KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00143

COMMISSION STAFF'S SECOND SET OF INFORMATION REQUESTS

Item 56 of 80

Witness: Sheila Miller

56. a. In Case No. 2004-00103, the Commission found that several of Kentucky-American's lead/lag days should be restated.[1] State whether Kentucky-American has adjusted its lead/lag study in this proceeding to reflect the restatements the Commission made in that proceeding.

b. If the response to Item 56(a) is no, explain why those adjusted lead/lag days have not been included in the proposed lead/lag study.

c. Calculate a revised working capital allowance forecast using the Commission lead/lag adjustments in Case No. 2004-00103. Provide all workpapers, calculations, and assumptions used in the restatement.

<u>Response</u>:

a. The Company inadvertently used the incorrect lead/lag days.

b. This was an error on the part of the Company. The Company failed to utilize the correct file when preparing the initial filing.

c. See the attached spreadsheets.

For electronic version, refer to KAW_R_PSCDR2#56_061807.pdf

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[1] Order of February 28, 2005 at 13.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
ALLOWANCE FOR WORKING CAPITAL
AS OF NOVEMBER 30, 2008

DATA: ___ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: _X_ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S).: SCH 5.1/5.2

SCHEDULE B-5
PAGE 2 OF 2
Witness Responsible: S.A. Miller

Line No.	Working Capital Component	Description of Methodology Used to Determine Jurisdictional Requirement	Workpaper Reference	Total Company	Jurisdictional Percent	Jurisdictional Amount
5	CENTRAL DIVISION					
6	Working Capital	Lead/Lag Study	B-5.2, Page 1/3	$3,439,000	100.00%	$3,439,000
10	Materials and Supplies	13 Month Average Balance	B-5.1	$491,145	100.00%	$491,145
13	TRI-VILLAGE					
14	Working Capital	Lead/Lag Study	B-5.2, Page 1/3	$109,000	100.00%	$109,000
18	Materials and Supplies	13 Month Average Balance	B-5.1	$32,616	100.00%	$32,616
21	ELK LAKE					
22	Working Capital	Lead/Lag Study	B-5.2, Page 1/3	$8,000	100.00%	$8,000
26	Materials and Supplies	13 Month Average Balance	B-5.1	$0		
29	OWENTON					
30	Working Capital	Lead/Lag Study	B-5.2, Page 1/3	$94,000		
34	Materials and Supplies	13 Month Average Balance	B-5.1	$0		

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
WORKING CAPITAL - LEAD/LAG STUDY
AS OF NOVEMBER 30, 2008

DATA: ___ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: _X_ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S).: Sch 5.2

SCHEDULE B-5.2
PAGE 4 OF 6
Witness Responsible: S.A. Miller

Line No.	Description	Days	Amount CENTRAL DIV	TRI-VILLAGE	ELK LAKE	OWENTON	TOTAL WATER
1							
2							
3	Total Operating Funds		$61,177,187	$1,891,949	$146,287	$1,325,418	64,540,841
4							
5	Average Daily Operating Funds		167,609	5,183	401	3,631	176,824
6							
7	Composite Average Days Interval Between:						
8							
9	(A) Date Service Furnished and Date Collections Deposited	Days	43.09	43.65	43.65	48.42	
10							
11	(B) Date Expenses Incurred and Date of Payment	Days	22.57	22.57	22.57	22.57	
12							
13	(C) Net Interval		20.52	21.08	21.08	25.85	
14							
15	Total Working Capital		$3,438,747	$109,239	$8,452	$93,849	3,650,287
16							
17							
18	Use		$3,439,000	$109,000	$8,000	$94,000	
19							
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
WORKING CAPITAL - LEAD/LAG STUDY
AS OF NOVEMBER 30, 2008

DATA: ___ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: _X_ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S).: W/P-8 & W/P-1-6

SCHEDULE B-5.2
PAGE 5 OF 6
Witness Responsible: S.A. Miller

Line		Amount				Post Payment or	Dollar Days				
No.	DESCRIPTION	CENTRAL DIVISION	TRI-VILLAGE	ELK LAKE	OWENTON	(Lead) Days	CENTRAL DIV	TRI-VILLAGE	ELK LAKE	OWENTON	TOTAL WATER
1	Payrolls Charged to Expense - Union/ATS Group	$3,884,586	$212,291	$31,184	$180,052	12.00	46,615,032	2,547,492	374,208	2,160,624	51,697,356
2	Payrolls Charged to Expense - Salaried	1,812,819	99,070	14,553	84,025	12.00	21,753,828	1,188,840	174,636	1,008,300	24,125,604
3											
4											
5	Fuel and Power	2,899,277	0	0	87,000	26.96	78,164,507	0	0	2,345,520	80,510,027
6	Chemicals	1,410,513	840	0	93,865	6.65	9,379,913	5,586	0	624,201	10,009,700
7	Service Company Charges	6,016,129	112,085	15,539	57,441	0.40	2,406,452	44,834	6,216	22,976	2,480,478
8	Group Insurance	1,297,946	66,506	10,155	55,493	(6.81)	(8,839,012)	(452,906)	(69,156)	(377,907)	(9,738,981)
9	Opeb	415,506	21,290	3,251	17,765	23.13	9,610,654	492,438	75,196	410,904	10,589,192
10	Insurance Other than Group	648,506	12,755	671	9,399	(44.70)	(28,988,207)	(570,161)	(30,008)	(420,119)	(30,008,495)
11	Transportation Expense	548,052	12,767	1,422	5,257	13.56	7,431,585	173,121	19,282	71,285	7,695,273
12	Rents	32,165	20,000	0	0	18.39	591,514	367,800	0	0	959,314
13	Telephone Expense	175,187	9,632	271	1,000	10.31	1,806,177	99,307	2,790	10,314	1,918,588
14	Postage Expense	465,675	8,676	1,203	4,446	23.47	10,929,396	203,623	28,229	104,352	11,265,600
15	Stock E	86,826	1,668	0	2,313	28.03	2,433,733	46,754	0	64,833	2,545,320
16	Maintenance Expense, excluding Amortizations	1,156,211	29,422	733	98,328	18.54	21,436,152	545,480	13,590	1,823,007	23,818,229
17	Amortization	686,866	0	0	0	0.00	0	0	0	0	0
18	Uncollectibles	491,322	0	719	3,064	0.00	0	0	0	0	0
19	Waste Disposal	262,237	0	0	0	0.00	0	0	0	0	0
20	Other Operating Expenses	3,213,077	541,931	29,347	144,187	24.44	78,527,613	13,244,790	717,231	3,523,936	96,013,570
21	Total O & M Expenses	25,502,921	1,148,933	109,047	843,636	0.00	184,890,477	14,200,666	763,370	8,203,302	199,854,513
22						0.00					
23	Depreciation and Amortization	8,234,047	181,593	7,442	79,593	0.00	0	0	0	0	0
24	Taxes, Other than Income					0.00					
25	Payroll - FUTA	5,251	244	14	444	69.86	366,835	17,046	978	31,018	415,877
26	Payroll - SUTA	4,678	219	16	337	75.14	351,505	16,456	1,202	25,322	394,485
27	Payroll - FICA	429,192	23,820	3,502	20,201	15.00	6,437,880	357,300	52,530	303,015	7,150,725
28	Other	2,712,401	55,609	2,465	44,507	70.95	192,444,851	3,945,459	174,892	3,157,772	199,722,974
29	Income Taxes - Current - SIT	925,380	18,565	846	14,249	52.75	48,813,795	979,304	44,627	751,635	50,589,361
30	Income Taxes - Current - FIT	5,074,167	101,800	4,638	78,133	30.13	152,884,652	3,067,234	139,743	2,354,147	158,445,776
31	Deferred Income Taxes	978,806	23,716	1,271	(1,748)	0.00	0	0	0	0	0
32	Interest Expense - Long - Term Debt	6,427,882	125,306	6,330	91,372	119.64	769,031,802	14,991,610	757,321	10,931,746	795,712,479
33	Interest Expense - Short - Term Debt	390,753	7,617	385	5,555	14.60	5,704,994	111,208	5,621	81,103	5,902,926
34	Preferred Dividends	429,828	8,379	423	6,110	46.40	19,944,019	388,786	19,627	283,504	20,635,936
35	Net Income	10,061,882	196,148	9,908	143,029	0.00	0	0	0	0	0
36											
37	Net Operating Funds	$61,177,187	$1,891,949	$146,287	$1,325,418		$1,380,870,810	$38,075,069	$1,959,911	$26,122,564	1,420,905,790
38											
39											
40	Average Days Interval between Date Expenses are Incurred and Date of Payment						22.57	20.12	13.40	19.71	
41											
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
WORKING CAPITAL - LEAD/LAG STUDY
AS OF NOVEMBER 30, 2008

