5%	10.5%	9.0%
Earnings	5.5%	7.5%	9.0%
Dividends	5.0%	4.0%	3.5%
Book Value	7.0%	9.5%	10.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar. 31	Jun.30	Sep.30	Full Fiscal Year
1996	78.8	171.0	87.1	62.5	399.4
1997	97.0	182.9	90.9	77.4	448.2
1998	125.8	198.0	100.7	78.1	502.6
1999	114.0	190	105	86.0	495
2000	120	205	110	90.0	525

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1996	.11	1.07	.05	d.24	F.98
1997	.14	1.21	.12	d.29	F1.16
1998	.21	1.37	--	d.34	F1.23
1999	.13	1.35	.05	d.28	1.25
2000	.15	1.40	.05	d.30	1.30

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1995	.14	.14	.145	.145	.57
1996	.145	.145	.15	.15	.59
1997	.15	.15	.155	.155	.61
1998	.155	.155	.16	.16	.63
1999	.16				

BUSINESS: Energen Corporation is a holding company. Its principal subsidiary, the Alabama Gas Corporation, sells to more than 465,000 customers in central and northern Alabama, including Birmingham and Montgomery. 1998 utility revenues: residential, 65.4%; commercial and industrial, 24.2%; transport and other, 10.4%. 1998 deliveries: 115.3 MMcf. Energy Resources Corporation, a subsidiary, engages primarily in exploration and production of natural gas. 1998 gas reserves: coalbed methane, 222.5 MMcf; conventional, 542.4 MMcf. Has about 1,420 employees. Chairman, President & C.E.O.: Wm. Michael Warren, Jr. Inc.: AL. Addr.: 2101 Sixth Avenue North, Birmingham, AL 35203-2784. Tel.: 205-326-2700. Internet addr.: http://www.energen.com.

We are lowering our fiscal-1999 share-earnings for Energen Corporation by a dime, to $1.25. (Year ends September 30th.) This adjustment stems mainly from adverse trends in the company's exploration and production (E&P) segment. Although some protection is afforded by hedges currently in place, the E&P arm has been hurt by lackluster natural gas and oil prices. Weak commodity markets have worked to offset the benefits of higher production volumes. Nonetheless...

Energen continues to aggressively pursue its reserve acquisition strategy. Last quarter, the company spent $130 million for its purchase of TOTAL Minatome, its largest to date. The company received approximately 200 billion cubic feet equivalent of proved oil and gas reserves. Such efforts, we believe, will substantially aid the drive towards higher share net in fiscal 2000, especially given our outlook for a recovery in oil and gas prices. Indeed, Energen has allocated a major portion of its capital spending budget to further reserve acquisitions and development. Moreover, the bottom line is apt to get a boost from nonconventional fuels tax credits related to certain E&P operations. This will likely be countered to some extent, however, by higher associated depreciation, depletion, amortization and development costs.

Extensive capital spending will probably necessitate additional external financing. Along these lines, Energen plans to offer roughly $50 million in common equity, split between this fiscal year and next. We have adjusted our model accordingly.

The utility, meantime, should contribute earnings stability. The gas distributor's Rate Stabilization and Equalization (RSE) mechanism should continue to provide a dependable cash stream. The RSE is designed to allow the utility to maintain a return on equity between 13.15% to 13.65%.

This stock has good risk-adjusted total-return prospects, with dividends out to 2002-2004. Conservative investors should take notice of the equity's Safety rank of 2 (Above Average). The E&P business will likely help share-net growth over the 3- to 5-year horizon.

Oscar Vidal *March 26, 1999*

(A) Fiscal year ends September 30th.
(B) Primary egs thru. '96, then diluted. Excl. nonrec. items: '86, d25¢; '92, 5¢; '94, 9¢. Excl. gains from disc. ops.: '89, 14¢. Next egs. report due late Apr. (C) Next dividend meeting about Apr. 25. Goes ex about May 15. Approx. dividend payment dates: March 1, June 1, Sept. 1, Dec. 1. ■ Dividend reinvestment plan available.
(D) Includes intang. assets. In '98: $18.7 mill., 64¢/sh. (E) In mill., adjusted for stock splits.
(F) Quarters do not add to total due to change in shares outstanding.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	60
Earnings Predictability	70

18-73

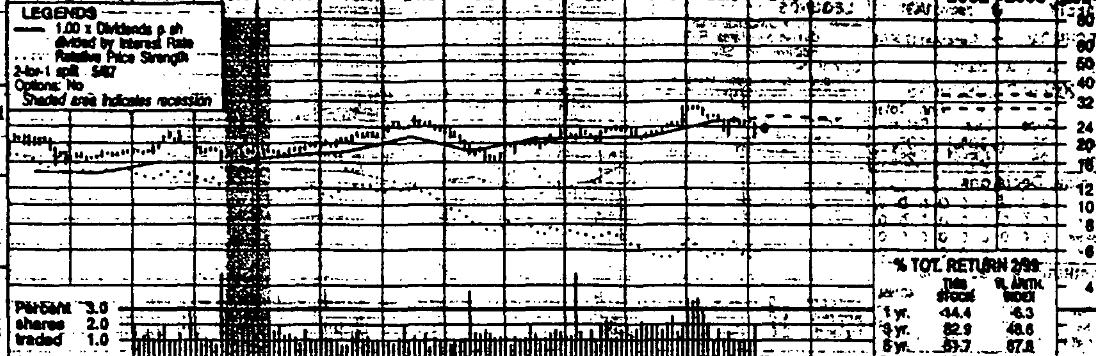
SOUTH JERSEY INDS. NYSE-SJI

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
24	14.2 (Trailing: 18.8 Median: 13.0)	0.88	6.0%	485

TIMELINESS 4 Lowered 5/1/98
SAFETY 2 Lowered 1/4/91
TECHNICAL 3 Raised 12/25/98
BETA .50 (1.00 = Market)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
High:	18.7	22.9	20.6	20.3	23.2	27.5	24.0	23.5	24.6	30.5	30.8	26.7	
Low:	16.3	17.6	16.4	17.4	19.1	21.8	16.6	17.9	20.1	21.0	22.0	21.5	

Target Price Range 2002 2003 2004



2002-04 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+45%)	14%
Low	30	(+25%)	11%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	2	0	0	0	1
Options	0	0	0	1	0	0	0	0	0
to Sell	0	2	0	1	0	0	0	0	0

Institutional Decisions

	2Q1998	3Q1998	4Q1998
to Buy	14	14	16
to Sell	15	15	13
Hld's(000)	1608	2211	2290

Percent shares traded 3.0 2.0 1.0

% TOT. RETURN 2/99

	THIS STOCK	VL ARITH. INDEX
1 yr.	-44.4	-6.3
3 yr.	82.9	48.6
5 yr.	83.7	87.8

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC.	02-04
55.32	44.50	33.56	32.66	32.59	29.66	30.54	28.80	30.19	33.33	34.06	34.90	33.00	33.05	32.36	39.60	38.15	39.90	Revenues per sh	47.15
2.95	2.68	2.33	2.55	2.79	3.03	3.00	2.68	2.75	3.12	3.08	2.70	3.30	3.08	3.19	2.80	3.40	3.50	"Cash Flow" per sh	4.20
1.41	1.41	1.19	1.28	1.57	1.88	1.66	1.33	1.27	1.61	1.55	1.21	1.65	1.70	1.71	1.28	1.90	2.00	Earnings per sh A	2.40
1.14	1.20	1.22	1.24	1.26	1.29	1.36	1.40	1.41	1.41	1.43	1.44	1.44	1.44	1.44	1.44	1.44	1.44	Div'ds Decl'd per sh B ■	1.60
2.42	2.94	3.74	4.28	4.25	4.41	4.55	4.21	4.34	3.39	3.74	3.86	4.16	4.02	4.61	5.80	3.50	3.50	Cap'l Spending per sh	3.75
11.72	11.60	11.74	12.02	12.42	13.24	13.49	13.58	13.53	13.90	14.33	14.46	14.67	16.06	16.11	16.15	16.60	17.70	Book Value per sh C	20.40
5.65	7.22	7.69	7.71	7.84	8.47	8.48	9.03	9.24	9.50	9.80	10.72	10.72	10.76	10.77	10.80	11.40	12.15	Common Shs Outst'g D	13.25
7.7	8.4	11.5	13.5	12.7	9.3	11.9	13.6	14.5	13.2	15.8	16.1	12.2	13.3	13.8	21.3	Bold figures are		Avg Ann'l P/E Ratio	14.0
.65	.78	.93	.92	.85	.77	.90	1.01	.93	.80	.93	1.06	.82	.83	.80	1.12	Value Line		Relative P/E Ratio	.95
10.4%	10.1%	8.9%	7.1%	6.3%	7.4%	6.9%	7.7%	7.6%	6.6%	5.9%	7.4%	7.2%	6.4%	6.1%	5.3%	estimates		Avg Ann'l Div'd Yield	4.6%

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		02-04
259.0	260.0	278.9	316.7	333.9	374.0	353.8	355.5	348.6	450.2	435	485	Revenues ($mill)	625
14.2	11.8	11.9	15.3	15.2	12.6	17.8	18.5	18.4	13.8	21.0	23.5	Net Profit ($mill)	32.0
26.5%	30.0%	31.4%	31.6%	31.8%	35.1%	34.4%	35.5%	36.8%	48.2%	36.0%	36.0%	Income Tax Rate	36.0%
5.5%	4.6%	4.3%	4.8%	4.5%	3.4%	5.0%	5.2%	5.3%	3.1%	4.8%	4.8%	Net Profit Margin	5.1%
36.3%	47.0%	45.5%	46.9%	50.2%	49.3%	51.4%	46.1%	45.6%	49.0%	48.0%	46.5%	Long-Term Debt Ratio	46.0%
62.0%	51.7%	53.3%	52.1%	48.9%	49.9%	47.9%	53.2%	44.8%	42.5%	45.0%	46.0%	Common Equity Ratio	48.0%
184.6	237.2	234.4	253.6	287.4	310.8	328.4	324.8	387.1	400	420	455	Total Capital ($mill)	565
301.1	325.3	351.1	354.8	375.4	402.1	422.7	423.9	456.5	485	510	535	Net Plant ($mill)	630
9.8%	7.2%	7.4%	8.3%	7.4%	6.1%	7.8%	7.9%	6.7%	5.0%	7.0%	7.0%	Return on Total Cap'l	8.0%
12.1%	9.4%	9.3%	11.4%	10.6%	8.0%	11.2%	10.5%	8.7%	8.0%	11.0%	11.0%	Return on Shr. Equity	12.0%
12.2%	9.5%	9.4%	11.5%	10.5%	8.0%	11.2%	10.6%	10.6%	8.0%	11.0%	11.0%	Return on Com Equity	12.0%
2.2%	NMF	NMF	1.4%	.6%	NMF	1.4%	1.6%	1.7%	NMF	2.5%	3.0%	Retained to Com Eq	4.0%
82%	105%	110%	88%	94%	119%	88%	85%	84%	113%	76%	70%	All Div'ds to Net Prof	67%

CAPITAL STRUCTURE as of 9/30/98
Total Debt $270.8 mill. Due in 5 Yrs $150.0 mill.
LT Debt $166.9 mill. LT Interest $13.5 mill.
(Total interest coverage: 2.3x)

Pension Liability $9.9 mill. in '97 vs. $10.4 mill. in '96

Pfd Stock $37.1 mill. Pfd Div'd $3.1 mill.
2,100 shs 4.7% cum. ($100 par) callable 101.5; 19,242 shs. 8.0% cum. ($100 par) callable 106.7; 1.4 mill. shs. 8.35% cum. Mandatorily Redeemable series. (Div'ds are a tax deductible fixed charge)
Common Stock 10,777,240 shs.
MARKET CAP: $250 million (Small Cap)

CURRENT POSITION ($MILL.)	1996	1997	9/30/98
Cash Assets	46.9	13.1	6.2
Other	93.0	87.7	79.8
Current Assets	139.9	100.8	86.0
Accts Payable	50.3	49.1	30.3
Debt Due	114.9	54.9	103.7
Other	33.5	35.8	34.9
Current Liab.	198.7	139.8	168.9
Fix. Chg. Cov.	243%	244%	225%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '95-'97 to '02-'04
Revenues	--	1.5%	5.5%
"Cash Flow"	2.0%	2.5%	4.0%
Earnings	2.5%	3.5%	5.0%
Dividends	1.5%	0.5%	1.5%
Book Value	2.5%	2.5%	4.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	150.1	59.3	44.9	101.2	355.5
1997	131.4	62.3	54.2	100.7	348.6
1998	122.8	71.7	131.5	124.2	450.2
1999	140	80.0	75.0	140	435
2000	155	90.0	85.0	155	485

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	1.57	d.18	d.36	.67	1.70
1997	1.39	d.01	d.42	.75	1.71
1998	1.15	d.14	d.27	.54	1.28
1999	1.50	d.05	d.30	.75	1.90
2000	1.60	d.05	d.35	.80	2.00

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1995	.72	.36	.36	--	1.44
1996	.72	.36	.36	--	1.44
1997	.72	.36	.36	--	1.44
1998	.72	.36	.36	--	1.44
1999	.36				

BUSINESS: South Jersey Industries, Inc. is a holding company. Its subsidiary, South Jersey Gas Co., distributes natural gas to 264,000 customers in New Jersey's southern counties, which cover 2,500 sq. miles and include Atlantic City. Principal suppliers include Transcontinental Gas Pipeline and Columbia Gas Pipeline. Gas revenue mix: resident'l, 54%; comm'l and ind'l, 22%; transport., 6%; off-system (incl. non-regulated gas marketing), 12%; cogeneration, power generation, and other, 6%. Has 675 employees, 12,100 shareholders. Directors cntrl less than 2% of com. shs.; Farmers and Merchants Nat'l Bank, 13.5% (3/98 proxy). Chmn: R.L. Dunham. Pres. & C.E.O.: Charles Biscieglia. Inc.: NJ. Address: 1 South Jersey Plaza, Route 54, Folsom, NJ 08037. Tel.: 609-561-9000.

South Jersey Industries may begin to realize its earnings potential this year. A weather normalization clause in the gas utility's tariff wasn't enough to insulate the system from the adverse financial effects of mild space-heating weather. Last fall, state regulators ordered an improved normalization plan called the Temperature Adjustment Clause (TAC), which is effective during the heating season with only a very slight deviation of thermometer readings from normal. (The former normalization provision became effective after an extreme temperature deviation from the average.) So, with warmer-than-normal temperatures prevailing again this past winter, we expect that South Jersey Gas largely compensated for the continued slack in gas sales with higher tariffs. The revenue offset is to be reported for the first quarter on an accrual basis; the actual hike in gas rates will be billed next winter.

The TAC should help give the dividend better protection. Under the new rate design, 1999 share earnings may approach $1.90, which would be a new high for the company. The TAC also takes into account the utility's customer growth, which has been running at about 2.5% a year. So, even if mild weather repeats next winter, the added gas line connections from new construction and the conversions of older homes from electricity to gas should mean a continued profitable revenue buildup. Accordingly, share earnings should climb a little higher in 2000, perhaps passing the $2.00 milestone, with a small contribution from the company's developing nonregulated energy businesses.

This untimely stock offers generous current income. While the TAC's design precludes an earnings windfall from a long-lasting winter freeze, it makes for a more predictable cash flow. Perhaps, in 2001, if rising earnings serve to set the payout ratio below 70%, directors might feel confident to raise the dividend a bit. This year, the board may amend the dividend reinvestment plan by offering original-issue shares in lieu of the cash payout. The change might dilute share earnings a little, but, overall, it would augment cash flow and add more equity capital to expand SJI's borrowing capacity.