DATA: ___ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: _X_ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S).: W/P-8

SCHEDULE B-5.2
PAGE 6 OF 6
Witness Responsible: S.A. Miller

Line No.		Revenues Amount CENTRAL DIVISION	TRI-VILLAGE	ELK LAKE	OWENTON	Median Service Days	Dollar Days CENTRAL DIV	TRI-VILLAGE	ELK LAKE	OWENTON	TOTAL WATER
3	Monthly - Arrears Full Bills	$44,060,388	$1,156,141	$93,638	$605,551	15.21	$670,158,501	$17,584,905	$1,424,234	$9,210,431	689,167,640
5	Other Revenues	3,752,304	0	0	198,568	34.54	129,604,580	0	0	6,858,539	129,604,580
7	Fire Service	3,327,187	0	0	0	(15.26)	(50,772,874)	0	0	0	(50,772,874)
9	Total	$51,139,879	$1,156,141	$93,638	$804,119		$748,990,207	$17,584,905	$1,424,234	$16,068,970	767,999,346
19	Average Median Service Days						14.65	15.21	15.21	19.98	
21-22	Number of Days between the Reading Date and the Billing Date						4.17	4.17	4.17	4.17	
24-25	Number of Days between the Billing Date and the Date the Bills are Paid						24.27	24.27	24.27	24.27	
27-29	Total Average Days' Interval between Number of Days from Date Services are Furnished to Date Collections are Received						43.09	43.65	43.65	48.42	

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
DEFERRED CREDITS AND ACCUMULATED DEFERRED INCOME TAXES
AS OF JULY 31 2007

DATA: _X_ BASE PERIOD ___ FORECASTED PERIOD
TYPE OF FILING: _X_ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S).: W/P-1

SCHEDULE B-6
PAGE 1 OF 2
Witness Responsible: M.A. Miller/S.A. Miller

Line No.	Acct No.	Description	Workpaper Reference	CENTRAL DIV	TRI-VILLAGE	ELK LAKE	OWENTON	Jurisdictional Percent	Jurisdictional Amount CENTRAL DIV	TRI-VILLAGE	ELK LAKE	OWENTON	TOTAL WATER
1													
2													
3	252	Customer Advances	W/P-1-8	$18,158,349	$ 549	$ -	$ -	100.00%	$18,158,349	$549	0	$0	18,158,898
4													
5	271	Contributions In Aid of Construction	W/P-1-8	$36,077,616	$ 2,205,272	$ 85,737	$ 1,665,024		$36,077,616	$2,205,272	$85,737	$1,665,024	40,033,649
6													
7	255	Investment Tax Credits:											
8		Pre 1971 3% Credit	W/P-1-9	$105,013	0	0	0		$105,013	$0	0	$0	105,013
9		1971-1975 4% Credit											
10		1975-12/31/85 10% Credit											
11													
12				$105,013	$0	$0	$0		$105,013	$0	$0	$0	105,013
13													
14													
15	282	Deferred Taxes:											
16		Utility Plant in Service	W/P-1-9	$28,411,947	$68,106	$0	$40,456		$28,411,947	$68,106	$0	$40,456	28,520,509
17		Deferred Maintenance	W/P-1-9	443,079	97,820	0	229,277		443,079	97,820	0	229,277	770,176
18		Deferred Debits	W/P-1-9	761,026	0	0	0		761,026	0	0	0	761,026
19													
20													
21													
22													
23													
24				$29,616,052	$165,926	$0	$269,733		$29,616,052	$165,926	$0	$269,733	30,051,711
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00143

COMMISSION STAFF'S SECOND SET
OF INFORMATION REQUESTS

Item 57 of 80

Witness: Sheila Miller

57. Refer to the Application, Exhibit 37, Schedule B 5.2, page 5 of 6, Working Capital Lead/Lag Study. For the following accounts, reconcile the totals on this schedule to accounts listed on the Adjusted Operating Income Summary shown at Exhibit 37, Schedule C-2 and provide the account titles and numbers to which the following accounts are posted in the workpapers:

    a. Transportation Expense.

    b. Telephone Expense.

    c. Postage Expense.

    d. Stock E.

    e. Maintenance Expense, excluding Amortizations.

    f. Other Operating Expenses.

    g. Depreciation and Amortization.

Response:

See the attached schedule which details the above expenses by line on Exhibit 37, Schedule C-2, and includes the account number and amount. The Other Operating Expenses are a fallout of the total expenses less those detailed on Exhibit 37, Schedule B 5.2, page 5 of 6. The corrections will be made in the revised filing.

For the electronic version see KAW_R_PSCDR2#57_061807.pdf

Kentucky American Water
PSC DR 2 Question 57
Reconciliation of Schedule B-5.2 and Exhibit 37, Schedule C-2

	Account	Sch C-2 Line		Sch C-2 Amts	Lead Lag Amts	Corrected Lead Lag		
a. Transportation	550000.16	Miscellaneous	Transportation Exp	567,498	567,498	567,498		
b. Telephone Expense	575740.16	general office	Telephone Exp Ag	78,090	78,090	78,090		
	575740.15	customer acct	Telephone Exp CA	108,000	108,000	108,000		
c. Postage Expense	575660.15	Customer Accounting	Postage Expense	480,000	480,000	480,000		
d. Stock E	620000	Maintenance	Mat and Sup Maint	90,807	90,807	90,807		
e. Maintenance Expense, excluding Amortization	620000	Maintenance	Mat and Sup Maint	552,482	1,284,694	552,482	(161,732)	diff in Sch C and Main w/o amtz
	635000	Maintenance	Contract Other Svc Maint	31,300		31,300		
	675000	Maintenance	Misc Maint	303,430		303,430		
	675050	Maintenance	Amtz Deferred Maint	293,441		-	293,441	amtz line
	675650	Maintenance	Paving/Backfill	235,750		235,750		
f. Other Operating Expenses-fallout of total expenses:					3,961,045			
	510100	Purchased Water	Purchased Water Expense	477,463		477,463		
	506100	Pensions	Pension Expense	503,733		503,733		
	566100	Regulatory Expense	Regulatory Exp-rate case	285,195		285,195		
	566700	Regulatory Expense	Regulatory Exp-COS	7,000		7,000		
	575100	Customer Accounting	Bank Service Charges	192,348		192,348		
	575200	Customer Accounting	Collection Agencies	22,601		22,601		
	575420	Customer Accounting	Forms	148,400		148,400		
	575620.00	Customer Accounting	Office & Admin Supplies	3,950		3,950		
	575741.00	Customer Accounting	Cell Phone	2,510		2,510		
	520100	General Office	M&S AG	46,458		46,458		
	575002	General Office	Misc General Office	2,891		2,891		
	575261	General Office	Credit Line Fees	24,000		24,000		
	575280	General Office	Dues/Membership Deduct	25,964		25,964		
	575320	General Office	Electricity AG	52,506		52,506		
	575340	General Office	Employee Expenses AG	38,482		38,482		
	575342	General Office	Empl Exp Conf/Registration A	22,225		22,225		
	575350	General Office	Meals & Travel Deduct	28,418		28,418		
	575351	General Office	Meals & Travel Nonded (Mth-e	24,115		24,115		
	575420	General Office	Forms AG	3,420		3,420		
	575480	General Office	Heat - Oil/Gas AG	25,500		25,500		
	575500	General Office	Janitorial AG	40,800		40,800		
	575620	General Office	Office & Admin Supplies AG	20,866		20,866		
	575660	General Office	Postage AG	8,575		8,575		
	575670	General Office	Relocation Expenses	1,000		1,000		
	575741	General Office	Cell Phone AG	27,086		27,086		
	575780	General Office	Trash Removal AG	2,400		2,400		
	575830	General Office	Wtr & Waste Wtr Exp AG	2,400		2,400		
	504500	Miscellaneous	Other Welf Oper AG	20,500		20,500		
	504610	Miscellaneous	Employee Awards AG	16,650		16,650		
	504620	Miscellaneous	Employee Physical Exam AG	12,500		12,500		
	504640	Miscellaneous	Safety Incentive	8,721		8,721		
	504660	Miscellaneous	Tuition Aid AG	36,000		36,000		
	504670	Miscellaneous	Training AG	10,750		10,750		

Kentucky American Water
PSC DR 2 Question 57
Reconciliation of Schedule B-5.2 and Exhibit 37, Schedule C-2

		Account	Sch C-2 Line		Sch C-2 Amts	Lead Lag Amts	Corrected Lead Lag		
		507100	Miscellaneous	401k Oper AG	108,055		108,055		
		508101	Miscellaneous	DCP Oper AG	136,552		136,552		
		508102	Miscellaneous	Retiree Med Oper AG	6,500		6,500		
		520100	Miscellaneous	M & S Oper	137,488		137,488		
		532000	Miscellaneous	Contract Svc-Accounting	72,000		72,000		
		533000	Miscellaneous	Contr Svc-Legal Oper	75,000		75,000		
		535000	Miscellaneous	Contr Svc-Other Oper	610,664		610,664		
		535001	Miscellaneous	Contr Svc-Temp Empl Oper	58,830		58,830		
		536000	Miscellaneous	Contr Svc-Lab Testing Oper	21,080		21,080		
		568010	Miscellaneous	Water Res Conservation	161,885		161,885		
		575000	Miscellaneous	Misc Oper SS	280,217		280,217		
		575030	Miscellaneous	Advertising	24,514		24,514		
		575130	Miscellaneous	Brochures and Handouts	52,955		52,955		
		575220	Miscellaneous	Community Relations	46,409		46,409		
		575240	Miscellaneous	Co Dues/Membership Deduct	3,060		3,060		
		575242	Miscellaneous	Co Dues Deduct AWWA	17,500		17,500		
		575244	Miscellaneous	Co Dues Deduct NAWC	22,700		22,700		
		575270	Miscellaneous	Directors Fees	18,000		18,000		
		575320	Miscellaneous	Electricity	53,295		53,295		
		575480	Miscellaneous	Heat - Oil/Gas	33,907		33,907		
		575490	Miscellaneous	Injuries and Damages	18,000		18,000		
		575500	Miscellaneous	Janitorial	33,060		33,060		
		575454	Miscellaneous	Lab Supplies	74,838		74,838		
		575620	Miscellaneous	Office & Admin Supplies	25,108		25,108		
		575625	Miscellaneous	Overnight Shipping AG	15,564		15,564		
		575711	Miscellaneous	Add'l Security Costs AG	120,288		120,288		
		575715	Miscellaneous	Software Licenses & Support	27,600		27,600		
		575741	Miscellaneous	Cell Phone	34,158		34,158		
		575780	Miscellaneous	Trash Removal	15,125		15,125		
		575790	Miscellaneous	Trustee Fees	4,300		4,300		
		575820	Miscellaneous	Uniforms	29,522		29,522		
		575830	Miscellaneous	Wtr & Waste Wtr Exp SS	24,000		24,000		
					4,507,601	3,961,045	4,507,601	546,556	
amortization	(shown for reconciliation only)	675050	Maintenance	Amtz Deferred Maint	-	686,886	-	(686,886)	amtz overstated - bal to other operating expei
uncollectibles	(shown for reconciliation only)	570100	Customer Accounting	Uncollectibles	503,725	495,105	503,725	8,620	Add Tri Village
								(1)	
g. Depreciation & Amortization		680110	Depreciation	Depreciation	8,038,653	8,038,653	8,038,653	-	
		680600	Amortization	Amortization	450,971	464,022	450,971	(13,051)	amtz of Boonesboro incl in amtz and UPAA added to Lead lag

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00143

COMMISSION STAFF'S SECOND SET
OF INFORMATION REQUESTS

Item 58 of 80

Witness: Sheila Miller

58. Refer to Kentucky-American's Response to Commission Staff's First Set of Information Requests, Item 1(a), W/P 6, page 4 of 28. The November 31, 2008 accumulated depreciation reserve balance listed on this schedule is $90,366,532, but the amount reported in the Application, Schedule B-1, page 2 of 2, is $90,036,643. Provide a reconciliation of the two depreciation balances.