Gerald Holtzman *March 26, 1999*

(A) Based on average shares. Excl. nonrecurring profits (losses): '85, $0.09; '86, $0.22; '88, ($0.04); '89, ($0.05). Excl gain (loss) from discont. oper.: '96, $1.14; '97, ($0.24); '98, ($0.26). Excl. gain due to acct'g change: '93, $0.04. Next egs. report due early May. (B) Next dividend meeting about May 14. Goes ex about June 5. Div'd paym't dates about: Jan. 4, Mar. 31, June 30, Sept. 30. Plus stock: '93, 2%. ■ Div'd reinvest. plan available (3% discount). (C) Incl. deferred charges. In '97: $7.73/sh. (D) In mills., adj. for stock split and div'd.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	15
Earnings Predictability	70

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CASCADE NATURAL GAS CORP

AUDITOR CHANGE: NA
AUDITOR: DELOITTE & TOUCHE (SOURCE: 10-K)
AUDITOR'S REPORT: UNQUALIFIED

FIVE YEAR SUMMARY

DATE	SALES (000$)	NET INCOME	EPS
1998	189,656	9,544	0.82
1997	195,786	10,627	0.93
1996	127,665	3,012	0.28
1995	182,744	7,732	0.80
1994	192,410	5,760	0.60
GROWTH RATE	-0.3	13.4	8.1

BALANCE SHEET
ANNUAL ASSETS (000$)

FISCAL YEAR ENDING	09/30/1998	09/30/1997	09/30/1996
CASH	2,338	3,162	543
RECEIVABLES	9,271	11,865	11,646
INVENTORIES	6,213	5,886	6,063
NOTES RECEIVABLE	329	536	631
OTHER CURRENT ASSETS	5,122	7,382	5,723
TOTAL CURRENT ASSETS	23,273	28,831	24,606
PROP, PLANT & EQUIP	443,962	425,557	403,268
ACCUMULATED DEP	167,356	160,332	147,599
NET PROP & EQUIP	276,606	265,225	255,669
INVEST & ADV TO SUBS	667	668	667
OTHER NON-CUR ASSETS	1,006	1,493	1,777
DEFERRED CHARGES	9,959	11,486	13,662
TOTAL ASSETS	311,511	307,703	296,381

ANNUAL LIABILITIES (000$)

FISCAL YEAR ENDING	09/30/1998	09/30/1997	09/30/1996
NOTES PAYABLE	6,929	12,900	NA
ACCOUNTS PAYABLE	10,206	7,753	17,599
CUR LONG TERM DEBT	10,000	NA	NA
ACCRUED EXPENSES	4,570	3,958	3,113
OTHER CURRENT LIAB	11,088	10,371	9,501
TOTAL CURRENT LIAB	42,793	34,982	30,213
DEFERRED CHARGES/INC	30,451	25,134	48,341
LONG TERM DEBT	110,650	121,150	101,850
OTHER LONG TERM LIAB	9,781	8,145	NA
TOTAL LIABILITIES	193,675	189,411	180,404
PREFERRED STOCK	6,408	6,630	6,851
COMMON STOCK NET	11,045	10,967	10,787
CAPITAL SURPLUS	97,380	96,142	93,438
RETAINED EARNINGS	3,003	4,553	4,901
SHAREHOLDER EQUITY	117,836	118,292	115,977
TOT LIAB & NET WORTH	311,511	307,703	296,381

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ANNUAL INCOME (000$)

FISCAL YEAR ENDING	09/30/1998	09/30/1997	09/30/1996
NET SALES	189,656	195,786	127,665
COST OF GOODS	109,419	116,772	78,099
GROSS PROFIT	80,237	79,014	49,566
SELL GEN & ADMIN EXP	41,730	39,659	28,239
INC BEF DEP & AMORT	38,507	39,355	21,327
DEPRECIATION & AMORT	13,470	13,416	9,362
NON-OPERATING INC	-217	-145	2
INTEREST EXPENSE	9,582	8,904	7,349
INCOME BEFORE TAX	15,238	16,890	4,618
PROV FOR INC TAXES	5,694	6,263	1,606
NET INC BEF EX ITEMS	9,544	10,627	3,012
NET INCOME	9,544	10,627	3,012
OUTSTANDING SHARES	11,045	NA	10,786

CASH FLOW PROVIDED BY OPERATING ACTIVITY ($000S)

Fiscal Year Ending	09/30/1998	09/30/1997
Net Income (Loss)	9,544	10,627
Depreciation/Amortization	13,046	10,943
Net Incr (Decr) Assets/Liabs	14,696	-21,152
Other Adjustments, Net	1,278	-372
Net Cash Prov (Used) by Oper	38,564	46

CASH FLOW PROVIDED BY INVESTING ACTIVITY ($000S)

Fiscal Year Ending	09/30/1998	09/30/1997
(Incr) Decr in Prop, Plant	-25,611	-29,166
Other Cash Inflow (Outflow)	2,693	8,000
Net Cash Prov (Used) by Inv	-22,918	-21,166

CASH FLOW PROVIDED BY FINANCING ACTIVITY ($000S)

Fiscal Year Ending	09/30/1998	09/30/1997
Issue (Purchase) of Equity	532	1,531
Incr (Decr) In Borrowing	-6,471	32,050
Dividends, Other Distribution	-10,531	-9,842
Net Cash Prov (Used) by Finan	-16,470	23,739

Net Change in Cash or Equiv	-824	2,619
Cash or Equiv at Year Start	3,162	543
Cash or Equiv at Year End	2,338	3,162

COMMENTS:
FIVE YEAR DATA GIVEN AS STATED1997 FINANCIALS RESTATED

PRICING INFORMATION

FOR WEEK ENDING:	07/31/1999
LATEST TRADE DATE:	07/30/1999
OUTSTANDING SHARES (000S):	11,045
VOLUME:	23,500
HIGH (OR ASKED):	18.063
LOW (OR BID):	17.750
CLOSE (OR AVERAGE):	17.938
MARKET VALUE (000S):	198,036

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EARNINGS INFORMATION

FOR 12 MONTHS ENDING:	07/1999
EARNINGS PER SHARE:	1.20
PRICE/EARNINGS RATIO:	14.9

	CURRENT	PREVIOUS
INDICATED ANNUAL DIVIDEND:	0.960	
CURRENT DIVIDEND:	0.2400	0.2400
EX-DIVIDEND DATE:	07/13/1999	04/13/1999
RECORD DATE:	07/15/1999	04/15/1999
PAYABLE DATE:	08/13/1999	05/14/1999

I/B/E/S: EARNINGS ESTIMATES

	------EPS EST'S------			# OF	CHG IN MEAN($):	
--PERIOD-	MEAN	HIGH	LOW	ESTS	1MONTH	3MONTH
FY 09/99	1.18	1.20	1.15	4	0.09	0.09
FY 09/00	1.19	1.21	1.15	4	-0.01	-0.01
QTR 09/99	-0.20	-0.18	-0.22	3	0.00	-0.70
QTR 12/99	0.65	0.65	0.65	1	0.00	0.65

EARNINGS PER SHARE ANNUAL GROWTH RATES

LAST 5 YEARS	-25.6%	FY99/98	40.5%	QTR 09/99	N-%
NEXT 5 YEARS	3.5%	FY00/99	1.1%	QTR 12/99	8.3%

		ESTD F/Y EPS:		
CGC CASCADE NAT GAS				
INDUSTRY CODE: GASUTI	PRICE	09/99	09/00	YIELD
GAS UTILITIES	18.00	1.18	1.19	5.3%

FY09/98 EPS:	0.84	DIVIDEND:	0.96	YIELD:	5.3%
FY09/99 P/E:	15.3	P/E REL S&P:	0.49	P/E REL IND:	0.57
FY09/00 P/E:	15.1	P/E REL S&P:	0.57	P/E REL IND:	0.65

	----FCST EPS GRWTH----			---RELATIVE----	
	CGC	IND	S&P 500	CGC TO IND	CGC TO S&P
FY99 VS FY98	40.5%	14.2%	16.1%	285	251
FY00 VS FY99	1.1%	20.6%	17.1%	5	6
NEXT 5 YEARS	3.5%	11.6%	15.8%	30	22
LAST 5 YEARS	-25.6%	8.1%	16.4%	-220	-162
P/E FY 1998	15.3	26.5	30.9	57	49
P/E FY 1999	15.1	23.3	26.6	65	57

DISTRIBUTION OF EPS ESTS. AS OF 07/30/99

CGC EPS FY 09/98 $ 0.84

FY 09/99 - 4 ESTS MEAN EPS $ 1.18

FY 09/00 - 4 ESTS MEAN EPS $ 1.19

```
                                                             X
           R     R R R                         N            XX
 +---------+---------+---------+  +---------+---------+---------+
$1.10     1.15      1.20    1.1.10     1.15      1.20    1.25
X=EST R/L=RAISED/LOWERED PAST MO. N=NEW PAST MO. *=9+ ESTS
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KEY ANNUAL FINANCIAL RATIOS

FISCAL YEAR ENDING	09/30/1998	09/30/1997	09/30/1996
QUICK RATIO	0.27	0.43	0.40
CURRENT RATIO	0.54	0.82	0.81
SALES/CASH	81.12	61.92	235.11
SG & A/SALES	0.22	0.20	0.22
RECEIVABLES TURNOVER	20.46	16.50	10.96
RECEIVABLES DAYS SALES	17.60	21.82	32.84
INVENTORIES TURNOVER	30.53	33.26	21.06
INVENTORIES DAYS SALES	11.79	10.82	17.10
NET SALES/WORKING CAPITAL	-9.72	-31.83	-22.77
NET SALES/PLANT & EQUIPMENT	0.69	0.74	0.50
NET SALES/CURRENT ASSETS	8.15	6.79	5.19
NET SALES/TOTAL ASSETS	0.61	0.64	0.43
NET SALES/EMPLOYEES	394,295	404,517	270,477
TOTAL LIAB/TOTAL ASSETS	0.62	0.62	0.61
TOTAL LIAB/INVESTED CAPITAL	0.85	0.79	0.83
TOTAL LIAB/COMMON EQUITY	1.74	1.70	1.65
TIMES INTEREST EARNED	2.59	2.90	1.63
CURRENT DEBT/EQUITY	0.08	NA	NA
LONG TERM DEBT/EQUITY	0.94	1.02	0.88
TOTAL DEBT/EQUITY	1.02	1.02	0.88
TOTAL ASSETS/EQUITY	2.64	2.60	2.56
PRETAX INC/NET SALES	0.08	0.09	0.04
PRETAX INC/TOTAL ASSETS	0.05	0.05	0.02
PRETAX INC/INVESTED CAPITAL	0.07	0.07	0.02
PRETAX INC/COMMON EQUITY	0.14	0.15	0.04
NET INCOME/NET SALES	0.05	0.05	0.02
NET INCOME/TOTAL ASSETS	0.03	0.03	0.01
NET INCOME/INVESTED CAPITAL	0.04	0.04	0.01
NET INCOME/COMMON EQUITY	0.09	0.10	0.03

FINANCIAL STATEMENT TEXT:
NA; Assets Statement Full text to be supplied in future update.

NA; Liabilities Statement Full text to be supplied in future update.

NA; Income Statement Full text to be supplied in future update.

CONNECTICUT ENERGY CORP

AUDITOR CHANGE: NA
AUDITOR: PRICEWATERHOUSECOOPERS, LLP (SOURCE: 10-K)
AUDITOR'S REPORT: UNQUALIFIED

FIVE YEAR SUMMARY

DATE	SALES (000$)	NET INCOME	EPS
1998	242,431	19,011	1.88
1997	252,008	16,441	1.81
1996	261,093	15,165	1.70
1995	232,093	14,060	1.60
1994	240,873	12,843	1.58
GROWTH RATE	0.1	10.3	4.4

PRELIMINARY EARNINGS DATA

ITEMS	VALUES	PERIOD	NEWS DATE
Basic EPS	1.63	2Q	04/27/1999
Basic EPS	2.23	6M	04/27/1999
Primary EPS	-0.32	4Q	11/04/1997
Primary EPS	1.81	12M	11/04/1997
Fully Diluted EPS	1.62	2Q	04/27/1999
Fully Diluted EPS	2.21	6M	04/27/1999
Net Sales	106,164,000	2Q	04/27/1999
Net Sales	167,758,000	6M	04/27/1999
Operating Profit	20,333,000	2Q	04/27/1999
Operating Profit	29,629,000	6M	04/27/1999
Net Income	16,746,000	2Q	04/27/1999
Net Income	22,841,000	6M	04/27/1999
WtdAvg ComStock(Basic)	10,259,026	2Q	04/27/1999
WtdAvg ComStock(Basic)	10,249,164	6M	04/27/1999
WtdAvg ComStock(Primary)	9,152,261	4Q	11/04/1997
WtdAvg ComStock(Primary)	9,095,521	12M	11/04/1997
WtdAvg ComStock(Fully Diluted)	10,351,040	2Q	04/27/1999
WtdAvg ComStock(Fully Diluted)	10,341,178	6M	04/27/1999

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Connecticut Energy

BALANCE SHEET

ANNUAL ASSETS (000$)

FISCAL YEAR ENDING	09/30/98	09/30/97	09/30/96
CASH	10,091	6,644	5,121
RECEIVABLES	26,921	29,179	30,873
INVENTORIES	10,491	12,606	15,331
OTHER CURRENT ASSETS	10,903	12,131	4,449
TOTAL CURRENT ASSETS	58,406	60,560	55,774
PROP, PLANT & EQUIP	417,241	403,018	378,913
ACCUMULATED DEP	137,493	130,553	118,348
NET PROP & EQUIP	279,748	272,465	260,565
DEFERRED CHARGES	60,641	48,967	47,673
DEPOSITS & OTH ASSET	60,606	42,289	35,216
TOTAL ASSETS	459,401	424,281	399,228

ANNUAL LIABILITIES (000$)

FISCAL YEAR ENDING	09/30/98	09/30/97	09/30/96
NOTES PAYABLE	22,400	31,400	19,200
ACCOUNTS PAYABLE	10,499	12,609	14,250
CUR LONG TERM DEBT	1,321	4,654	595
ACCRUED EXPENSES	5,410	8,066	9,124
INCOME TAXES	1,537	5,017	2,424
OTHER CURRENT LIAB	6,967	8,237	6,093
TOTAL CURRENT LIAB	48,134	69,983	51,686
DEFERRED CHARGES/INC	83,957	75,711	70,854
LONG TERM DEBT	150,007	134,073	138,727
OTHER LONG TERM LIAB	150	NA	NA
TOTAL LIABILITIES	282,248	279,767	261,267
COMMON STOCK NET	10,290	9,172	9,012
CAPITAL SURPLUS	119,961	94,540	91,079
RETAINED EARNINGS	47,685	42,297	37,870
OTHER EQUITIES	-783	-1,495	NA
SHAREHOLDER EQUITY	177,153	144,514	137,961
TOT LIAB & NET WORTH	459,401	424,281	399,228

ANNUAL INCOME (000$)

FISCAL YEAR ENDING	09/30/98	09/30/97	09/30/96
NET SALES	242,431	252,008	261,093
COST OF GOODS	124,273	136,251	145,412
GROSS PROFIT	118,158	115,757	115,681
SELL GEN & ADMIN EXP	64,996	62,159	64,659
INC BEF DEP & AMORT	53,162	53,598	51,022
DEPRECIATION & AMORT	16,904	15,774	14,752
NON-OPERATING INC	2,331	1,229	-546
INTEREST EXPENSE	13,140	13,677	12,953
INCOME BEFORE TAX	25,449	25,376	22,771
PROV FOR INC TAXES	6,438	8,935	7,606
NET INC BEF EX ITEMS	19,011	16,441	15,165
NET INCOME	19,011	16,441	15,165
OUTSTANDING SHARES	10,289	9,172	9,012

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onnecticut Energy:

H FLOW PROVIDED BY OPERATING ACTIVITY ($000S)		
Fiscal Year Ending	09/30/98	09/30/97
Net Income (Loss)	19,011	16,441
Depreciation/Amortization	18,065	16,704
Net Incr (Decr) Assets/Liabs	-17,030	-11,624
Other Adjustments, Net	7,735	7,297
Net Cash Prov (Used) by Oper	27,781	28,818

CASH FLOW PROVIDED BY INVESTING ACTIVITY ($000S)		
Fiscal Year Ending	09/30/98	09/30/97
(Incr) Decr in Prop, Plant	-24,581	-27,981
(Acq) Disp of Subs, Business	-12,171	-1,458
Net Cash Prov (Used) by Inv	-36,752	-29,439

CASH FLOW PROVIDED BY FINANCING ACTIVITY ($000S)		
Fiscal Year Ending	09/30/98	09/30/97
Issue (Purchase) of Equity	27,297	2,553
Issue (Repayment) of Debt	29,328	NA
Incr (Decr) In Borrowing	-30,584	11,605
Dividends, Other Distribution	-13,623	-12,014
Net Cash Prov (Used) by Finan	12,418	2,144
Net Change in Cash or Equiv	3,447	1,523
Cash or Equiv at Year Start	6,644	5,121
h or Equiv at Year End	10,091	6,644

COMMENTS:
NA

PRICING INFORMATION	
FOR WEEK ENDING:	05/31/99
LATEST TRADE DATE:	05/28/99
OUTSTANDING SHARES (000S):	10,376
VOLUME:	15,300
HIGH (OR ASKED):	37.750
LOW (OR BID):	37.563
CLOSE (OR AVERAGE):	37.563
MARKET VALUE (000S):	389,722

EARNINGS INFORMATION	
FOR 12 MONTHS ENDING:	05/99
EARNINGS PER SHARE:	1.94
PRICE/EARNINGS RATIO:	19.3

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Connecticut Energy:

	CURRENT	PREVIOUS
INDICATED ANNUAL DIVIDEND:	1.340	
CURRENT DIVIDEND:	0.3350	0.3350
EX-DIVIDEND DATE:	03/17/99	12/03/98
RECORD DATE:	03/19/99	12/07/98
PAYABLE DATE:	03/31/99	12/31/98

I/B/E/S: EARNINGS ESTIMATES

	------EPS EST'S------			# OF	CHG IN MEAN($):	
--PERIOD-	MEAN	HIGH	LOW	ESTS	1MONTH	3MONTH
FY 09/99	1.93	1.98	1.85	4	0.00	-0.05
FY 09/00	1.97	2.05	1.84	4	0.00	-0.12
QTR 06/99	-0.10	-0.10	-0.10	1	NA	-1.75
QTR 09/99	-0.26	-0.26	-0.26	1	NA	-0.17

EARNINGS PER SHARE ANNUAL GROWTH RATES

LAST 5 YEARS	-3.6%	FY99/98	1.4%	QTR 06/99	0.0%
NEXT 5 YEARS	7.2%	FY00/99	2.3%	QTR 09/99	N-%

		ESTD F/Y EPS:		
CNE CONN ENERGY				
INDUSTRY CODE: GASUTI	PRICE	09/99	09/00	YIELD
GAS UTILITIES	37.38	1.93	1.97	3.6%

FY09/98 EPS:	1.90	DIVIDEND:	1.34	YIELD:	3.6%
FY09/99 P/E:	19.4	P/E REL S&P:	0.65	P/E REL IND:	0.80
FY09/00 P/E:	18.9	P/E REL S&P:	0.74	P/E REL IND:	0.86

	----FCST EPS GRWTH----			---RELATIVE----	
	CNE	IND	S&P 500	CNE TO IND	CNE TO S&P
FY99 VS FY98	1.4%	10.3%	16.6%	14	9
FY00 VS FY99	2.3%	18.4%	16.8%	13	14
NEXT 5 YEARS	7.2	11.6%	15.5%	62	47
LAST 5 YEARS	-3.6%	6.6%	16.5%	-31	-23
P/E FY 1998	19.4	24.3	29.8	80	65
P/E FY 1999	18.9	22.0	25.6	86	74

DISTRIBUTION OF EPS ESTS. AS OF 05/28/99
CNE EPS FY 09/98 $ 1.90

FY 09/99 - 4 ESTS
MEAN EPS $ 1.93

FY 09/00 - 4 ESTS
MEAN EPS $ 1.97

```
                                                            X
    X       X X  X               X                          X   X
+--------+--------+--------+ +--------+--------+--------+
$1.80    1.90     2.00     2.1.80    1.90     2.00     2.10
```

X=EST R/L=RAISED/LOWERED PAST MO. N=NEW PAST MO. *=9+ ESTS

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Conn. Energy KEY ANNUAL FINANCIAL RATIOS

FISCAL YEAR ENDING	09/30/98	09/30/97	09/30/96
QUICK RATIO	0.77	0.51	0.70
CURRENT RATIO	1.21	0.87	1.08
SALES/CASH	24.02	37.93	50.98
SG & A/SALES	0.27	0.25	0.25
RECEIVABLES TURNOVER	9.01	8.64	8.46
RECEIVABLES DAYS SALES	39.98	41.68	42.57
INVENTORIES TURNOVER	23.11	19.99	17.03
INVENTORIES DAYS SALES	15.58	18.01	21.14
NET SALES/WORKING CAPITAL	23.60	-26.74	63.87
NET SALES/PLANT & EQUIPMENT	0.87	0.92	1.00
NET SALES/CURRENT ASSETS	4.15	4.16	4.68
NET SALES/TOTAL ASSETS	0.53	0.59	0.65
NET SALES/EMPLOYEES	496785	503010	512953
TOTAL LIAB/TOTAL ASSETS	0.61	0.66	0.65
TOTAL LIAB/INVESTED CAPITAL	0.86	1.00	0.94
TOTAL LIAB/COMMON EQUITY	1.59	1.94	1.89
TIMES INTEREST EARNED	2.94	2.86	2.76
CURRENT DEBT/EQUITY	0.01	0.03	0.00
LONG TERM DEBT/EQUITY	0.85	0.93	1.01
TOTAL DEBT/EQUITY	0.85	0.96	1.01
TOTAL ASSETS/EQUITY	2.59	2.94	2.89
PRETAX INC/NET SALES	0.10	0.10	0.09
PRETAX INC/TOTAL ASSETS	0.06	0.06	0.06
PRETAX INC/INVESTED CAPITAL	0.08	0.09	0.08
PRETAX INC/COMMON EQUITY	0.14	0.18	0.17
NET INCOME/NET SALES	0.08	0.07	0.06
NET INCOME/TOTAL ASSETS	0.04	0.04	0.04
NET INCOME/INVESTED CAPITAL	0.06	0.06	0.05
NET INCOME/COMMON EQUITY	0.11	0.11	0.11

FINANCIAL STATEMENT TEXT:
NA; Assets Statement Full text to be supplied in future update.

NA; Liabilities Statement Full text to be supplied in future update.

NA; Income Statement Full text to be supplied in future update.

CTG RESOURCES INC

AUDITOR CHANGE: NA
AUDITOR: ARTHUR ANDERSEN & CO. (SOURCE: 10-K)
AUDITOR'S REPORT: UNQUALIFIED

FIVE YEAR SUMMARY

DATE	SALES (000$)	NET INCOME	EPS
1998	282,748	15,135	1.71
1997	305,295	17,013	1.60
1996	315,103	18,932	1.87
1995	274,935	16,957	1.71
1994	290,420	17,637	1.85
GROWTH RATE	-0.6	-3.7	-1.9

PRELIMINARY EARNINGS DATA

ITEMS	VALUES	PERIOD	NEWS DATE
Basic EPS	1.41	2Q	04/28/1999
Primary EPS	-0.28	4Q	11/06/1997
Primary EPS	1.60	12M	11/06/1997
Net Sales	113,001,000	2Q	04/28/1999
Operating Profit	15,990,000	2Q	04/28/1999
Net Income	12,241,000	2Q	04/28/1999
Total Current Assets	105,295,000	2Q	04/28/1999
Total Assets	492,542,000	2Q	04/28/1999
Total Current Liabilities	56,368,000	2Q	04/28/1999
Total Liabilities	458,872,000	2Q	04/29/1998
Stockholder's Equity	126,907,000	12M	02/01/1999
WtdAvg ComStock(Basic)	8,648,029	2Q	04/28/1999
WtdAvg ComStock(Primary)	10,635,955	4Q	11/06/1997
WtdAvg ComStock(Primary)	10,632,001	12M	11/06/1997

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[illegible]G Resources

BALANCE SHEET

ANNUAL ASSETS (000$)

FISCAL YEAR ENDING	09/30/98	09/30/97	09/30/96
CASH	1,264	4,458	8,515
RECEIVABLES	31,513	25,287	25,033
INVENTORIES	17,852	17,584	15,968
OTHER CURRENT ASSETS	15,496	13,527	15,100
TOTAL CURRENT ASSETS	66,125	60,856	64,616
PROP, PLANT & EQUIP	514,189	491,953	470,794
ACCUMULATED DEP	176,173	160,313	145,042
NET PROP & EQUIP	338,016	331,640	325,752
INVEST & ADV TO SUBS	11,821	11,530	9,914
DEFERRED CHARGES	10,734	17,263	47,670
DEPOSITS & OTH ASSET	32,485	23,084	19,027
TOTAL ASSETS	459,181	444,373	466,979

ANNUAL LIABILITIES (000$)

FISCAL YEAR ENDING	09/30/98	09/30/97	09/30/96
NOTES PAYABLE	2,000	27,500	NA
ACCOUNTS PAYABLE	30,813	36,968	40,721
OTHER CURRENT LIAB	1,640	4,714	6,012
CUR LONG TERM DEBT	5,733	1,487	13,968
ACCRUED EXPENSES	5,024	4,531	4,479
TOTAL CURRENT LIAB	45,210	75,200	65,180
DEFERRED CHARGES/INC	73,843	72,203	95,586
LONG TERM DEBT	215,852	126,787	136,432
TOTAL LIABILITIES	334,905	274,190	297,198
PREFERRED STOCK	879	884	899
COMMON STOCK NET	67,448	120,409	168,882
RETAINED EARNINGS	56,447	49,924	NA
OTHER EQUITIES	-498	-1,034	NA
SHAREHOLDER EQUITY	124,276	170,183	169,781
TOT LIAB & NET WORTH	459,181	444,373	466,979

ANNUAL INCOME (000$)

FISCAL YEAR ENDING	09/30/98	09/30/97	09/30/96
NET SALES	282,748	305,295	315,103
COST OF GOODS	168,706	186,574	195,500
GROSS PROFIT	114,042	118,721	119,603
SELL GEN & ADMIN EXP	53,072	55,964	57,230
INC BEF DEP & AMORT	60,970	62,757	62,373
DEPRECIATION & AMORT	19,305	18,184	17,765
NON-OPERATING INC	1,665	2,302	2,466
INTEREST EXPENSE	15,924	12,841	13,715
INCOME BEFORE TAX	27,406	34,034	33,359
PROV FOR INC TAXES	12,210	16,959	14,364
NET INC BEF EX ITEMS	15,196	17,075	18,995
NET INCOME	15,196	17,075	18,995
OUTSTANDING SHARES	8,652	10,652	NA

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G Resources:

SH FLOW PROVIDED BY OPERATING ACTIVITY ($000S)

Fiscal Year Ending	09/30/98	09/30/97
Net Income (Loss)	15,196	17,075
Depreciation/Amortization	20,628	18,098
Net Incr (Decr) Assets/Liabs	-16,920	-10,679
Other Adjustments, Net	8,187	5,060
Net Cash Prov (Used) by Oper	27,091	29,554

CASH FLOW PROVIDED BY INVESTING ACTIVITY ($000S)

Fiscal Year Ending	09/30/98	09/30/97
(Incr) Decr in Prop, Plant	-22,435	-24,593
(Incr) Decr in Securities Inv	-13,724	1,815
Net Cash Prov (Used) by Inv	-36,159	-22,778

CASH FLOW PROVIDED BY FINANCING ACTIVITY ($000S)

Fiscal Year Ending	09/30/98	09/30/97
Issue (Purchase) of Equity	-53,280	-30
Issue (Repayment) of Debt	62,511	-22,126
Incr (Decr) In Borrowing	5,300	27,500
Dividends, Other Distribution	-8,657	-16,177
Net Cash Prov (Used) by Finan	5,874	-10,833

Net Change in Cash or Equiv	-3,194	-4,057
ash or Equiv at Year Start	4,458	8,515
h or Equiv at Year End	1,264	4,458

COMMENTS:

09-30-97 FINANCIALS AND 09-30-96 INCOME STATEMENT RECLASSIFIED; FIVE YEAR SUMMARY DATA GIVEN AS REPORTED

PRICING INFORMATION	
FOR WEEK ENDING:	05/31/99
LATEST TRADE DATE:	05/28/99
OUTSTANDING SHARES (000S):	8,648
VOLUME:	16,400
HIGH (OR ASKED):	26.125
LOW (OR BID):	25.375
CLOSE (OR AVERAGE):	25.563
MARKET VALUE (000S):	221,042

EARNINGS INFORMATION	
FOR 12 MONTHS ENDING:	05/99
EARNINGS PER SHARE:	1.76
PRICE/EARNINGS RATIO:	14.5

18-86

CTG Resources:

	CURRENT	PREVIOUS
INDICATED ANNUAL DIVIDEND:	1.040	
CURRENT DIVIDEND:	0.2600	0.2600
EX-DIVIDEND DATE:	03/10/99	12/09/98
RECORD DATE:	03/12/99	12/11/98
PAYABLE DATE:	03/26/99	12/18/98

I/B/E/S: EARNINGS ESTIMATES

	------EPS EST'S------			# OF	CHG IN MEAN($):	
--PERIOD-	MEAN	HIGH	LOW	ESTS	1MONTH	3MONTH
FY 09/99	1.81	1.82	1.80	3	0.00	-0.11
FY 09/00	2.00	2.05	1.95	3	-0.03	-0.10
QTR 06/99	0.05	0.05	0.05	1	0.00	-1.40
QTR 09/99	-0.32	-0.32	-0.32	1	-0.06	-0.37

EARNINGS PER SHARE ANNUAL GROWTH RATES

LAST 5 YEARS	-22.5%	FY99/98	4.4%	QTR 06/99	150.0%
NEXT 5 YEARS	5.5%	FY00/99	10.7%	QTR 09/99	N+%

		ESTD F/Y EPS:		
CTG CTG RESOURCES				
INDUSTRY CODE: GASUTI	PRICE	09/99	09/00	YIELD
GAS UTILITIES	25.31	1.81	2.00	4.1%

FY09/98 EPS:	1.73	DIVIDEND:	1.04	YIELD:	4.1%
FY09/99 P/E:	14.0	P/E REL S&P:	0.47	P/E REL IND:	0.58
FY09/00 P/E:	12.7	P/E REL S&P:	0.49	P/E REL IND:	0.57

	----FCST EPS GRWTH----			---RELATIVE----	
	CTG	IND	S&P 500	CTG TO IND	CTG TO S&P
FY99 VS FY98	4.4%	10.3%	16.6%	43	27
FY00 VS FY99	10.7%	18.4%	16.8%	58	64
NEXT 5 YEARS	5.5	11.6%	15.5%	47	36
LAST 5 YEARS	-22.5%	6.6%	16.5%	-194	-145
P/E FY 1998	14.0	24.3	29.8	58	47
P/E FY 1999	12.7	22.0	25.6	57	49

DISTRIBUTION OF EPS ESTS. AS OF 05/28/99

CTG EPS FY 09/98 $ 1.73

FY 09/99 - 3 ESTS FY 09/00 - 3 ESTS

MEAN EPS $ 1.81 MEAN EPS $ 2.00