Response:

The $ 90,366,352 is accumulated depreciation on tax basis property and $ 90,036,643 is accumulated depreciation on book basis property.

For electronic version, refer to KAW_R_PSCDR2#58_061807.pdf

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00143

COMMISSION STAFF'S SECOND SET
OF INFORMATION REQUESTS

Item 59 of 80

Witness: Michael A. Miller/Sheila Miller

59. For the forecasted period provide a tax basis depreciation schedule that lists separately the balances for each plant account, tax basis accumulated depreciation, and tax basis depreciable lives.

<u>Response</u>:

See KAW_R_PSCDR1#1a_WP6_052107 for tax basis depreciable lives. The Company's tax records are maintained using the basis of 25 years (Water Property), 7 years (Office furniture and fixtures), 5 years (Trucks and Communication equipment), 3 years (Software) and 40 years real property (buildings).

For electronic version, refer to KAW_R_PSCDR2#59_061807.pdf

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00143

COMMISSION STAFF'S SECOND SET
OF INFORMATION REQUESTS

Item 60 of 80

Witness: Sheila Miller

60. Refer to Kentucky-American's Response to Commission Staff's First Set of Information Requests, Item 1(a), W/P 6, page 5 of 28. Explain what the column entitled "Accumulated Reserve" represents.

Response:

Accumulated Reserve is the accumulated depreciation based on tax basis property.

For electronic version, refer to KAW_R_PSCDR2#60_061807.pdf

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Item 61 of 80

Witness: Michael A. Miller

61. a. Other utilities that are subject to Commission jurisdiction calculate income tax expense by subtracting interest synchronization from net operating income and multiplying by the appropriate income tax rate without including deferrals. Explain why Kentucky-American's methodology is more appropriate and should be accepted.

b. Recalculate Kentucky-American's federal and state income taxes using the method described in Item 61(a). Provide all workpapers, show all calculations, and state all assumptions used to recalculate the income taxes.

c. Compare the results of Item 61(b) to Kentucky-American's forecasted income taxes contained on Exhibit 37, Schedule C-2, page 1 of the Application. Explain any differences between the amounts.

<u>Response</u>:

a. The method described above does not consider taxable CIACs net of the deduction for additional tax depreciation as shown on the attached schedule as A. and B. The net impact is shown on the schedule at C.

b. See attached schedule.

c. See response to part b. of question 61.

For electronic version, refer to KAW_R_PSCDR2#61_061807.pdf

	Updated Forecast State	Updated Forecast Federal
Operating Revenues	64,008,761	64,008,761
Operating Expenses		
Operation & Maintenance Expenses	27,523,329	27,523,329
Depreciation & Amortization	8,489,624	8,489,624
Taxes other than Income	3,316,259	3,316,259
State Income Tax		1,061,682
Operating Income before income taxes	24,679,549	23,617,867
Interest Expense	6,984,847	6,984,847
Taxable income	17,694,702	16,633,020
Income tax rate	6.0%	35.0%
Income tax	1,061,682	5,821,557
Per Updated Filing	1,140,427	6,077,624
Variance per filing over (under)	78,745	256,067
A. Taxable Adv & CIAC	2,413,976	2,413,976
State income tax		144,839
	2,413,976	2,269,137
	6.0%	35.0%
Income tax	144,839	794,198
B. Diff between book & tax Depre		
Tax	12,031,601	12,031,601
Book	8,084,446	8,084,446
	3,947,155	3,947,155
State income tax	236,829	1,381,504
Deferred State income tax	$154,024	$844,573
	$82,805	$536,931
C.	$62,034	$257,267

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Item 62 of 80

Witness: Sheila Miller

62. Refer to Kentucky-American's Response to Commission Staff's First Set of Information Requests, Item 1(a), W/P 1-7 thru 1-12, pages 45 thru 50 of 140.

a. Identify the state income tax rate used to calculate deferred income tax expense for deferred maintenance.

b. Identify where the deferred taxes for the deferred maintenance is reported in the forecasted rate base on Schedule B-1 page 2 of 2 in Kentucky-American's Application.

Response:

a. The state income tax rate used was 8.25%. This will be corrected to 6% in the revised filing.

b. The deferred taxes are reflected on KAW_APP_EX37B_043007.pdf, page 103 of 108, line 17.

For electronic version, refer to KAW_R_PSCDR2#62_061807.pdf

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Item 63 of 80

Witness: Sheila Miller

63. Refer to Kentucky-American's Response to Commission Staff's First Set of Information Requests, Item 1(a), W/P 1-7 thru 1-12, pages 60 thru 69 of 140.

    a. Identify the state income tax rate used to calculate deferred income tax expense for the deferred debits.

    b. Identify where the deferred taxes for the deferred debits is reported in the forecasted rate base on Schedule B-1 page 2 of 2 in the Application.

Response:

a. The state income tax rate used was 6%.

b. The deferred taxes are reflected on KAW_APP_EX37B_043007, Page 103 of 108, Line 18.

For electronic version, refer to KAW_R_PSCDR2#63_061807.pdf

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Item 64 of 80

Witness: Michael Miller

64. State the amount of cost savings, if any, that Kentucky-American will realized through the adoption of the proposed single tariff pricing. Show all calculations and state all assumptions used to derive the amount of such savings.

Response:

The Company at this time has not determined the cost savings that will be realized through the adoption of the proposed single tariff pricing. At the present time, KAWC maintains separate records for all revenue, expenses and utility plant accounts for each district and the approval of a single tariff will not eliminate the need to maintain records for each district in order to generate operations and cost reports necessary to assess efficiencies, unaccounted for water, adherence to budgets, effective construction plans, and other important management reports. There will be some savings in this area, but the Company believes they are very minor.

The savings that will be generated are more directly related to the preparation and filing of rate cases and tariff filings. Preparation of a rate case by district involves considerable time and effort. This process has become more complex with the additional districts that have been added in each of the last two cases and has required major modifications to the rate case model and related calculations. In addition, absent a single tariff concept, the Company must undertake the process of tracking and allocating the corporate expenses to each district to arrive at a cost of service by district. The complexity of filing a rate case for the Company should be reduced significantly under a single tariff filing which will equate to savings in rate case expense.