```
                  X
                  X  L                      N        L         X
 +--------+--------+--------+  +--------+--------+--------+
$1.70    1.75    1.80   1.1.90   1.95     2.00    2.05
```

X=EST R/L=RAISED/LOWERED PAST MO. N=NEW PAST MO. *=9+ ESTS

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TG Resources KEY ANNUAL FINANCIAL RATIOS

FISCAL YEAR ENDING	09/30/98	09/30/97	09/30/96
QUICK RATIO	0.72	0.40	0.51
CURRENT RATIO	1.46	0.81	0.99
SALES/CASH	223.69	68.48	37.01
SG & A/SALES	0.19	0.18	0.18
RECEIVABLES TURNOVER	8.97	12.07	12.59
RECEIVABLES DAYS SALES	40.12	29.82	28.60
INVENTORIES TURNOVER	15.84	17.36	19.73
INVENTORIES DAYS SALES	22.73	20.73	18.24
NET SALES/WORKING CAPITAL	13.52	-21.28	-999.99
NET SALES/PLANT & EQUIPMENT	0.84	0.92	0.97
NET SALES/CURRENT ASSETS	4.28	5.02	4.88
NET SALES/TOTAL ASSETS	0.62	0.69	0.67
NET SALES/EMPLOYEES	509456	532801	NA
TOTAL LIAB/TOTAL ASSETS	0.73	0.62	0.64
TOTAL LIAB/INVESTED CAPITAL	0.98	0.92	0.97
TOTAL LIAB/COMMON EQUITY	2.71	1.62	1.76
TIMES INTEREST EARNED	2.72	3.65	3.43
CURRENT DEBT/EQUITY	0.05	0.01	0.08
LONG TERM DEBT/EQUITY	1.74	0.75	0.80
TOTAL DEBT/EQUITY	1.78	0.75	0.89
TOTAL ASSETS/EQUITY	3.69	2.61	2.75
PRETAX INC/NET SALES	0.10	0.11	0.11
PRETAX INC/TOTAL ASSETS	0.06	0.08	0.07
PRETAX INC/INVESTED CAPITAL	0.08	0.11	0.11
PRETAX INC/COMMON EQUITY	0.22	0.20	0.20
NET INCOME/NET SALES	0.05	0.06	0.06
NET INCOME/TOTAL ASSETS	0.03	0.04	0.04
NET INCOME/INVESTED CAPITAL	0.04	0.06	0.06
NET INCOME/COMMON EQUITY	0.12	0.10	0.11

FINANCIAL STATEMENT TEXT:

NA; Assets Statement Full text to be supplied in future update.

NA; Liabilities Statement Full text to be supplied in future update.

NA; Income Statement Full text to be supplied in future update.

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NERGEN CORP

AUDITOR CHANGE: NA
AUDITOR: PRICEWATERHOUSECOOPERS, LLP (SOURCE: 10-K)
AUDITOR'S REPORT: UNQUALIFIED

PRELIMINARY EARNINGS DATA

ITEMS	VALUES	PERIOD	NEWS DATE
Basic EPS	1.43	2Q	04/28/1999
Basic EPS	1.57	6M	04/28/1999
Primary EPS	-0.58	4Q	10/22/1997
Primary EPS	2.31	12M	10/22/1997
Fully Diluted EPS	1.42	2Q	04/28/1999
Fully Diluted EPS	1.55	6M	04/28/1999
Net Sales	188,390,000	2Q	04/28/1999
Net Sales	302,358,000	6M	04/28/1999
Operating Profit	50,779,000	2Q	04/28/1999
Operating Profit	63,740,000	6M	04/28/1999
Pre-Tax Income	41,485,000	2Q	04/28/1999
Pre-Tax Income	45,049,000	6M	04/28/1999
Net Income	42,369,000	2Q	04/28/1999
Net Income	46,211,000	6M	04/28/1999
WtdAvg ComStock(Basic)	29,589,000	2Q	04/28/1999
WtdAvg ComStock(Basic)	29,511,000	6M	04/28/1999
WtdAvg ComStock(Primary)	13,261,000	4Q	10/22/1997
WtdAvg ComStock(Fully Diluted)	29,870,000	2Q	04/28/1999
WtdAvg ComStock(Fully Diluted)	29,810,000	6M	04/28/1999

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ergen: BALANCE SHEET

ANNUAL ASSETS (000$)			
FISCAL YEAR ENDING	09/30/98	09/30/97	09/30/96
CASH	103,231	105,402	17,074
RECEIVABLES	64,173	70,676	42,353
INVENTORIES	33,288	36,278	38,335
OTHER CURRENT ASSETS	17,761	29,809	17,533
TOTAL CURRENT ASSETS	218,453	242,165	115,295
PROP, PLANT & EQUIP	1,152,138	1,042,306	773,178
ACCUMULATED DEP	395,794	375,303	328,262
NET PROP & EQUIP	756,344	667,003	444,916
DEFERRED CHARGES	18,658	10,629	10,760
TOTAL ASSETS	993,455	919,797	570,971

ANNUAL LIABILITIES (000$)			
FISCAL YEAR ENDING	09/30/98	09/30/97	09/30/96
NOTES PAYABLE	153,000	202,000	59,000
ACCOUNTS PAYABLE	33,533	49,196	32,659
CUR LONG TERM DEBT	7,209	1,855	1,805
ACCRUED EXPENSES	36,554	32,019	29,151
OTHER CURRENT LIAB	53,945	45,681	53,159
TOTAL CURRENT LIAB	284,241	330,751	175,774
DEFERRED CHARGES/INC	NA	NA	972
LONG TERM DEBT	372,782	279,602	195,545
OTHER LONG TERM LIAB	7,183	8,301	10,275
TOTAL LIABILITIES	664,206	618,654	382,566
COMMON STOCK NET	293	144	112
CAPITAL SURPLUS	198,676	188,643	89,635
RETAINED EARNINGS	131,153	112,356	98,658
TREASURY STOCK	873	NA	NA
SHAREHOLDER EQUITY	329,249	301,143	188,405
TOT LIAB & NET WORTH	993,455	919,797	570,971

ANNUAL INCOME (000$)			
FISCAL YEAR ENDING	09/30/98	09/30/97	09/30/96
NET SALES	502,627	448,230	399,442
COST OF GOODS	322,427	303,512	290,710
GROSS PROFIT	180,200	144,718	108,732
SELL GEN & ADMIN EXP	37,716	33,044	28,817
INC BEF DEP & AMORT	142,484	111,674	79,915
DEPRECIATION & AMORT	80,999	59,688	41,118
NON-OPERATING INC	2,544	3,014	1,712
INTEREST EXPENSE	30,001	22,906	13,920
INCOME BEFORE TAX	34,028	32,094	26,589
PROV FOR INC TAXES	-2,221	3,097	5,048
NET INC BEF EX ITEMS	36,249	28,997	21,541
NET INCOME	36,249	28,997	21,541
OUTSTANDING SHARES	29,326	14,398	11,162

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Energen

CASH FLOW PROVIDED BY OPERATING ACTIVITY ($000S)		
Fiscal Year Ending	09/30/98	09/30/97
Net Income (Loss)	36,249	28,997
Depreciation/Amortization	80,999	59,688
Net Incr (Decr) Assets/Liabs	23,808	-21,299
Other Adjustments, Net	-17,433	-4,287
Net Cash Prov (Used) by Oper	123,623	63,099

CASH FLOW PROVIDED BY INVESTING ACTIVITY ($000S)		
Fiscal Year Ending	09/30/98	09/30/97
(Incr) Decr in Prop, Plant	-174,578	-283,274
(Acq) Disp of Subs, Business	7,636	1,871
(Incr) Decr in Securities Inv	730	527
Other Cash Inflow (Outflow)	-96	1,030
Net Cash Prov (Used) by Inv	-166,308	-279,846

CASH FLOW PROVIDED BY FINANCING ACTIVITY ($000S)		
Fiscal Year Ending	09/30/98	09/30/97
Issue (Purchase) of Equity	10,038	99,040
Issue (Repayment) of Debt	100,476	183,052
Incr (Decr) In Borrowing	-51,819	44,055
Dividends, Other Distribution	-18,181	-15,299
Net Cash Prov (Used) by Finan	40,514	310,848

Net Change in Cash or Equiv	-2,171	94,101
Cash or Equiv at Year Start	105,402	11,301
Effect		
Cash or Equiv at Year End	103,231	105,402

COMMENTS:
FIVE YEAR SUMMARY NOT GIVEN

PRICING INFORMATION	
FOR WEEK ENDING:	05/31/99
LATEST TRADE DATE:	05/28/99
OUTSTANDING SHARES (000S):	29,715
VOLUME:	30,500
HIGH (OR ASKED):	19.438
LOW (OR BID):	18.938
CLOSE (OR AVERAGE):	19.125
MARKET VALUE (000S):	568,150

EARNINGS INFORMATION	
FOR 12 MONTHS ENDING:	05/99
EARNINGS PER SHARE:	1.19
PRICE/EARNINGS RATIO:	16.0

18-91

Energen:

		CURRENT	PREVIOUS
INDICATED ANNUAL DIVIDEND:	0.640		
CURRENT DIVIDEND:	0.1600	0.1600	
EX-DIVIDEND DATE:	05/12/99	02/10/99	
RECORD DATE:	05/14/99	02/12/99	
PAYABLE DATE:	06/01/99	03/01/99	

I/B/E/S: EARNINGS ESTIMATES

	------EPS EST'S------			# OF	CHG IN MEAN($):	
--PERIOD-	MEAN	HIGH	LOW	ESTS	1MONTH	3MONTH
FY 09/99	1.27	1.30	1.25	6	0.00	-0.02
FY 09/00	1.38	1.40	1.35	4	0.07	0.02
QTR 06/99	0.03	0.05	0.00	4	-0.03	-1.33
QTR 09/99	-0.29	-0.24	-0.35	4	-0.04	-0.34

EARNINGS PER SHARE ANNUAL GROWTH RATES

LAST 5 YEARS	18.0%	FY99/98	3.1%	QTR 06/99	NA%
NEXT 5 YEARS	7.2%	FY00/99	8.4%	QTR 09/99	N+%

		ESTD F/Y EPS:		
EGN ENERGEN CP				
INDUSTRY CODE: GASUTI	PRICE	09/99	09/00	YIELD
GAS UTILITIES	19.31	1.27	1.38	3.3%

FY09/98 EPS:	1.23	DIVIDEND:	0.64	YIELD:	3.3%
FY09/99 P/E:	15.2	P/E REL S&P:	0.51	P/E REL IND:	0.63
FY09/00 P/E:	14.0	P/E REL S&P:	0.55	P/E REL IND:	0.64

	----FCST EPS GRWTH----			---RELATIVE----	
	EGN	IND	S&P 500	EGN TO IND	EGN TO S&P
FY99 VS FY98	3.1%	10.3%	16.6%	30	19
FY00 VS FY99	8.4%	18.4%	16.8%	46	50
NEXT 5 YEARS	7.2	11.6%	15.5%	62	47
LAST 5 YEARS	18.0%	6.6%	16.5%	155	116
P/E FY 1998	15.2	24.3	29.8	63	51
P/E FY 1999	14.0	22.0	25.6	64	55

DISTRIBUTION OF EPS ESTS. AS OF 05/28/99

EGN EPS FY 09/98 $ 1.23

FY 09/99 - 6 ESTS FY 09/00 - 4 ESTS

MEAN EPS $ 1.27 MEAN EPS $ 1.38

```
          X
          X        R                               N       R
          XL       X                               R       R
+---------+--------+--------+ +--------+--------+--------+
$1.20    1.25     1.30    1.1.25    1.30     1.35    1.40
X=EST R/L=RAISED/LOWERED PAST MO. N=NEW PAST MO. *=9+ ESTS
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Energen KEY ANNUAL FINANCIAL RATIOS

FISCAL YEAR ENDING	09/30/98	09/30/97	09/30/96
QUICK RATIO	0.59	0.53	0.34
CURRENT RATIO	0.77	0.73	0.66
SALES/CASH	4.87	4.25	23.39
SG & A/SALES	0.08	0.07	0.07
RECEIVABLES TURNOVER	7.83	6.34	9.43
RECEIVABLES DAYS SALES	45.96	56.76	38.17
INVENTORIES TURNOVER	15.10	12.36	10.42
INVENTORIES DAYS SALES	23.84	29.14	34.55
NET SALES/WORKING CAPITAL	-7.64	-5.06	-6.60
NET SALES/PLANT & EQUIPMENT	0.66	0.67	0.90
NET SALES/CURRENT ASSETS	2.30	1.85	3.46
NET SALES/TOTAL ASSETS	0.51	0.49	0.70
NET SALES/EMPLOYEES	176857	152563	138985
TOTAL LIAB/TOTAL ASSETS	0.67	0.67	0.67
TOTAL LIAB/INVESTED CAPITAL	0.95	1.07	1.00
TOTAL LIAB/COMMON EQUITY	2.02	2.05	2.03
TIMES INTEREST EARNED	2.13	2.40	2.91
CURRENT DEBT/EQUITY	0.02	0.01	0.01
LONG TERM DEBT/EQUITY	1.13	0.93	1.04
TOTAL DEBT/EQUITY	1.15	0.93	1.05
TOTAL ASSETS/EQUITY	3.02	3.05	3.03
PRETAX INC/NET SALES	0.07	0.07	0.07
PRETAX INC/TOTAL ASSETS	0.03	0.03	0.05
PRETAX INC/INVESTED CAPITAL	0.05	0.06	0.07
PRETAX INC/COMMON EQUITY	0.10	0.11	0.14
NET INCOME/NET SALES	0.07	0.06	0.05
NET INCOME/TOTAL ASSETS	0.04	0.03	0.04
NET INCOME/INVESTED CAPITAL	0.05	0.05	0.06
NET INCOME/COMMON EQUITY	0.11	0.10	0.11

FINANCIAL STATEMENT TEXT:
NA; Assets Statement Full text to be supplied in future update.

NA; Liabilities Statement Full text to be supplied in future update.

NA; Income Statement Full text to be supplied in future update.

18-93

SOUTH JERSEY INDUSTRIES INC

AUDITOR CHANGE: NA
AUDITOR: DELOITTE & TOUCHE (SOURCE: 10-K)
AUDITOR'S REPORT: UNQUALIFIED

SEGMENT DATA (SOURCE: 10-K 12/31/98)	SALES (000S)	OP INCOME
GAS UTILITY OPERATIONS	299,070	49,234
INDUSTRIES	153,191	640

FIVE YEAR SUMMARY

DATE	SALES (000$)	NET INCOME	EPS
1998	450,246	10,986	1.02
1997	348,567	15,796	1.47
1996	355,458	30,498	2.84
1995	280,233	17,643	1.65
1994	329,722	12,379	1.21
GROWTH RATE	8.0	-2.9	-4.1

18-94

South Jersey Ind. BALANCE SHEET

ANNUAL ASSETS (000$)

FISCAL YEAR ENDING	12/31/98	12/31/97	12/31/96
CASH	6,639	13,089	46,905
RECEIVABLES	42,600	35,947	38,714
INVENTORIES	31,670	28,386	26,752
NOTES RECEIVABLE	4,350	4,561	NA
OTHER CURRENT ASSETS	34,827	18,741	27,571
TOTAL CURRENT ASSETS	120,086	100,724	139,942
PROP, PLANT & EQUIP	684,829	624,747	582,646
ACCUMULATED DEP	180,570	168,209	158,742
NET PROP & EQUIP	504,259	456,538	423,904
INVEST & ADV TO SUBS	2,371	891	1,286
OTHER NON-CUR ASSETS	1,554	1,998	1,999
DEFERRED CHARGES	13,379	9,824	91,250
DEPOSITS & OTH ASSET	106,446	100,626	NA
TOTAL ASSETS	748,095	670,601	658,381

ANNUAL LIABILITIES (000$)

FISCAL YEAR ENDING	12/31/98	12/31/97	12/31/96
NOTES PAYABLE	97,000	45,900	108,300
ACCOUNTS PAYABLE	51,960	49,142	50,301
CUR LONG TERM DEBT	8,876	8,994	6,603
ACCRUED EXPENSES	15,541	13,361	13,693
INCOME TAXES	NA	NA	4,417
OTHER CURRENT LIAB	15,244	22,382	15,427
TOTAL CURRENT LIAB	188,621	139,779	198,741
DEFERRED CHARGES/INC	152,218	136,521	116,199
LONG TERM DEBT	194,710	176,360	149,736
OTHER LONG TERM LIAB	6,178	7,218	18,660
TOTAL LIABILITIES	541,727	459,878	483,336
PREFERRED STOCK	37,134	37,224	2,314
COMMON STOCK NET	169,234	173,499	13,446
CAPITAL SURPLUS	NA	NA	110,542
RETAINED EARNINGS	NA	NA	48,743
SHAREHOLDER EQUITY	206,368	210,723	175,045
TOT LIAB & NET WORTH	748,095	670,601	658,381

ANNUAL INCOME (000$)

FISCAL YEAR ENDING	12/31/98	12/31/97	12/31/96
NET SALES	450,246	348,567	355,458
COST OF GOODS	327,130	204,271	211,917
GROSS PROFIT	123,116	144,296	143,541
SELL GEN & ADMIN EXP	58,029	78,937	79,947
INC BEF DEP & AMORT	65,087	65,359	63,594
DEPRECIATION & AMORT	17,142	15,978	14,864
NON-OPERATING INC	-3,527	-2,466	-644
INTEREST EXPENSE	18,742	17,747	19,650
INCOME BEFORE TAX	25,676	29,168	28,436
PROV FOR INC TAXES	11,860	10,739	10,171
NET INC BEF EX ITEMS	13,816	18,429	18,265
EX ITEMS & DISC OPS	-2,830	-2,633	12,233
NET INCOME	10,986	15,796	30,498
OUTSTANDING SHARES	10,778	10,771	10,756

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outh Jersey Industries:

SH FLOW PROVIDED BY OPERATING ACTIVITY ($000S)		
cal Year Ending	12/31/98	12/31/97
Net Income (Loss)	10,986	15,796
Depreciation/Amortization	19,063	18,112
Net Incr (Decr) Assets/Liabs	-23,629	4,644
Cash Prov (Used) by Disc Oper	NA	845
Other Adjustments, Net	940	556
Net Cash Prov (Used) by Oper	7,360	39,953