For electronic version, refer to KAW_R_PSCDR2#64_061807.pdf

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Item 65 of 80

Witness: Linda C. Bridwell

65. State whether all of Kentucky-American's transmission and distribution mains are interconnected.

<u>Response</u>:

Yes, for the Central Division. There is currently no connection between the Central and Northern Division.

For electronic version, refer to KAW_R_PSCDR2#65_061807.pdf

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Item 66 of 80

Witness: Michael A. Miller

66. Provide Kentucky-American's average daily gallons sold per residential and commercial customer for each of the previous 10 calendar years.

Response:

YEAR	RES	COM
1997	182.24	1497.26
1998	186.47	1527.83
1999	187.85	1540.95
2000	177.88	1482.79
2001	174.00	1449.11
2002	179.50	1463.36
2003	159.30	1348.41
2004	157.68	1342.57
2005	175.99	1434.97
2006	168.40	1348.27

For electronic version, refer to KAW_R_PSCDR2#66_061807.pdf

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Item 67 of 80

Witness: Michael A. Miller

67. Refer to Kentucky-American's Response to Commission Staff's First Set of Information Requests, Item 1(a), W/P 2, pages 2 and 3 of 89. State the basis for Kentucky-American's monthly projected residential and commercial customer growth.

Response:

Page 3 of 89 shows a three-year average for the increases in customers. Refer to Kentucky-American's Response to Commission Staff's First Set of Information Requests, Item 1(a), W/P 2, page 35 of 89 for the calculation of these numbers.

For electronic version, refer to KAW_R_PSCDR2#67_061807.pdf

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Item 68 of 80

Witness: Linda C. Bridwell

68. Refer to the Direct Testimony of Linda Bridwell, pages 21-22. State why, considering the changing cost assigned to the 2-inch meter, it is not more reasonable to charge a tap fee for 2-inch meter customers at actual cost as Kentucky-American currently does for larger size meters.

Response:

KAW has a blanket contractor price for 2-inch services that varies only to account for which side of the street from the main it will be located. The fluctuation in the price resulted from a sharp drop in 2-inch services in 2001, which increased the proportionate share of overhead charges. That one year appears to be an outlier on the number of services (27) and cost per installation ($5,481) compared to the average for the other eight years (61) and ($2,859). It would be more difficult to capture those charges through direct project charges such as supervisory or crew labor given the number of services installed on average.

Additionally, to capture the individual charges would require a separate accounting task order for each service, a separate deposit and additional refund or collection for cost adjustment, and would significantly increase the administrative costs for each service.

For electronic version, refer to KAW_R_PSCDR2#68_061807.pdf

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Item 69 of 80

Witness: Paul R. Herbert

69. At pages 5 and 6 of his direct testimony, Paul R. Herbert states: "The demand for private fire units were [sic] increased by a factor of 1.5 over the public fire units to recognize the greater flow rate required for a fire at a private service than for a public hydrant." He further states: "This adjustment was accepted by the Commission in a previous case." Identify the case and Order in which the Commission approved such adjustment.

Response:

The private fire adjustment was proposed in the cost of service study submitted in the 1995 rate case (Case No. 95-554). No party in the case, as well as the Commission, opposed the adjustment.

For electronic version, refer to KAW_R_PSCDR2#69_061807.pdf

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COMMISSION STAFF'S SECOND SET
OF INFORMATION REQUESTS

Item 70 of 80

Witness: Paul R. Herbert

70. Refer to Direct Testimony of Paul R. Herbert, page 7.

a. State whether Mr. Herbert reviewed the documents upon which Company Schedules B, D and E are based.

b. If yes, provide the documents upon which these schedules are based or refer to their location within Kentucky-American’s Application.

Response:

a. Yes

b. The referenced schedules (B, D and E) are found in Exhibit 37 of the filing.

For electronic version, refer to KAW_R_PSCDR2_061807.pdf

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COMMISSION STAFF'S SECOND SET
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Item 71 of 80

Witness: Paul R. Herbert

71. At page 8 of his direct testimony, Mr. Herbert refers to "field studies of customer class demands conducted for the Company" and "field observations of the service areas of the Company."

   a. Identify the person(s) who conducted these field studies and took these field observations and state their position with Kentucky-American.

   b. Describe the nature of and process used for the "field studies of customer class demands."

   c. Provide all reports, statements, reviews, and memoranda related to or produced as a result of these field studies and field observations.

<u>Response</u>:

a. The field survey was under the direction of Linda Bridwell, Director of Engineering.
b. The field studies are described in the 2000 Demand Study attached to the response to AGDR1, questions 33.
c. Notes from the 2000 Study are not available, but the Study referenced in part b. above fully describes the process and findings.

For electronic version, refer to KAAW_R_PSCDR2#71_061807.pdf

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Item 72 of 80

Witness: Paul R. Herbert

72. Refer to Direct Testimony of Paul R. Herbert, page 10. Explain why Mr. Herbert supports the concept of single-tariff pricing and the proposed consolidation of rate divisions.

Response:

Single-tariff pricing (STP) worked well in other jurisdictions. STP provides for stability in rates and avoids large increases to certain districts that require substantial capital improvements. STP recognizes that equivalent service should be priced in the same manner. STP recognizes that costs to provide service by the same company are based on a company-wide work force, are operated by the same management and are financed from the same sources.

For electronic version, refer to KAW_R_PSCDR2#72_061807.pdf

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Item 73 of 80

Witness: Paul R. Herbert

73. Refer to Kentucky-American's Response to Commission Staff's First Set of Information Requests, Item 12, Cost of Service Study. Provide the location in this study where the Consumption Charge as proposed in Schedule G has been calculated.

Response:

The cost of service study is provided in Exhibit 36. The consumption charges in Schedule G were not specifically "calculated." The consumption charges are those required to meet revenue targets by class after the revenues from meter charges have been determined.

For electronic version, refer to KAW_R_PSCDR2#73_061807.pdf

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COMMISSION STAFF'S SECOND SET
OF INFORMATION REQUESTS

Item 1 of 74

Witness: Dr. James H. Vander Weide

74. Refer to the Direct Testimony of James H. Vander Weide, page 11. Dr. Vander Weide states that a water company's demand uncertainty is caused by fluctuations in temperature and rainfall, the state of the economy, and customer growth.

a. Describe how each of these factors specifically affects Kentucky-American.

b. State whether these factors affect all of Kentucky-American's customer classes.

c. If Kentucky-American's response to Item 74(b) is yes, describe how each factor affects the demand for water for each customer class.

d. Provide all studies, articles, reports, or other documents of which that Dr. Vander Weide or Kentucky-American has knowledge that describes or quantifies the relationship between these factors and the demand for water.

e. State which of these factors, if any, affect the demand for natural gas of the natural gas distribution companies that Dr. Vander Weide used as a proxy group in his study.

f. Refer to the Direct Testimony of Edward Spitznagel, page 3. State, in light of Mr. Spitznagel's refusal to consider temperature fluctuations in his weather normalization in favor of other variables, the weight that the Commission should give to temperature fluctuations when considering demand uncertainty as it relates to business risk.

<u>Response</u>:

a. Dr. Vander Weide's discussion on page 11 is a general discussion of business risks in the water utility industry. Dr. Vander Weide did not study how each of the factors specifically affects Kentucky-American.

b. See response to a.

c. See response to a.

d. Dr. Vander Weide is not aware of any articles, studies, reports, or other documents that describe or quantify the relationship between these factors and the demand for water. Such knowledge was not required for his estimate of the cost of equity because his cost of equity estimates are based on capital market studies such as the DCF, risk premium, and CAPM, which do not require such quantification.

e. The demand for natural gas is also affected by fluctuations in temperature and rainfall, the state of the economy, and customer growth.

f. With respect to the cost of equity, the Commission need not determine what weight to give to the effect of temperature fluctuations on business risk, because the relevant weight for this effect is already included in the cost of equity estimate, which is derived through market models such as the DCF, risk premium, and CAPM.

For electronic version, refer to KAW_R_PSCDR2#74_061807.pdf

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COMMISSION STAFF'S SECOND SET
OF INFORMATION REQUESTS

Item 75 of 80

Witness: Dr. James Vander Weide/Michael Miller

75. At page 12 of his direct testimony, Dr. Vander Weide states that Kentucky-American plans to construct a raw water intake, water treatment plant and a transmission main pipeline and that these projects will place a strain on Kentucky-American's financial resources. Describe how Kentucky-American plans to finance the construction.

Response:

KAWC plans to finance the construction through the use of a combination of short-term lines of credit, the issuance of LT debt at the appropriate intervals and the issuance of additional common equity as required to maintain the appropriate amount of leverage in the capital structure.

For electronic version, refer to KAW_R_PSCDR2#75_061807.pdf

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OF INFORMATION REQUESTS

Item 76 of 80

Witness: Dr. James H. Vander Weide/Michael Miller

76. At page 13 of his direct testimony, Dr. Vander Weide states that increased compliance costs to follow Environmental Protection Agency water guidelines creates greater risk for Kentucky-American.

a. State whether the risk associated with these compliance costs is the perception or fear that the Commission will not allow Kentucky-American recovery of these costs through its general service rates in a prompt and timely manner.

b. If no, then explain how Kentucky-American faces higher risks.

Response:

a. Dr. Vander Weide was referring to factors that affect the business risk for the water industry and specifically the major Source of Supply project for KAWC. Sufficient rate recognition of all costs, especially a major project such as the project proposed to address the KAWC Source of Supply deficit is critical to attracting the capital necessary to fund ongoing operations and construct the Source of Supply project. While the Source of Supply project is not a factor increasing rates in the current filing, establishing just and reasonable rates in this case including an ROE commensurate with companies of similar risk could impact the ability of KAWC to attract the significant capital to construct the major project.

b. See response to a.

For electronic version, refer to KAW_R_PSCDR2#76_061807.pdf

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COMMISSION STAFF'S SECOND SET
OF INFORMATION REQUESTS

Item 77 of 80

Witness: Dr. James H. Vander Weide

77. Refer to Direct Testimony of James H. Vander Weide, pages 28-29 and Exhibit_JVW-1, Schedule 2.

a. Provide all reports, studies, analyses, and utility regulatory commission decisions upon which Dr. Vander Weide relies for his position that natural gas distribution companies are comparable in risk to water distribution companies and are appropriate for use as a proxy group for a water company.

b. Provide, for each company in the natural gas proxy group, the Value Line company profile upon which Exhibit_JVW-1, Schedule 2 is based.

c. Explain why each of the criteria or filters that Dr. Vander Weide employed to select the members of the natural gas proxy group is reasonable and appropriate.

d. For each of the companies listed in the natural gas proxy group, list its major sources of revenue.

e. For each company listed in the natural gas proxy group, explain how that company may appropriately be use as a proxy for Kentucky-American, which is primarily a water distribution company.

f. Provide in a Microsoft Excel© spreadsheet format with formulas intact the data upon which Schedule 2 is based.

Response:

a. Dr. Vander Weide's reasons for including the natural gas distribution companies as proxies for water companies are described in his testimony. As Dr. Vander Weide has testified, there are very few publicly-traded water companies that are followed by the investment community. Given the relatively small sample of water companies that are suitable as reasonable proxies for the purposes of estimating KAWC's cost of equity, Dr. Vander Weide believes that the public service commission should consider cost of equity results for additional companies in other regulated industries. From Dr. Vander Weide's experience over the last 30 years as an expert on regulated industries, he believes that the LDCs are the most reasonable companies to include as an additional proxy group to the water company proxy group. The reasons for Dr. Vander Weide's belief that LDCs are similar to KAWC are stated in response to questions 56 – 58 of his direct testimony. Dr. Vander Weide has not conducted quantitative studies that compare the risks of LDCs to water companies. He notes, however, that his DCF results for the LDCs are similar to the DCF results for the water companies.

b. Schedule 2 is based on the stock prices and growth estimates reported by I/B/E/S Thomson Financial and dividend estimates reported in Value Line. The Value Line report for each company in Schedule 2 is supplied.

c. Dr. Vander Weide explains why his criteria and filters are reasonable and appropriate in his direct testimony in his responses to questions 46 through 58 in his direct testimony.

d. Since Dr. Vander Weide did not use information on all the major sources of revenues to select his proxy natural gas companies, he did not obtain that information. Instead, his reasons for using the gas companies as comparable companies for the water companies are described in his testimony and in his response to a.

e. See response to (a.).

f. The requested data are supplied and for electronic version of spreadsheet refer to KAW_R_PSCDR2#77f_061807.xls. Note that the DCF result for Atmos Energy is 10.8%, rather than 9.9% as shown in the filed testimony. The incorrect 9.9% figure was the result of a typographical error in one cell in the spreadsheet. Using the corrected 10.8% result for Atmos Energy, the market-weighted average DCF result for the natural gas companies is 10.3%. This change requires a change in the text of Dr. Vander Weide's direct testimony in Answer 59, changing the "10.2 percent" to "10.3 percent;" and in Answer 60, changing "10.2 percent" to "10.3 percent," and "10.4 percent" to "10.5 percent."