CASH FLOW PROVIDED BY INVESTING ACTIVITY ($000S)		
Fiscal Year Ending	12/31/98	12/31/97
(Incr) Decr in Prop, Plant	-65,869	-49,604
(Incr) Decr in Securities Inv	-1,480	NA
Other Cash Inflow (Outflow)	211	-8,080
Net Cash Prov (Used) by Inv	-67,138	-57,684

CASH FLOW PROVIDED BY FINANCING ACTIVITY ($000S)		
Fiscal Year Ending	12/31/98	12/31/97
Issue (Purchase) of Equity	70	70,848
Issue (Repayment) of Debt	29,443	-2,429
Incr (Decr) In Borrowing	39,332	-69,003
Dividends, Other Distribution	-15,517	-15,501
Net Cash Prov (Used) by Finan	53,328	-16,085

Net Change in Cash or Equiv	-6,450	-33,816
h or Equiv at Year Start	13,089	46,905
Cash or Equiv at Year End	6,639	13,089

COMMENTS:
12-31-97 FINANCIALS AND 12-31-96 INCOME STATEMENT RECLASSIFIED; FIVE YEAR UMMARY DATA TAKEN AS GIVEN

PRICING INFORMATION	
FOR WEEK ENDING:	05/31/99
LATEST TRADE DATE:	05/28/99
OUTSTANDING SHARES (000S):	10,781
VOLUME:	21,300
HIGH (OR ASKED):	28.625
LOW (OR BID):	27.750
CLOSE (OR AVERAGE):	28.000
MARKET VALUE (000S):	301,868

EARNINGS INFORMATION	
FOR 12 MONTHS ENDING:	05/99
EARNINGS PER SHARE:	1.55
PRICE/EARNINGS RATIO:	18.0

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South Jersey Industries:

	CURRENT	PREVIOUS
INDICATED ANNUAL DIVIDEND:	1.412	
CURRENT DIVIDEND:	0.3600	0.3600
EX-DIVIDEND DATE:	03/08/99	12/08/98
RECORD DATE:	03/10/99	12/10/98
PAYABLE DATE:	03/31/99	01/04/99

I/B/E/S: EARNINGS ESTIMATES

	------EPS EST'S------			# OF	CHG IN MEAN($):	
--PERIOD-	MEAN	HIGH	LOW	ESTS	1MONTH	3MONTH
FY 12/99	1.93	2.00	1.90	3	0.00	-0.02
FY 12/00	1.95	1.95	1.95	1	0.00	VL
QTR 06/99	-0.07	-0.07	-0.07	1	0.00	NA
QTR 09/99	-0.35	-0.35	-0.35	1	0.00	NA

EARNINGS PER SHARE ANNUAL GROWTH RATES

LAST 5 YEARS	23.8%	FY99/98	51.0%	QTR 06/99	N+%
NEXT 5 YEARS	4.0%	FY00/99	0.9%	QTR 09/99	N-%

SJI SO JERSEY INDS		ESTD F/Y EPS:		
INDUSTRY CODE: GASUTI	PRICE	12/99	12/00	YIELD
GAS UTILITIES	28.94	1.93	1.95	5.0%

FY12/98 EPS:	1.28	DIVIDEND:	1.44	YIELD:	5.0%
FY12/99 P/E:	15.0	P/E REL S&P:	0.50	P/E REL IND:	0.62
FY12/00 P/E:	14.8	P/E REL S&P:	0.58	P/E REL IND:	0.67

	----FCST EPS GRWTH----			---RELATIVE----	
	SJI	IND	S&P 500	SJI TO IND	SJI TO S&P
FY99 VS FY98	51.0%	10.3%	16.6%	496	308
FY00 VS FY99	0.9%	18.4%	16.8%	5	5
NEXT 5 YEARS	4.0	11.6%	15.5%	34	26
LAST 5 YEARS	23.8%	6.6%	16.5%	205	154
P/E FY 1998	15.0	24.3	29.8	62	50
P/E FY 1999	14.8	22.0	25.6	67	58

DISTRIBUTION OF EPS ESTS. AS OF 05/28/99

SJI EPS FY 12/98 $ 1.28

FY 12/99 - 3 ESTS FY 12/00 - 1 ESTS

MEAN EPS $ 1.93 MEAN EPS $ 1.95

```
        X
        X               X                    X
+--------+--------+--------+  +--------+--------+--------+
$1.85    1.90     1.95   2.1.85    1.90     1.95    2.00
```

X=EST R/L=RAISED/LOWERED PAST MO. N=NEW PAST MO. *=9+ ESTS

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South Jersey Industries KEY ANNUAL FINANCIAL RATIOS

FISCAL YEAR ENDING	12/31/98	12/31/97	12/31/96
QUICK RATIO	0.26	0.35	0.43
CURRENT RATIO	0.64	0.72	0.70
SALES/CASH	67.82	26.63	7.58
SG & A/SALES	0.13	0.23	0.22
RECEIVABLES TURNOVER	10.57	9.70	9.18
RECEIVABLES DAYS SALES	34.06	37.13	39.21
INVENTORIES TURNOVER	14.22	12.28	13.29
INVENTORIES DAYS SALES	25.32	29.32	27.09
NET SALES/WORKING CAPITAL	-6.57	-8.93	-6.05
NET SALES/PLANT & EQUIPMENT	0.89	0.76	0.84
NET SALES/CURRENT ASSETS	3.75	3.46	2.54
NET SALES/TOTAL ASSETS	0.60	0.52	0.54
NET SALES/EMPLOYEES	675031	516396	406703
TOTAL LIAB/TOTAL ASSETS	0.72	0.69	0.73
TOTAL LIAB/INVESTED CAPITAL	1.35	1.19	1.49
TOTAL LIAB/COMMON EQUITY	3.20	2.65	2.80
TIMES INTEREST EARNED	2.37	2.64	2.45
CURRENT DEBT/EQUITY	0.04	0.04	0.04
LONG TERM DEBT/EQUITY	0.94	0.84	0.86
TOTAL DEBT/EQUITY	0.99	0.88	0.89
TOTAL ASSETS/EQUITY	3.63	3.18	3.76
PRETAX INC/NET SALES	0.06	0.08	0.08
PRETAX INC/TOTAL ASSETS	0.03	0.04	0.04
PRETAX INC/INVESTED CAPITAL	0.06	0.08	0.09
PRETAX INC/COMMON EQUITY	0.15	0.17	0.16
NET INCOME/NET SALES	0.02	0.05	0.09
NET INCOME/TOTAL ASSETS	0.01	0.02	0.05
NET INCOME/INVESTED CAPITAL	0.03	0.04	0.09
NET INCOME/COMMON EQUITY	0.06	0.09	0.18

FINANCIAL STATEMENT TEXT:
NA; Assets Statement Full text to be supplied in future update.

NA; Liabilities Statement Full text to be supplied in future update.

NA; Income Statement Full text to be supplied in future update.

18-98

DELTA NATURAL GAS CO INC

AUDITOR CHANGE: NA
AUDITOR: ARTHUR ANDERSEN & CO. (SOURCE: 10-K)
AUDITOR'S REPORT: UNQUALIFIED

FIVE YEAR SUMMARY

DATE	SALES (000$)	NET INCOME	EPS
1998	44,258	2,451	1.04
1997	42,169	1,724	0.75
1996	36,576	2,661	1.41
1995	31,844	1,918	1.04
1994	34,847	2,671	1.50
GROWTH RATE	6.1	-2.1	-8.7

PRELIMINARY EARNINGS DATA

ITEMS	VALUES	PERIOD	NEWS DATE
Basic EPS	1.05	3Q	05/19/1999
Basic EPS	0.87	9M	05/19/1999
Primary EPS	-0.35	1Q	11/20/1997
Fully Diluted EPS	1.05	3Q	05/19/1999
Fully Diluted EPS	0.87	9M	05/19/1999
Net Sales	16,890,711	3Q	05/19/1999
Net Sales	30,458,920	9M	05/19/1999
Net Income	2,515,336	3Q	05/19/1999
Net Income	2,074,334	9M	05/19/1999

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BALANCE SHEET

ANNUAL ASSETS (000$)

FISCAL YEAR ENDING	06/30/98	06/30/97	06/30/96
CASH	118	480	151
RECEIVABLES	2,538	2,414	2,096
INVENTORIES	2,050	1,209	1,079
OTHER CURRENT ASSETS	762	3,266	3,045
TOTAL CURRENT ASSETS	5,469	7,370	6,373
PROP, PLANT & EQUIP	127,028	116,829	98,795
ACCUMULATED DEP	34,929	31,734	26,749
NET PROP & EQUIP	92,098	85,094	72,045
OTHER NON-CUR ASSETS	110	134	126
DEFERRED CHARGES	4,849	3,761	2,291
DEPOSITS & OTH ASSET	339	321	304
TOTAL ASSETS	102,866	96,681	81,140

ANNUAL LIABILITIES (000$)

FISCAL YEAR ENDING	06/30/98	06/30/97	06/30/96
NOTES PAYABLE	1,875	10,865	NA
ACCOUNTS PAYABLE	2,050	2,386	2,826
CUR LONG TERM DEBT	1,790	1,987	1,084
ACCRUED EXPENSES	3,315	3,174	1,455
OTHER CURRENT LIAB	555	946	327
TOTAL CURRENT LIAB	9,585	19,359	5,694
DEFERRED CHARGES/INC	10,640	9,521	8,097
LONG TERM DEBT	52,612	38,107	42,563
OTHER LONG TERM LIAB	217	217	1,156
TOTAL LIABILITIES	73,056	67,206	57,512
COMMON STOCK NET	29,810	29,474	1,903
CAPITAL SURPLUS	NA	NA	20,572
RETAINED EARNINGS	NA	NA	2,772
OTHER EQUITIES	NA	NA	-1,620
SHAREHOLDER EQUITY	29,810	29,474	23,628
TOT LIAB & NET WORTH	102,866	96,681	81,140

ANNUAL INCOME (000$)

FISCAL YEAR ENDING	06/30/98	06/30/97	06/30/96
NET SALES	44,258	42,169	36,576
COST OF GOODS	31,467	31,896	17,389
GROSS PROFIT	12,790	10,272	19,186
SELL GEN & ADMIN EXP	1,212	1,056	9,678
INC BEF DEP & AMORT	11,578	9,215	9,507
DEPRECIATION & AMORT	3,445	2,935	2,510
NON-OPERATING INC	67	40	32
INTEREST EXPENSE	4,348	3,632	2,808
INCOME BEFORE TAX	3,852	2,689	4,220
PROV FOR INC TAXES	1,401	964	1,559
NET INC BEF EX ITEMS	2,451	1,724	2,661
NET INCOME	2,451	1,724	2,661
OUTSTANDING SHARES	2,342	NA	1,903

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CASH FLOW PROVIDED BY OPERATING ACTIVITY ($000S)

Fiscal Year Ending	06/30/98	06/30/97
Net Income (Loss)	2,451	1,724
Depreciation/Amortization	3,755	3,049
Net Incr (Decr) Assets/Liabs	2,045	283
Other Adjustments, Net	669	1,152
Net Cash Prov (Used) by Oper	8,922	6,209

CASH FLOW PROVIDED BY INVESTING ACTIVITY ($000S)

Fiscal Year Ending	06/30/98	06/30/97
(Incr) Decr in Prop, Plant	-11,193	-16,648
Net Cash Prov (Used) by Inv	-11,193	-16,648

CASH FLOW PROVIDED BY FINANCING ACTIVITY ($000S)

Fiscal Year Ending	06/30/98	06/30/97
Issue (Purchase) of Equity	574	4,121
Issue (Repayment) of Debt	50,037	45,309
Incr (Decr) In Borrowing	-46,012	-38,663
Dividends, Other Distribution	-2,690	NA
Net Cash Prov (Used) by Finan	1,909	10,768

Effect of Exchg Rate On Cash	NA	NA
Net Change in Cash or Equiv	-361	328
Cash or Equiv at Year Start	480	151
Cash or Equiv at Year End	118	480

COMMENTS:
FIVE YEAR SUMMARY TAKEN AS GIVEN

PRICING INFORMATION

FOR WEEK ENDING:	05/31/99
LATEST TRADE DATE:	05/28/99
OUTSTANDING SHARES (000S):	2,403
VOLUME:	100
HIGH (OR ASKED):	17.000
LOW (OR BID):	17.000
CLOSE (OR AVERAGE):	17.000
MARKET VALUE (000S):	40,851

EARNINGS INFORMATION

FOR 12 MONTHS ENDING:	05/99
EARNINGS PER SHARE:	0.87
PRICE/EARNINGS RATIO:	19.5

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	CURRENT	PREVIOUS
DICATED ANNUAL DIVIDEND:	1.140	
CURRENT DIVIDEND:	0.2850	0.2850
EX-DIVIDEND DATE:	05/26/99	02/25/99
RECORD DATE:	05/31/99	03/01/99
PAYABLE DATE:	06/15/99	03/15/99

I/B/E/S: EARNINGS ESTIMATES

	------EPS EST'S------			# OF	CHG IN MEAN($):	
--PERIOD-	MEAN	HIGH	LOW	ESTS	1MONTH	3MONTH
FY 06/98	1.04	1.04	1.04	2	0.00	0.00
FY 06/99	1.05	1.10	1.00	2	0.00	-0.25
QTR 06/99	NA	NA	NA	0	NA	NA
QTR 09/99	NA	NA	NA	0	NA	NA

EARNINGS PER SHARE ANNUAL GROWTH RATES

LAST 5 YEARS	6.5%	FY98/97	42.5%	QTR 06/99	NA%
NEXT 5 YEARS	3.5%	FY99/98	1.0%	QTR 09/99	NA%

DGAS DELTA NAT GAS		ESTD F/Y EPS:		
INDUSTRY CODE: GAS	PRICE	06/98	06/99	YIELD
GAS	17.06	1.04	1.05	6.7%

FY06/97 EPS:	0.73	DIVIDEND:	1.14	YIELD:	6.7%
FY06/98 P/E:	16.4	P/E REL S&P:	0.55	P/E REL IND:	0.19
FY06/99 P/E:	16.3	P/E REL S&P:	0.64	P/E REL IND:	0.48

	----FCST EPS GRWTH----			---RELATIVE----	
	DGAS	IND	S&P 500	DGAS TO IND	DGAS TO S&P
FY98 VS FY97	42.5%	153.4%	16.6%	28	256
FY99 VS FY98	1.0%	82.9%	16.8%	1	6
NEXT 5 YEARS	3.5	14.1%	15.5%	25	23
LAST 5 YEARS	6.5%	-1.2%	16.5%	46	42
P/E FY 1997	16.4	86.2	29.8	19	55
P/E FY 1998	16.3	34.0	25.6	48	64

DISTRIBUTION OF EPS ESTS. AS OF 05/28/99

DGAS EPS FY 06/97 $ 0.73

FY 06/98 - 2 ESTS MEAN EPS $ 1.04

FY 06/99 - 2 ESTS MEAN EPS $ 1.05

```
                    X
                    X                 X                 X
+--------+--------+--------+ +--------+--------+--------+
$0.95    1.00     1.05   1.0.95   1.00     1.05    1.10
```

X=EST R/L=RAISED/LOWERED PAST MO. N=NEW PAST MO. *=9+ ESTS

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KEY ANNUAL FINANCIAL RATIOS

FISCAL YEAR ENDING	06/30/98	06/30/97	06/30/96
QUICK RATIO	0.28	0.15	0.39
CURRENT RATIO	0.57	0.38	1.12
SALES/CASH	373.37	87.78	241.21
SG & A/SALES	0.03	0.03	0.26
RECEIVABLES TURNOVER	17.43	17.46	17.45
RECEIVABLES DAYS SALES	20.65	20.61	20.63
INVENTORIES TURNOVER	21.59	34.87	33.89
INVENTORIES DAYS SALES	16.67	10.32	10.62
NET SALES/WORKING CAPITAL	-10.75	-3.52	53.88
NET SALES/PLANT & EQUIPMENT	0.48	0.50	0.51
NET SALES/CURRENT ASSETS	8.09	5.72	5.74
NET SALES/TOTAL ASSETS	0.43	0.44	0.45
NET SALES/EMPLOYEES	244519	232979	213895
TOTAL LIAB/TOTAL ASSETS	0.71	0.70	0.71
TOTAL LIAB/INVESTED CAPITAL	0.89	0.99	0.87
TOTAL LIAB/COMMON EQUITY	2.45	2.28	2.43
TIMES INTEREST EARNED	1.89	1.74	2.50
CURRENT DEBT/EQUITY	0.06	0.07	0.05
LONG TERM DEBT/EQUITY	1.76	1.29	1.80
TOTAL DEBT/EQUITY	1.82	1.36	1.85
TOTAL ASSETS/EQUITY	3.45	3.28	3.43
PRETAX INC/NET SALES	0.09	0.06	0.12
PRETAX INC/TOTAL ASSETS	0.04	0.03	0.05
PRETAX INC/INVESTED CAPITAL	0.05	0.04	0.06
PRETAX INC/COMMON EQUITY	0.13	0.09	0.18
NET INCOME/NET SALES	0.06	0.04	0.07
NET INCOME/TOTAL ASSETS	0.02	0.02	0.03
NET INCOME/INVESTED CAPITAL	0.03	0.03	0.04
NET INCOME/COMMON EQUITY	0.08	0.06	0.11

FINANCIAL STATEMENT TEXT:
NA; Assets Statement Full text to be supplied in future update.

NA; Liabilities Statement Full text to be supplied in future update.

NA; Income Statement Full text to be supplied in future update.

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Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

19. Refer to Testimony of Carl G. K. Weaver (July 30, 1999) at 31. If I/B/E/S has updated its EPS forecast for Delta since May 1999, provide the updated forecast.

Answer:

Enclosed is the latest I/B/E/S sheet from compact disclosure.

I/B/E/S: EARNINGS ESTIMATES

--PERIOD-	------EPS EST'S------ MEAN	HIGH	LOW	# OF ESTS	CHG IN MEAN($): 1MONTH	3MONTH
FY 06/00	1.18	1.35	1.00	2	-0.05	0.14
FY 06/01	1.06	1.06	1.06	1	NA	0.01
QTR 09/99	NA	NA	NA	0	NA	NA
QTR 12/99	NA	NA	NA	0	NA	NA

EARNINGS PER SHARE ANNUAL GROWTH RATES

LAST 5 YEARS	28.7%	FY00/99	-33.6%	QTR 09/99	NA%
NEXT 5 YEARS	3.5%	FY01/00	-9.8%	QTR 12/99	NA%

DGAS DELTA NAT GAS INDUSTRY CODE: GAS	PRICE	ESTD F/Y EPS: 06/00	06/01	YIELD
GAS	17.63	1.18	1.06	6.5%

FY06/99 EPS:	1.77	DIVIDEND:	1.14	YIELD:	6.5%
FY06/00 P/E:	15.0	P/E REL S&P:	0.47	P/E REL IND:	0.18
FY06/01 P/E:	16.6	P/E REL S&P:	0.61	P/E REL IND:	0.43

	----FCST EPS GRWTH---- DGAS	IND	S&P 500	---RELATIVE---- DGAS TO IND	DGAS TO S&P
FY00 VS FY99	-33.6%	111.1%	16.4%	-30	-206
FY01 VS FY00	-9.8%	90.2%	17.2%	-11	-57
NEXT 5 YEARS	3.5%	13.9%	16.0%	25	22
LAST 5 YEARS	28.7%	-4.8%	16.5%	206	180
P/E FY 1999	15.0	81.7	31.6	18	47
P/E FY 2000	16.6	38.7	27.2	43	61

DISTRIBUTION OF EPS ESTS. AS OF 08/27/99

DGAS EPS FY 06/99 $ 1.77

FY 06/00 - 2 ESTS
MEAN EPS $ 1.18

FY 06/01 - 1 ESTS
MEAN EPS $ 1.06

```
         L                X                N
+--------+--------+--------+  +--------+--------+--------+
$0.80    1.00     1.20  1.1.00    1.05     1.10   1.15
```

X=EST R/L=RAISED/LOWERED PAST MO. N=NEW PAST MO. *=9+ ESTS

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

20. A. Does I/B/E/S forecast Dividends per Share ('DPS" and Book Value per Share ("BVS") growth?

B. If yes, provide I/B/E/S most current forecasts of DPS and BVS growth for Delta and each of the five comparable companies.

Answer:

No. I/B/E/S only publishes estimates for EPS growth. The estimates are made by security analyst. I/B/E/S conducts a survey of the analysts' forecasts and publishes the results.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

21. Refer to Testimony of Carl G. K. Weaver (July 30, 1999) at 40. Explain how the Alternative Rate Plan would reduce or eliminate the following:

a. Competition with alternative sources of energy;

b. Uncertainty in recovery of gas cost;

c. Volatility in the price of natural gas.

Answer:

a. As I understand the ARP, customer rates and gas revenues would be adjusted so that Delta's return on equity would be within 50 basis points of the range set by the Commission. If Delta lost business to competition so that its volume dropped and it's return on equity was lower than the +/_ 50 basis point range, Delta's rates would be adjusted in the next period. Therefore, Delta is insulated from the adverse effects of losing out to competition.

b. The same insulation from changing gas cost as the answer provided in a.

c. The same insulation from volitility in the price of gas as provided in a.

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 99-176
Responses by Carl G. K. Weaver to
Request for Information by
Public Service Commission

22. Refer to Testimony of Carl G. K. Weaver (July 30, 1999) at 44. Why does Dr. Weaver use the "Yield to Maturity" method in calculating the cost of long-term debt?

Answer:

In the September 23, 1999 update, I chose to use the calculations presented in the testimony of John Hall at page 5 because he updated the cost rates to December 31, 1998. My 7/30/99 testimony went through fiscal year 1988 when ended on the June 30.

I do use Yield to Maturity (YTM) to calculate the cost of long-term debt because it reflects the recovery of the issuance expenses and any discount or premium over the life of the issue rather than as if they were to be repaid at the time of the calculation. The YTM reflects the effective cost rate for debt and I believe that it is a more accurate measure for the cost of debt. Ita represents the yield from the net proceeds from the sale of the bonds relative to the stream of intererst payments and the repayment of principal at the bond's maturity.

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

23: At pages 12 through 18 of his testimony of July 30, 1999, Robert J. Henkes challenges Delta's claim "that the alternative rate mechanism . . . would be less resource intensive and costly than a full-blown rate case" and asserts that the filing costs and oversight costs for alternative regulation will result in costs equivalent to or greater than that from traditional regulation.

a. Identify each administrative proceeding involving alternative rate regulation in which Mr. Henkes was involved, Mr. Henkes' role in such proceeding, and the party for whom Mr. Henkes was employed.

b. For each proceeding identified in Item 21(a), describe the costs of such proceeding and how such costs compared with traditional rate-making proceedings.

c. Identify all studies of which Mr. Henkes is aware that have reviewed or considered the cost of alternative rate regulation proceedings as compared to traditional rate-making proceedings. Provide a copy of each study listed.

Response: a. Mr. Henkes was involved in the following proceedings involving alternative rate regulation:

- Bell Atlantic - District of Columbia - Price Cap plan and Earnings Review, Formal Case No. 814 IV. Mr. Henkes assisted the Office of People's Counsel in preparing its position regarding the Price Cap plan proposed by Bell Atlantic. No testimony was submitted in that proceeding.

- Georgia Power Company - Georgia - Accounting Order proceeding, Docket No. 6292-U. Mr Henkes assisted the Georgia Public Service Commission in evaluating an alternative regulation plan proposed by Georgia Power Company.

- NET Maine - Maine - Alternative Regulation Plan, Docket No. 94-123. Mr. Henkes assisted the Maine PUC Adversary Staff in developing its recommended positions regarding NET Maine's proposed Alternative Regulation Plan.

- Southern Bell Telephone Company - Georgia - Incentive Regulation Plan - Docket No. 3905-U. Mr. Henkes assisted the Georgia Public Service Commission in evaluating an incentive regulation plan proposed by Southern Bell Telephone Company.

b. Mr. Henkes does not have the information available that is requested by the Commission in this data request and can therefore not provide a response to this request.

c. Mr. Henkes has not performed a review of the subject matter referenced in this request and can therefore not provide an answer to this question.

Response Prepared By: Robert J. Henkes

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

24: Refer to Testimony of Robert J. Henkes (July 30, 1999) at 20, lines 4 through 6. What modifications are necessary to Delta's proposed alternative regulation plan ("ARP") to provide "clear and quantifiable incremental" ratepayer benefits? For each proposed modification, provide a detailed description and, if the proposed modification is part of an ARP approved by a utility regulatory commission, identify the proceeding in which that ARP was approved.

Response: While Mr. Henkes has generally recommended that an appropriate ARP should provide clear and quantifiable rate payer benefits that would not be achievable under traditional regulation, it was not within the scope of Mr. Henkes' assignment in this case to develop a modified Plan as an alternative to Delta's proposed ARP. Mr. Henkes has therefore not performed a study of the Plan modifications referenced in the above request.

Response Prepared By: Robert J. Henkes

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

25. Refer to Testimony of Richard A. Galligan at 17. Table 2 reflects the class rates of returns based upon Delta's cost-of-service study and the class rates of return as modified by the AG's cost-of-service witnesses based on actual rates. Provide a comparable table based upon the proposed rates for service.

Response

See attached.

Response prepared by: Richard A. Galligan

DELTA NATURAL GAS COMPANY, INC.

Cost of Service Study
12 Months Ended December 31, 1998

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential (GS)	Small Commercial (GS)	Large Commercial & Industrial (GS)	Interruptible (IS)	Special Contracts (SP1)	Off-System Transportation (OS)	Total
Net Operating Income -- Adjusted For Increase											
Test Year Operating Income				5,564,849	2,752,246	947,530	1,231,138	585,317	3,556	45,062	5,564,849
Proposed Increase				2,510,901	1,305,918	357,089	586,795	261,099	0	0	2,510,901
Income Taxes (@39.445)				990,425	515,119	140,854	231,461	102,991	0	0	990,425
Net Operating Income Adjusted for Increase				7,085,325	3,543,045	1,163,765	1,586,471	743,426	3,556	45,062	7,085,325
Net Cost Rate Base (Same as Actual)				76,088,138	35,015,148	8,044,962	18,166,700	8,399,421	4,260,660	2,201,247	76,088,138
Rate of Return -- Proposed				9.31%	10.12%	14.47%	8.73%	8.85%	0.08%	2.05%	

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

26. The AG's cost-of-service witnesses propose modifications to Delta's cost-of-service model.

a. Provide in a format similar to Seelye Exhibit 5 the rate structure results for each class of service when this modified cost-of-service model is used.

b. For each modification proposed by the AG's cost-of-service witnesses, show all calculations, state all assumptions upon which the modification is based, and provide all documents that support the proposed modification.

Response

a. The requested information has not been prepared by Mr. Galligan.

b. Mr. Galligan has modified the Delta COS by allocating distribution mains costs on the basis of class average and peak demands, replacing Delta's proposed class customer and peak demand method. See attached calculations.

Response prepared by: Richard A. Galligan

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

27. The AG advocates an across-the-board increase for all classes of service. What class rates of return are produced using this approach?

<u>Response</u>

See attached.

Response prepared by: Richard A. Galligan

DELTA NATURAL GAS COMPANY, INC.

Cost of Service Study
12 Months Ended December 31, 1998

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential (GS)	Small Commercial (GS)	Large Commercial & Industrial (GS)	Interruptible (IS)	Special Contracts (SP1)	Off-System Transportation (OS)	Total
Net Operating Income -- Adjusted For Increase											
Test Year Operating Income				5,564,849	2,752,246	947,530	1,231,138	585,317	3,556	45,062	5,564,849
Proposed Increase				2,510,901	1,305,918	357,089	586,795	261,099	0	0	2,510,901
Income Taxes (@39.445)				990,425	515,119	140,854	231,461	102,991	0	0	990,425
Net Operating Income Adjusted for Increase				7,085,325	3,543,045	1,163,765	1,586,471	743,426	3,556	45,062	7,085,325
Net Cost Rate Base (Same as Actual)				76,088,138	35,015,148	8,044,962	18,166,700	8,399,421	4,260,660	2,201,247	76,088,138
Rate of Return -- Proposed				9.31%	10.12%	14.47%	8.73%	8.85%	0.08%	2.05%	

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

28: On page 19 of his Direct Testimony, Mr. Henkes states that, "if the company didn't have the cumulative customer deposit balances available as a continuous source of funds, it would have to borrow short term debt at a similar interest rate." Provide any evidence the AG has to show that Delta is using its customer deposit balances to reduce its short-term borrowings.

Response: The Company has had customer deposit balances in the range of $400,000 - $600,000 available as a source of capital on a consistent daily basis, year in and year out. The Company did not put this large amount of continuously available funds "under the mattress"; rather, these continuously available funds have obviously been put to work by the Company in running its operations. If these funds would suddenly no longer be available, the Company would have to replace this source of funds with another source of funds. The most logical replacement source of funds would be a draw on the Company's line of credit.

Response Prepared By: Robert J. Henkes

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

29: a. On page 20 of his Direct Testimony, Mr. Henkes states that, "the PSC has always treated customer deposit balances as rate base deductions while treating the associated interest expenses as a pro forma operating expense in all prior Kentucky Power Company rate cases." Is the AG aware of any other rate case proceedings where the Commission has reduced rate base by the customer deposit balance while including the associated interest expense in the operating expenses?

b. Describe how the issue of customer deposits (balances and interest) was treated in Kentucky-American Water Company's prior rate case.

Response: a. Mr. Henkes is only aware of the KPSC's customer deposit rate making treatments in the Kentucky cases in which he has been directly involved. Mr. Henkes did not research this issue for rate cases in which he was not involved and, therefore, is not in the position to provide an answer to this question.

b. In the prior Kentucky-American Water Company case, the AG (in the testimony of Mr. Henkes) recommended to treat customer deposits as a rate base deduction while treating the associated customer deposit interest expenses as above-the-line interest expenses. The KPSC rejected these AG-recommended positions. In other words, the KPSC did not treat the customer deposit balance as a rate base deduction, *and also did not treat the associated customer deposit interest expenses as above-the-line operating expenses.* While Mr. Henkes still respectfully disagrees with this KPSC position, in that case the KPSC was at least consistent in its rate making treatment of customer deposits; i.e., it did not charge the KAWC ratepayers with the interest associated with customer deposits that were not used as a rate base deduction.

Response Prepared By: Robert J. Henkes

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

30: In this proceeding the AG has proposed to reduce Delta's rate base by the customer deposit balance. Would the more appropriate treatment be to include the customer deposit balance as a source of cost free capital in Delta's capital structure? If no, provide a detailed explanation.

Response: In this proceeding, the AG has proposed to reduce Delta's rate base by the customer deposit balance while, at the same time, increasing Delta's above-the-line operating expenses with associated customer deposit interest expenses, calculated at a rate of 6% times the customer deposit balance.

An equally appropriate rate making treatment for customer deposits (with the exact same revenue requirement impact) would be to *include the customer deposit balance with a cost rate of 6%* in the capital structure for purposes of determining the Company's overall weighted rate of return. This was confirmed by Delta itself in its response to data request AG-20, and this was the customer deposit rate treatment method used by Delta in its prior rate cases until it changed its approach in the current case based on the KPSC's treatment in the prior case. Including the customer deposit balance in the capital structure with an associated interest cost rate of 6% would change the AG's recommended overall weighted rate of return of 8.246% shown on Schedule RJH-2 to 8.228%, as shown below:

	Adj. Cap. Str.	Ratios	Cost Rates	Weighted Rate
Equity	$22,867,526	29.57%	10.750%	3.179%
LTD	46,169,905	59.71	7.479	4.465
STD	7,691,031	9.95	5.410	0.538
Cust. Dep.	594,863	0.77	6.000	0.046
Total	$77,323,355	100.00%		8.228%

The difference between the two overall rate of return numbers of 8.246% and 8.228%, after taking into account the effect of interest synchronization[7], the difference would be .021%. Multiplying this .021% with the AG-recommended rate base of $75 million and then multiplying this product with the revenue conversion factor of 1.66253 results in a revenue requirement (reduction) impact of approximately

[7] Interest synchronization represents the tax benefits of the tax-deductibility of the LTD, STD and Customer Deposit interest rates.

Response Prepared By: Robert J. Henkes

$26,000.

This is the same revenue requirement (reduction) impact resulting from deducting the customer deposit balance of $594,863 from rate base and treating the associated customer deposit interest expense at 6% ($35,692) as an above-the-line interest expense:

- Rate base deduction : $594,863
- Rate of Return with no Customer Deposits in Capital Structure (Net of Interest Synchronization) 6.257 % *
- Reduction in Income Requirement $ 37,221
- Revenue Conversion Factor 1.66253
- Revenue Requirement Reduction $ 61,880

- Customer Deposit Interest Expense $ 35,692

- Net Revenue Requirement Reduction: $ 26,188

		AG-Rec. Weighted Cost	Tax Benefits from Interest Synchron. at Tax Rate of 39.445%	Weighted Return Net of Interest Synchronization
*	Equity	3.204%		3.204%
	LTD	4.500	(1.775)	2.725
	STD	0.542	(0.214)	0.328
	Total	8.246%		6.257%

It would be inappropriate and wrong to include customer deposits as a source of cost free capital (i.e., as a source of capital with a 0 cost rate) in Delta's capital structure as suggested in the above PSC question. It would be wrong for the simple reason that the customer deposit cost of capital is not cost free but, rather, has a cost rate of 6%.

Response Prepared By: Robert J. Henkes

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

31: Explain if it is in the best interest of Delta's customers to permit Delta's recovery of the Canada Mountain storage field assets ("Canada Mountain") costs through Delta's gas cost than through general rates.

Response: At this time, the AG has not performed the research necessary to develop a definitive position on this matter. For that reason, the AG is not in a position at this time to respond to this request.

Response Prepared By: Robert J. Henkes

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

32: How would the recovery of Canada Mountain through Delta's base rates rather than through the GCR impact the revenue requirement proposed by the AG?

Response: Mr. Henkes has not performed this analysis and does not have the necessary data available to make the calculations. Mr. Henkes notes that in its response to PSC data request No. 5, dated September 14,1999, where Delta was asked a similar question as above, the Company calculated that it would increase its proposed revenue requirement by $2,344,113, while decreasing the Company's annual GCR revenues by $2,395,489, apparently indicating a net overall customer bill reduction of $51,376. This Company response does not provide adequate support data for Mr. Henkes to verify the accuracy of Delta's revenue requirement impact calculations. However, Mr. Henkes can state that the AG's base revenue requirement increase as a result of the requested assumption would be smaller than $2,344,113 because of the AG's recommended lower overall rate of return in this case.

Response Prepared By: Robert J. Henkes

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

33: Explain how Delta's acquisition of the assets of the Mt. Olivet Natural Gas Company would impact the AG's recommended revenue requirement.

Response: Mr. Henkes has not performed this analysis and does not have the necessary data available to make the calculations. Mr. Henkes notes that in its response to PSC data request No. 2, dated September 14,1999, where Delta was asked a similar question as above, the Company calculated that it would reduce its proposed revenue requirement by $8,311. This Company response does not provide adequate support data for Mr. Henkes to verify the accuracy of this claim. However, Mr. Henkes can state that the AG's revenue requirement reduction as a result of this acquisition would be greater than $8,311 because of the AG's recommended lower overall rate of return in this case.

Response Prepared By: Robert J. Henkes

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

34: On page 29 of his Direct Testimony, Robert J. Henkes states that, "amortization is amounts actually incurred for a particular event." Since the cost of a rate case is incurred for a particular event, explain why normalization should be used rather than amortization.

Response: On page 29 of Mr. Henkes' Direct Testimony, Mr. Henkes further clarifies his position by stating that, . . . "Amortization, generally, is only appropriate for an extraordinary type of legitimate business cost that is not expected to reoccur." For further explanations regarding Mr. Henkes' position on this issue see his response to the next data request, PSC data request No. 35.

Response Prepared By: Robert J. Henkes

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

35: Would eliminating the amortization expense of Delta's prior rate case be disallowing the recovery of a legitimate operating expense?

Response: No, not in the opinion of Mr. Henkes. As stated in Mr.Henkes' testimony page 29 and upheld by the Delaware Superior Court in New Castle County in its Opinion and Order, C.A. No. 97A-07-009-FSS, page 25, dated March 31, 1998, rate case expenses should be treated as normal recurring expenses (even if that cost is not incurred every year) and is "not a means whereby the utility receives dollar for dollar recovery of the amounts it has spent. This is not to say that Mr. Henkes believes that the recovery of any legitimate operating expense should be disallowed. Rather, it is Mr. Henkes' position that, similar to other operating expenses such as payroll, employee benefits, outside service, legal, administrative costs, *etc.,* rate case expenses should not be subject to "true-up".

For example, if, in a particular rate case, rate case expenses are amortized over 2 years but the utility's rates from that case will be in effect for 5 years, this is never "trued-up" by crediting the ratepayers with the rate case expense over recovery, even though this type of specific amortization expense over recovery occurs many times for utilities across the country. Obviously, the opposite may also be true, i.e., the rates from a particular rate case may be in effect for a shorter time than the rate case expense amortization period used in that rate case, and under those circumstances there would be an under recovery of the specific amortization expense. In the long run, both situations may occur in such a way that over recoveries and under recoveries will cancel each other out. For that reason, and because rate case expenses can be considered normal recurring expenses, it would be most appropriate to establish a normalized annual rate case expense level on a prospective basis without additionally giving rate recognition to unamortized rate case expenses from a prior rate case. If the opposite had been true in this proceeding, i.e., if
Delta's prior rate case expenses had been fully amortized and had in fact been over collected in rates, Mr. Henkes doubts very much that the Company would have reflected an expense credit in this case for the over-amortized (over collected) rate case expenses from a prior rate case.

Mr. Henkes has another comment regarding "disallowing the recovery of a legitimate

Response Prepared By: Robert J. Henkes

operating expense" referenced in the PSC's question above. As confirmed in the response to data request AG-43 b, the pro forma payroll expenses to be recognized for rate making purposes in this case are based on an assumed employee level of 182 people. If it turns out that during the rate effective period of this case the actual employee level is 186 people, does this mean that the rate making process has disallowed the recovery of a legitimate operating expense? Mr. Henkes does not believe so. Rates are set based on the best estimates that are available during the time the Commission makes its decision. If the actual results turn out to be different than these rate making estimates, this does not mean that legitimate business expenses have been disallowed. For example, it may equally be the case that the actual number of employees will be 178 rather than the 182 used for rate making purposes, and in that case there would be an over recovery of that particular expense type, or other expense types may actually be lower than was assumed in the rate making formula which would offset the costs associated with employee levels higher than 182. So rate setting inherently incorporates the risks that the actual results during the rate effective period are different than the estimated results used for rate making purposes. But these risks concern downside as well as upside risk and it would not be appropriate to just focus on the possible downside risks and then consider this to be a disallowance of the recovery of legitimate operating expenses.

Response Prepared By: Robert J. Henkes

Commonwealth of Kentucky
Before the Kentucky Public Service Commission
In the Matter of: Adjustment of Rates of
Delta Natural Gas Company, Inc.
Case No. 99-176

36: Is the AG aware of any other jurisdiction that uses the normalization methodology for the recovery of rate case expense? If yes, provide a listing of the jurisdictions and a copy of a recent decision describing the use of the normalization methodology for rate case expense.

Response: Yes. As two examples, Mr. Henkes is aware that the Delaware and New Jersey jurisdictions use the normalization methodology for the recovery of rate case expenses and only recognize the cost of one rate case (rather than multiple rate cases) in above-the -line operating expenses for rate making purposes.

The Delaware PSC has a well-established rate making policy that it allows the recovery of rate case expenses on a normalized annual expense basis rather than on a "deferral and amortization" basis. Attached are relevant extracts of the Delaware PSC's Order in a recent United Water Delaware case, PSC Docket No. 96-164, which clearly show that the DPSC uses a "normalization approach" in determining the proper level of rate case expenses to be recognized for rate making purposes (see underscored sentences). This DPSC finding was appealed to the Delaware Superior Court by United Water Delaware. Relevant pages of this Superior Court Opinion and Order on this subject are also attached. As shown in these attached pages, the Superior Court upheld the DPSC's rate case expense normalization approach as being proper. United Water of Delaware did not further appeal this case. Please note that on page 25 of this Superior Court Order and Decision, the Court quotes the DPSC's rate making principle that ..."a rate case expense is treated as a normal recurring expense, and is not a means whereby the utility receives dollar for dollar recovery of the amounts it has spent".

Also attached are some relevant pages from the supplemental direct testimony of David Spacht, Chief Financial Officer of Artesian Water Company, submitted on September 3, 1999 as part of the pending Artesian rate case in Delaware, PSC Docket No. 99-197. As shown in the attached pages, on page 4 of his supplemental testimony, Mr. Spacht states that in the Company's original filing, it failed to reduce from its proposed test period operating expenses the amortized rate case expenses from the Company's prior rate case, PSC Docket No. 97-66. Being aware of the DPSC's policy to only reflect for rate making purposes the "normalized" cost of one rate case (i.e., the current rate case), Mr. Spacht corrected the Company's original filing by removing the amortized rate case expenses from the prior rate case from the

Response Prepared By: Robert J. Henkes

current case pro forma test period operating expenses.

With regard to the New Jersey jurisdiction, attached are relevant pages from a New Jersey Board of Public Utility Commission Order which confirms that ....<u>"It is the board's express policy that only the expenses of the instant proceeding may be amortized for rate case purposes . . ."</u>

Response Prepared By: Robert J. Henkes

ATTACHMENTS TO PSC DATA REQUEST NO. 36 TO ROBERT HENKES

BEFORE THE

DELAWARE PUBLIC SERVICE COMMISSION

RECEIVED 6 1998

IN THE MATTER OF THE APPLICATION	)	
OF UNITED WATER DELAWARE FOR AN	)	
INCREASE IN WATER RATES AND OTHER	)	
TARIFF CHANGES (WAIVER FILED	)	PSC DOCKET NO. 96-164
JUNE 26, 1996); APPLICATION FILED	)	
AUGUST 27, 1996	)	

FINDINGS, OPINION AND ORDER NO. 4548

BEFORE COMMISSIONERS: DR. ROBERT J. MCMAHON, Chairman
JOSHUA M. TWILLEY, Vice Chairman
JOHN R. MCCLELLAND, Commissioner
ARNETTA MCRAE, Commissioner

I. APPEARANCES

On behalf of the Applicant, United Water Delaware:
BAYARD, HANDELMAN & MURDOCH, P.A.
BY: WILLIAM D. BAILEY, JR., ESQUIRE
- and -
WALTON F. HILL, ESQUIRE
UNITED WATER DELAWARE

On behalf of the Public Service Commission Staff:
ASHBY & GEDDES
BY: JAMES McC. GEDDES, ESQUIRE and REGINA A. IORII, ESQUIRE

On behalf of the Office of The Public Advocate:
PATRICIA A. STOWELL, The Public Advocate

II. BACKGROUND

1. On June 27, 1996, United Water Delaware ("United," "UWD" or "the Company") notified the Delaware Public Service Commission (the "Commission") of its intent to file a general rate case

PERATING EXPENSES.

56. **Rate Case Expenses.** The Company estimated that it would incur $373,000 of expenses in connection with this rate case, which it proposed to normalize over 1.5 years for a total annual expense of $248,667. (Exh. 38 (Schreyer) at Ex. 4, Schedule 2, p. 17).

57. Staff witness Ikwuagwu reviewed the Company's actual expenses over its last three rate cases, and derived an average rate case expense of $297,056. (Exh. 45 (Ikwuagwu) at 9 and Exh. 44, Section H, Schedule 12A). Mr. Ikwuagwu also examined the time between the Company's last four rate cases and concluded that the average time between rate cases was 2.03 years. (Exh. 45 (Ikwuagwu) at 9 and Exh. 44, Section H, Schedule 12). Thus, Mr. Ikwuagwu included in the Company's operating expenses rate case expenses of $146,333, representing a $102,334 decrease from the level sought by the Company. (Exh. 44, Section H, Schedule 12; Staff at 12).

58. The OPA recommended a pro forma normalized rate case cost of $149,593 and an adjustment of $99,074. (Exh. 41 at 5). The OPA used the Company's historic rate case filing frequency (23 months) and the average rate case cost of the Company's past three cases ($286,720) to arrive at the normalized cost. (OPA at 24).

59. The Company argued that the OPA and Staff improperly used the average of three former rate cases "that were settled short of the cost of a full proceeding, with significant reduction in cost," and that neither Staff nor the OPA made any investigation of the details of those costs. (United at 35).

60. Staff and the OPA argued that the Company's assumption that settled cases cost less was incorrect and unsupported. Indeed, Staff observed that the actual expenses for UWM&S in Docket No. 91-1, which was settled, were even greater than those projected by the Company for

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UWM&S in this case. (Staff at 94). Staff also argued that the Company's proposed level was an estimate of the cost of this case which was not supported in the record. (Id. at 94-95).

61. The Hearing Examiner agreed with Staff's and OPA's criticism of the Company's method of calculating its rate case expenses. He found that the Company did not attempt to use the test period actual expense, nor did it appear to use a normalization approach either. He noted that, as argued by the OPA, "expenses are normalized by determining a historic cycle of known and measurable costs and then averaging those costs over that specific time period." (OPA at 25). The Company, however, estimated the costs of this rate case and averaged those costs over a seemingly arbitrary time period. Thus, the Hearing Examiner concluded that Staff's and the OPA's methods reflected proper normalization. Since the two were nearly identical, he recommended that the Commission adopt Staff's downward adjustment of $102,334 to the Company's proposed level of rate case expense, for a level of $297,056.

62. The Company excepted to the Hearing Examiner's recommendation, arguing that the Examiner incorrectly relied on Staff's and the OPA's argument that settled rate cases are no less expensive than fully litigated ones. (UBOE at 30). It asserted that under Delaware and United States Supreme Court case law, the Commission is not permitted to disallow legitimately incurred expenses in the absence of a finding of waste, bad faith or abuse or discretion. (Id. at 32, citations omitted). Moreover, the Company asserted, its claimed rate case expense of $373,000 compared favorably to the $449,431 of expenses approved by the Commission for Artesian Water Company in Docket No. 90-10. (Id. at 32). Thus, the Company contended, its claimed rate case expenses must be allowed.

63. **Discussion.** This Commission is only required to allow operating expenses that have been "legitimately and properly incurred" and that are not the result of an abuse of discretion, bad

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faith or waste. Delmarva Power & Light Co. v. Public Service Commission, Del. Supr., 508 A.2d 849, 860 (Del. 1986). The Company's claimed level of rate case expenses, however, were not "legitimately and properly incurred;" indeed, they were not even incurred because they are estimates. Thus, the Hearing Examiner properly relied on Staff's and the OPA's review of actually-incurred expenses in the previous three dockets to ascertain an appropriate level of rate case expense on a prospective basis. Indeed, we observe that the amount of rate case expense accepted by the Hearing Examiner is in fact more than $20,000 greater than the actual level of rate case expense recorded on the Company's books for the test year. Thus, the Company is being permitted to recover in rates the actual amount of rate case expenses it has incurred. (Unanimous).

64. **Relocation Expenses.** The Hearing Examiner recommended that the Company be permitted to include $2,798 of employee relocation expenses in its test year expenses. (HER at 83). No party excepted to that recommendation. We adopt that recommendation. However, the record indicates that the Company has incurred relocation expenses in each of the past several years, and that such expenses appear to be recurring; thus, we believe that in the future this expense should be normalized so that a representative level of relocation expenses may be included in the ratemaking calculus. (Unanimous).

65. **Vehicle Leasing.** The Company recently adopted a policy of leasing, rather than purchasing, its vehicles. It is now leasing 27 vehicles, while continuing to own four vehicles. (Exh. 46 (Welde) at 6). The Company included $149,591 of vehicle leasing expenses in its test period expenses. (Staff at 15).

66. Staff witness Welde testified that the information supplied by the Company did not substantiate the Company's position that it was more cost-effective to lease the vehicles than to

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IN THE SUPERIOR COURT OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

6 1998

UNITED WATER DELAWARE, INC., a Delaware corporation,	)	
Appellant,	)	
v.	)	C.A. No. 97A-07-009-FSS
PUBLIC SERVICE COMMISSION OF THE STATE OF DELAWARE,	)	
Appellee.	)	

Submitted: December 18, 1997
Decided: March 31, 1998

OPINION AND ORDER

Upon Appeal from the Public Service Commission–*AFFIRMED*

William D. Bailey, Jr., Esquire, The Bayard Firm, 919 Market Street, 15th Fl., P.O. Box 25130, Wilmington, Delaware 19899. Attorney for Appellant.

Gregory A. Inskip, Esquire, Potter Anderson & Corroon, 350 Delaware Trust Building, P.O. Box 951, Wilmington, Delaware 19899. Attorney for Appellant.

James McC. Geddes, Esquire, and Regina A. Iorri, Esquire, Ashby & Geddes, One Rodney Square, P.O. Box 1150, Wilmington, Delaware 19899. Attorneys for Appellee Public Service Commission.

Patricia A. Stowell, Public Advocate, 820 North French Street, 4th Fl., Wilmington, Delaware 19801.

SILVERMAN, J.

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This case concerns a water utility's rates and revenues. The Public Service Commission, Public Advocate, and the utility, agree that the utility is entitled to a rate increase. The question is: How much will the increase be? United Water of Delaware, Inc. wants approximately 4.3 million dollars.* The Public Service Commission, on July 15, 1997, ordered a $1,550,356 increase. United Water appeals, arguing that the Commission miscalculated the increase in several respects. The appeal features challenges to the Public Service Commission's applying the utility's (1) grandparent's capital structure, (2) United Water's prior depreciation rates, (3) a normalized rate case expense, (4) a demand not reflecting a known change from two large customers, and (5) an incorrect deduction for accumulated depreciation.

I.

United Water, formerly known as Wilmington Suburban Water Corporation, is a regulated water company. Due to merger on April 22, 1994, United Water is an owned subsidiary of United Waterworks, which, in turn, is an owned subsidiary of United Water Resources, Inc. On August 27, 1996, United Water filed a rate change notice with the Public Service Commission.[1] The proposal

[1]United Water calculated a revenue deficiency or $3,957,800 for the test period ending (continued...)

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C. Rate Case Expenses

A utility is entitled to recover reasonable expenses relating to its application for a rate increase.[19] The utility has the burden to prove, with sufficient and satisfactory evidence, its expenses "questioned by the Commission." 26 *Del. C.* § 307(b). In general, as presented above, the Public Service Commission "must consider and allow the normally accepted operating expenses of a utility corporation unless found to have been made in bad faith or out of an abuse of discretion." *Delmarva Power & Light Co. v. Public Service Comm'n*, Del. Supr., 508 A.2d 849, 859 (1986) (reversing and remanding where public utility's lawful and proper application for fuel adjustment clause expenses was denied, absent abuse of discretion, bad faith, or waste). The Commission has limited authority to reject a utility's "incurred operating expenses." *Id.* at 860. Where the utility demonstrates legitimate and properly incurred expenses and where the Commission does not demonstrate waste, inefficiency, or bad faith, the expenses must be allowed. *Id.*

The Commission determined that United Water's cost of litigation, or rate case expense, is $297,056, the average rate case expense from United Water's

[19] Rate case expenses are viewed as "normally recurring expenses," where "incurred on a reasonably predictable basis." *Artesian Water Co.*, Del. PSC, 1991 Del. No. 90-109, 9 n.8 (May 28, 1991).

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last three cases. The Commission concluded that:

> The Company's claimed level of rate case expenses, however, were not "legitimately and properly incurred;" indeed, they were not even incurred because they are estimates. Thus, the Hearing Examiner properly relied on Staff's and the OPA's review of actually-incurred expenses in the previous three dockets to ascertain an appropriate level of rate case expense on a prospective basis. Indeed, we observe that the amount of rate case expense accepted by the Hearing Examiner is in fact more than $20,000 greater than the actual level of rate case expense recorded on the Company's books for the test year. Thus, the Company is being permitted to recover in rates the actual amount of rate case expenses it has incurred.

United Water challenges the Commission's ruling in several ways:

> United Water estimated that the rate case expense would be $373,000, normalized over one and a half years to $248,667 annually. Staff expert suggested $297,056, based on the company's three past rate cases. The Commission agreed with Staff's suggestion. United Water argues that the figure is incorrect because it is based on data from "admittedly different factual situations.

The data came from three prior cases that settled, while this case is "fully litigated" and more expensive. Specifically, this case's larger expenses stem, in part, from brief-writing expenses, a depreciation study, and capital structure analysis.

Second, according to United Water, its legitimate operating expenses that have not been disproved by the Commission are compensable. *Delmarva Power*

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& Light, 508 A.2d at 860; *West Ohio Gas v. Public Utilities Comm'n*, 294 U.S. 63, 72 (1935). United Water explains that the total rate case expense must be estimated because "the evidentiary record is closed well before the rate proceeding is concluded."

Again, the Commission asserts that substantial evidence supports the rate case expense determination. First, United Water failed to explain how it calculated its estimated rate case expense. Second, the fact that a case is litigated does not mean that it automatically is more "expensive" than a settled case. Finally, this case was not "unusual or complex," and a rate case expense is treated as a normal recurring expense, and is "not a means whereby the utility receives dollar for dollar recovery of the amounts it has spent."

The Court will not disturb the Commission's rate case expense findings. United Water has not sustained its burden to prove that it incurred $373,000 in legitimate case expenses. United Waters provided an estimate, which is insufficient and nonspecific. The Commission awarded the "normal" rate case expenses. Considering that United Water did not meet its burden to prove unusually high case expenses, and also failed to prove incurred expenses, *Delmarva Power & Light's* waste, inefficiency, and bad faith analytical prong was never even triggered by the

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utility. Therefore, the Commission was correct in adopting the Hearing Examiner's finding that "expenses are normalized by determining a historical cycle of known and measurable costs and then averaging those costs over that specific time period." No legal error exists, and sufficient evidence supports the Commission's use of a normalized figure where United Water did not prove legitimately and properly incurred expenses.

D. Change in Demand

A utility's expense adjustment that is not incurred in the determined test year but is later incurred, should be considered in rate setting. *Application of Wilmington Suburban Water Corp.*, 203 A.2d at 837-38. The test year cannot be an arbitrary cut-off period when present experience demands that more recent and pertinent data be considered. *Id.* at 838. The Commission must allow operating expenses to the extent that such costs are ascertained with realistic certainty, and without speculation. *Id.*

The Commission, agreeing with the Hearing Examiner, found United Water's change in demand claims with respect to two large customers, City of Newark and SPI Polyols, Inc., speculative and selective. United Water's claimed

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION	:	
OF ARTESIAN WATER COMPANY, INC.	:	PSC Docket No. 99-197
FOR A REVISION OF RATES	:	
(Filed April 30, 1999)	:	

SUPPLEMENTAL DIRECT TESTIMONY
IN SUPPORT OF THE APPLICATION OF
ARTESIAN WATER COMPANY, INC.
FOR A REVISION OF RATES

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September 3, 1999

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David B. Spacht

Q. What is the purpose of your supplemental direct testimony?

A. The schedule adopted in PSC Docket 99-197 requires the Company to file updated financial schedules to include actual experience through June 30, 1999. This filing is primarily intended to fulfill that requirement and to correct certain errors and omissions in the initial filing on April 30, 1999. The changes and their effect on the Company's revenue requirement are explained below.

Q. Have you prepared schedules setting forth the changes to DBS Exhibit 1?

A. Yes, the changes appear in the schedules attached to my supplemental direct testimony, collectively titled "Supplemental DBS Exhibit 1". This exhibit consists of the Test Period schedules originally submitted as part of DBS Exhibit 1, but updated to reflect actual information through June 30, 1999, regarding the Company's projections of expenses, revenues and capital improvements. I will summarize each of the changes made to the schedules, and will then describe the cumulative effect of changes on the Company's requested revenue increase. I will not describe every revised number which appears in the attached schedules, but I will describe the underlying changes which are carried over to other calculations reflected in the schedules.

Q. Please summarize your supplemental direct testimony.

A. The net effect of the changes proposed in this supplemental filing is a reduction in the Company's requested revenue requirement of $189,135. The current request includes a rate base totaling $76,449,638, net income under present rates of $5,782,184, a stipulated rate of return of 9.51% and a total revenue increase request of $2,482,085, or 9.52%.

My supplemental direct testimony will begin with a discussion of Schedule 3 changes, in the same manner as my Direct Testimony filed on April 30, 1999. Also in the

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same manner as my Direct Testimony, I will refer to various supporting schedules and in particular schedule 3-B in detail, as part of my explanation for changes to DBS Exhibit 1.

After completing my discussion of Schedule 3 and the supporting schedules (including Schedule 3-B), I will turn to changes to Schedule 2 and its supporting schedules. Schedule 2 shows the Company's rate base at the end of the Test Year and also shows various adjustments made in arriving at the Company's pro forma rate base as of the end of the Test Period.

Schedule 1 provides an overall financial summary of the information found in the other schedules, including actual Test Year and pro forma Test Period figures for rate base, net operating income, required operating income, etc.

Finally, I will discuss the effect of the decrease in the Company's requested increase on the temporary rate increase charged to customers beginning July 1, 1999.

<u>Statement of Income - Schedule 3</u>

<u>Operating Revenues</u>

Q. Please begin your explanation of the changes made to the accounting schedules by discussing the changes made to the "Pro forma operating revenues under present rates" identified as DBS Exhibit 1, Schedule 3A, page 1 of 4.

A. The Company updated actual billing history to adjust projections for recent changes in actual experience. We updated the revenue model for actual billed information through June 30, 1999. Total projected customer count relied on in DBS Exhibit 1 was 62,235. The actual customer count at June 30, 1999 was 62,235, however adjustments between rate classes were necessary. These changes were included in the model and an overall adjustment was made to reflect these changes in pro forma test period revenues under

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current rates. These adjustments increase pro forma test period revenues under current rates from $25,810,412, shown on DBS Exhibit 1, Schedule 3-A, page 1 of 4, to $25,882,109, shown on Supplemental DBS Exhibit 1, Schedule 3-A, page 1 of 4.

<u>Operating Expenses - Schedule 3-B, Adjustments to Operation and Maintenance Expenses</u>

<u>Interest on Customer Deposits</u>

Q. Please explain the first change to the "Adjustments to reflect annual interest expense on customer deposits" on Supplemental DBS Exhibit 1, Schedule 3-B, page 1 of 6.

A. The increase of $581 from $22,490 in Supplemental DBS Exhibit 1, was made to reflect the change in interest related to the increase in average customer deposits found on Supplemental DBS Exhibit 1, Schedule 2-E, which includes five years of actual data recorded through June 30, 1999.

<u>Pension Expense</u>

Q. Please explain the increase of $36,744 in the "Adjustment to reflect annual pension expense on the basis of current payroll rates".

A. In the Company's original filing an adjustment of $36,216 was made to eliminate the charge to test year expense for the one time, non-recurring adjustment for forfeitures. The forfeitures were related to employees who had left the Company prior to the vesting of their rights in the Company's 401k Pension Plan. However, due to an oversight on the part of the Company's independent pension plan administrator, the reduction did not include the entire adjustment which was recorded in 1998 to recognize the forfeitures which were available to the Company over, at least, the last ten years. An additional $36,744 is reflected in this supplemental filing to account for the entire one-time, non-recurring charge to expense for forfeitures in years prior to the Test Year.

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Rate Case Expense

Q. Please explain the increase of $96,208 in "Elimination of charges pertaining to prior rate case and actual Test Year amortization".

A. In preparing its response to PSC-A-35, the Company determined that it had inadvertently neglected to reduce expense by all amounts amortized to expense related to previous rate case expenses. Amortization related to PSC Docket No. 97-66 were also charged to expense and should be eliminated from Test Period Operating Income. This adjustment of $360,562 now reflects all amortization for rate increase related expense charge to this account.

Bad Debt Expense

Q. Please explain the Company's elimination of the expense adjustment related to Bad Debt expense listed on DBS Exhibit 1, Schedule 3-B, 1 of 6.

A. The expense adjustment was eliminated here and included under the over all gross-up factor applied to the revenue requirement to arrive at the Company's request in this case. This treatment, like the treatment afforded finance charges, will adjust the expense to match changes in the overall increased awarded to the Company.

Operation and Maintenance Expense Adjustment Summary

Q. What is the total adjusted amount of the pro forma change in the increase in operation and maintenance expense for the Test Period over the expense for the Test Year?

A. The total net change is a decrease of $57,923. The total adjusted net increase is $374,463. The adjusted claimed pro forma operation and maintenance expense is $14,614,297. This concludes my discussion of the various adjustments to operation and maintenance expense appearing on Schedule 3-B.

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NEW JERSEY BOARD OF PUBLIC UTILITY COMMISSIONERS

Re Atlantic City Sewerage Company

Docket Nos. 615-401, 618-692
May 9, 1962

APPLICATION *by sewerage company for authority to adjust depreciation reserve account and to increase rates; depreciation adjustment disapproved, rate increase proposal granted in part.*

Depreciation, § 12 — Obsolescence.

1. Obsolescence is a recognized element of depreciation, p. 461.

Valuation, § 83 — Accrued depreciation — Obsolescence.

2. A sewerage company was denied permission, for the purpose of fixing a rate base, to transfer obsolescence accruals in a depreciation reserve to capital surplus where no basis was shown for reversing a depreciation policy, voluntarily followed by management for many years, which included special provision for obsolescence of mains and connections and where evidence indicated that functional obsolescence had actually occurred in the company's system, p. 461.

Valuation, § 25 — End-of-year rate base — Attrition.

3. An end-of-year rate base was adopted in fixing rates to offset the effects of attrition, p. 464.

Valuation, § 49 — Trended original cost — Validity.

4. A trended original cost valuation could not be used as a basis for rate making where it employed unrealistic price differentials and construction conditions, incorporated piecemeal construction, used questionable trended prices, reflected outmoded construction methods, and included at current prices construction elements that might no longer be valid, p. 465.

Valuation, § 36 — Original cost.

5. Where an applicant had included in its fair value rate base proposal an allowance for an unrealistic trended original cost, the commission based its finding of rate base on the original cost recorded on the applicant's books, p. 467.

Valuation, § 224 — Construction work in progress — Interest.

6. Construction work in progress should be excluded from the rate base where interest on such work is capitalized, p. 467.

Expenses, § 92 — Amortization of rate case costs.

7. Rate case expenses of a sewerage company were amortized over a period of four and two-thirds years, p. 468.

Expenses, § 95 — Consultant fees — Contractual liability.

8. An expense claimed by a sewerage company for professional services of a consultant was disallowed for rate-making purposes where the company was not liable to the consultant under an expired contract, p. 468.

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reasonableness of the petitioner's proposal.

As hereinabove set forth, our conclusion as to rate base is developed independent of evidence produced by a witness for an objector who testified and introduced exhibits to show that the adoption of an original cost rate base would result in the lowest cost of capital rate to the petitioner in the long run. This evidence will be considered in connection with our finding as to fair rate of return.

Operating Income

Petitioner's operating results actual and pro forma for the twelve months ended May 31, 1961, are shown below in summary form:

	Operating Revenues	Operating Revenue Deductions	Utility Operating Income
Actual 12 Months Ended May 31, 1961	$ 707,687	$570,932	$136,755
Adjusted Pro Forma Present Rates	715,063	592,137	122,926
Adjusted Pro Forma Proposed Rates ..	1,017,058	764,537	252,521

[7] The pro forma adjustments reflect the annualization and normalization of revenues and expenses for the test year ended May 31, 1961. The principal items of adjustment reflect increased labor charges which became effective during the test year; the amortization of rate case and original cost study expenses over a period of four and two-thirds years; and the effect of the proposed rates as well as increased state and federal tax liabilities associated with increased revenues.

The board has carefully considered the adjustments proposed by the petitioner and is satisfied that except for the items discussed hereinafter, the adjustments are reasonable and should be considered in its calculation of adjusted operating income.

Petitioner submitted Amended Exhibit P–26 which indicated that on the basis of billing units as at May 31, 1961, pro forma operating revenues at present rates were $714,614 and at proposed rates $1,017,410, representing additional operating revenues of $302,796 at the increased rates. The board will reflect this more accurate data in the calculation of return under present and proposed rates.

[8] The pro forma statement of expenses includes a charge to the account for professional services of $2,625, representing payments to a consultant for which petitioner is no longer liable since the contract under which such payments were made has expired. This amount, therefore, will be disallowed.

[9] This statement also includes an amortization charge to regulatory commission expenses of $4,000, representing expenses of a prior rate case. It is the board's express policy that only the expenses of the instant proceeding may be amortized for rate case purposes and, therefore, this item will be eliminated from the pro forma statements.

The pro forma adjustment for federal income taxes included, in the factor of interest on long-term debt, interest on refunding bonds in the principal amount of one million dollars. Petitioner, however, did not issue the refunding bonds aforementioned but applied for and received approval to extend the maturity date

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