In addition, in checking whether the change in the DCF result for the gas companies had any effect on his overall results, Dr. Vander Weide discovered typographical errors in Answer 84, Table 4. The corrected Table 4 should read as follows:

TABLE 4
COST OF EQUITY MODEL RESULTS

Method	Cost of Equity
Discounted Cash Flow	10.5%
Ex Ante Risk Premium	11.1%
Ex Post Risk Premium	11.2%
Historical CAPM	11.6%
DCF CAPM	12.6%
Average All Cost of Equity Methods	11.4%

For electronic version, refer to KAW_R_PSCDR2#77_061807.pdf

KENTUCKY-AMERICAN WATER COMPANY
EXHIBIT__(JVW-1)
SCHEDULE 2
SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS FOR NTURAL GAS COMPANIES
Attachment to Response to Staff Request 77 (f)

Line No.	Company	Feb-07	Feb-07	Jan-07	Jan-07	Dec-06	Dec-06	DIV1	DIV2	DIV3	DIV4	d1	d2	d3	d_4	Annual Dividend	P_0	Dividend	Growth	Market Cap $ (Mil)	Cost of Equity	1+g	1+k	No. of Estimates
1	AGL Resources	42.90	39.53	40.21	38.20	40.09	38.11	0.3852	0.3852	0.3852	0.4268	0.370	0.370	0.370	0.410	1.48	39.840	1.63007	4.10%	2,988	8.4%	1.0410	1.0841	5
2	Atmos Energy	33.07	31.23	32.30	30.36	32.87	31.50	0.3344	0.3344	0.3397	0.3397	0.315	0.315	0.320	0.320	1.28	31.888	1.40113	6.15%	2,672	10.8%	1.0615	1.1078	4
1	Energen Corp.	49.35	45.75	46.95	43.78	47.60	44.99	0.1155	0.1155	0.1155	0.1208	0.110	0.110	0.110	0.115	0.46	46.403	0.47766	5.00%	3,238	6.1%	1.0500	1.0608	3
3	Equitable Resources	44.55	42.00	43.69	39.26	44.10	41.58	0.2416	0.2416	0.2416	0.2416	0.220	0.220	0.220	0.220	0.88	42.530	1.00973	9.80%	5,237	12.3%	1.0980	1.1230	5
4	National Fuel Gas	43.79	40.60	40.94	36.94	40.21	37.67	0.3033	0.3137	0.3137	0.3137	0.290	0.300	0.300	0.300	1.20	40.025	1.28052	4.57%	3,157	7.9%	1.0457	1.0794	3
5	New Jersey Resources	51.10	46.73	48.70	46.30	52.54	48.46	0.3792	0.3792	0.3792	0.4003	0.360	0.360	0.360	0.380	1.52	48.972	1.58666	5.33%	1,430	8.7%	1.0533	1.0874	3
6	Northwest Nat. Gas	46.30	39.79	42.98	39.89	43.69	40.80	0.3618	0.3618	0.3723	0.3723	0.345	0.345	0.355	0.355	1.42	42.242	1.51470	4.88%	1,134	8.7%	1.0488	1.0865	4
7	ONEOK Inc.	43.85	41.00	43.65	41.00	44.48	42.71	0.3230	0.3445	0.3445	0.3660	0.300	0.320	0.320	0.340	1.28	42.782	1.43261	7.65%	4,764	11.2%	1.0765	1.1117	3
8	Piedmont Natural Gas	26.96	24.55	27.25	25.78	28.44	26.55	0.2504	0.2504	0.2504	0.2504	0.240	0.240	0.240	0.240	0.96	26.588	1.03265	4.33%	2,100	8.4%	1.0433	1.0842	3
9	Questar Corp.	86.32	79.33	82.81	75.96	89.56	82.45	0.2628	0.2628	0.2628	0.2628	0.235	0.235	0.235	0.235	0.94	82.738	1.10188	11.82%	7,406	13.2%	1.1182	1.1322	5
10	South Jersey Inds.	35.30	33.05	33.95	31.81	34.26	32.42	0.2400	0.2400	0.2507	0.2507	0.225	0.225	0.235	0.235	0.90	33.465	1.01644	6.67%	975	9.9%	1.0667	1.0987	3
11	WGL Holdings Inc.	33.00	31.23	32.98	30.99	33.55	32.33	0.3447	0.3498	0.3498	0.3519	0.333	0.338	0.338	0.340	1.35	32.345	1.43812	3.50%	1,612	8.2%	1.0350	1.0818	4
12	Market Weighted Average																				10.3%			

AGL RESOURCES NYSE-ATG

RECENT PRICE	40.03	P/E RATIO	14.6 (Trailing: 14.7 Median: 14.0)	RELATIVE P/E RATIO	0.81	DIV'D YLD	4.1%	VALUE LINE

TIMELINESS 4 Lowered 8/11/06
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 2/23/07
BETA .95 (1.00 = Market)

High:	22 0	21 6	23.4	23 4	23 2	24 5	25 0	29 3	33 7	39 3	40 1	42 9
Low:	17.1	17.8	17 7	15 6	15 5	19 0	17 3	21 9	26 5	32 0	34 4	38 2

Target Price Range 2010 | 2011 | 2012

2010-12 PROJECTIONS

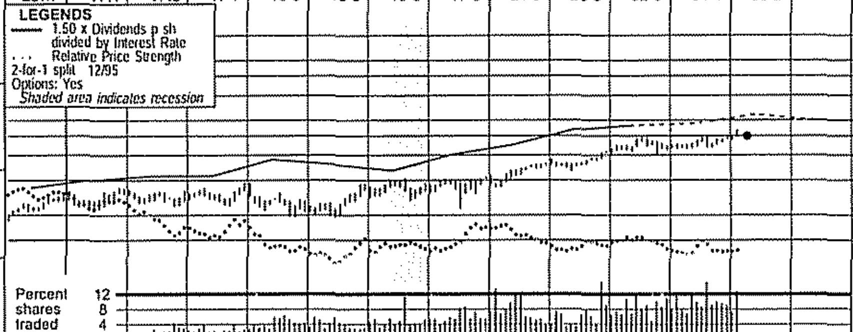
	Price	Gain	Ann'l Total Return
High	55	(+35%)	11%
Low	40	(Nil)	4%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	1	0
Options	0	0	0	0	1	0	0	3	6
to Sell	0	0	0	0	2	0	0	4	1

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	95	113	121
to Sell	102	78	89
Hld's(000)	49525	50305	49321



% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr	18.2	12 0
3 yr	59 8	41 4
5 yr.	125.1	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
20.26	20.43	22 73	23 59	19 32	21 91	22 75	23.36	18 71	11 25	19.04	15.32	15.25	23.89	34 98	33 75	*34.95*	*35.45*	Revenues per sh A	*38.75*
2.07	2 31	2 25	2 24	2 33	2.49	2.42	2 65	2.29	2 86	3.31	3 39	3.47	3.29	4 20	4 62	*4.85*	*5.05*	"Cash Flow" per sh	*5.55*
1.04	1 13	1 08	1 17	1 33	1 37	1 37	1.41	91	1 29	1 50	1 82	2 08	2.28	2 48	2 72	*2 80*	*2 90*	Earnings per sh A B	*3.10*
1.02	1.03	1.04	1.04	1.04	1.06	1.08	1.08	1.08	1.08	1.08	1.08	1.11	1.15	1.30	1.48	*1.64*	*1.64*	Div'ds Decl'd per sh C■	*1.80*
2 95	2 74	2.49	2 37	2 17	2 37	2 59	2 05	2 51	2 92	2 83	3.30	2.46	3.44	3 44	3.25	*3 35*	*3.30*	Cap'l Spending per sh	*3.45*
9.42	9.70	9.90	10.19	10.12	10.56	10.99	11.42	11.59	11.50	12.19	12.52	14.66	18.06	19.29	20.69	*20.95*	*21.00*	Book Value per sh D	*22.50*
47.57	48.69	49.72	50.86	55.02	55.70	56.60	57.30	57.10	54.00	55.10	56.70	64.50	76.70	77.70	77.75	*78.00*	*79.00*	Common Shs Outst'g E	*80.00*
15.3	15.5	17.9	15.1	12.6	13.8	14.7	13.9	21.4	13.6	14.6	12.5	12.5	13.1	14.3	13.5	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
98	.94	1.06	.99	.84	.86	.85	.72	1.22	.88	.75	.68	.71	69	.76	.72	*Value*	*Line*	Relative P/E Ratio	*1.00*
6.4%	5.9%	5.4%	5.9%	6.2%	5.6%	5.4%	5.5%	5.5%	6.2%	4.9%	4.7%	4.3%	3.9%	3.7%	4.0%	*estimates*		Avg Ann'l Div'd Yield	*3.9%*

CAPITAL STRUCTURE as of 12/31/06
Total Debt $2161.0 mill Due in 5 Yrs $854 0 mill
LT Debt $1622 0 mill LT Interest $130.0 mill

(Total interest coverage: 5.0x)
Leases, Uncapitalized Annual rentals $32 0 mill

Pension Assets-12/06 $375.0 mill Oblig $454 0 mill
Pfd Stock None
Common Stock 77.752.515 shs as of 1/31/07

MARKET CAP: $3.1 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
1287 6	1338 6	1068 6	607.4	1049 3	868 9	983 7	1832 0	2718.0	2624	*2725*	*2800*	Revenues ($mill) A	*3100*
76.6	80.6	52.1	71.1	82.3	103.0	132.4	153.0	193.0	212.2	*220*	*230*	Net Profit ($mill)	*250*
37 9%	32 5%	33.1%	34.3%	40 7%	36.0%	35.9%	37 0%	37 7%	37 8%	*38.0%*	*38.0%*	Income Tax Rate	*38.0%*
5.9%	6.0%	4.9%	11.7%	7.8%	11.9%	13.5%	8.4%	7.1%	8.1%	*8.0%*	*8.2%*	Net Profit Margin	*8.0%*
48.7%	47 5%	45.3%	45.9%	61 3%	58.3%	50.3%	54 0%	51 9%	50 2%	*50.0%*	*49.8%*	Long-Term Debt Ratio	*49.2%*
45.9%	47.1%	49.2%	48.3%	38.7%	41.7%	49.7%	46.0%	48.1%	49.8%	*50.0%*	*50.2%*	Common Equity Ratio	*50.8%*
1356.4	1388.4	1345.8	1286 2	1736 3	1704 3	1901 4	3008 0	3114 0	3231 0	*3270*	*3310*	Total Capital ($mill)	*3540*
1496.6	1534.0	1598.9	1637.5	2058.9	2194.2	2352.4	3178.0	3271.0	3436.0	*3550*	*3700*	Net Plant ($mill)	*4000*
7 3%	7.6%	5 7%	7 4%	6.5%	8 1%	8 9%	6.3%	7 9%	8.0%	*8.0%*	*8.5%*	Return on Total Cap'l	*8.5%*
11 0%	11 1%	7 1%	10.2%	12 3%	14 5%	14.0%	11 0%	12 9%	13.0%	*13.5%*	*14.0%*	Return on Shr. Equity	*14.0%*
11.3%	12.3%	7.9%	11.5%	12.3%	14.5%	14.0%	11.0%	12.9%	13.0%	*13.5%*	*14.0%*	Return on Com Equity	*14.0%*
3.2%	4.4%	NMF	3.2%	4 2%	7.0%	6.6%	5.6%	6.2%	6.5%	*5.5%*	*6.0%*	Retained to Com Eq	*6.0%*
74%	64%	101%	72%	65%	52%	53%	49%	52%	52%	*58%*	*56%*	All Div'ds to Net Prof	*58%*

CURRENT POSITION ($MILL.)	2004	2005	12/31/06
Cash Assets	49.0	30.0	20 0
Other	1408.0	2002.0	1802.0
Current Assets	1457 0	2032 0	1822 0
Accts Payable	207 0	264.0	213 0
Debt Due	334 0	522 0	539 0
Other	936.0	1153.0	875.0
Current Liab	1477.0	1939.0	1627.0
Fix. Chg. Cov.	510%	442%	397%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	1 0%	7 0%	4.0%
"Cash Flow"	5.0%	7 0%	5.5%
Earnings	6 5%	13 5%	3.5%
Dividends	1 5%	2 0%	5.5%
Book Value	5.5%	8.5%	2.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	651	294	262	625	1832
2005	908	430	387	993	2718
2006	1044	436	434	707	2621
2007	*975*	*480*	*455*	*815*	*2725*
2008	*1000*	*500*	*470*	*830*	*2800*

Cal-endar	EARNINGS PER SHARE A B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	1.00	33	31	64	2 28
2005	1 14	30	19	85	2.48
2006	1.41	.25	.46	60	2 72
2007	*1 35*	*.35*	*45*	*65*	*2.80*
2008	*1.40*	*.35*	*.45*	*.70*	*2.90*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	27	28	28	28	1 11
2004	28	29	29	29	1 15
2005	31	31	31	37	1 30
2006	37	37	37	37	1.48
2007	.41				

BUSINESS: AGL Resources, Inc is a public utility holding company Its distribution subsidiaries include Atlanta Gas Light, Chattanooga Gas, and Virginia Natural Gas The utilities have more than 2 2 million customers in Georgia (primarily Atlanta), Virginia, and in southern Tennessee Also engaged in nonregulated natural gas marketing and other, allied services. Also wholesales and retails propane Nonregulated subsidiaries: Georgia Natural Gas Services markets natural gas at retail. Acq. Virginia Natural Gas, 10/00 Sold Utilipro. 3/01 Off./dir own less than 1 0% of common; Goldman Sachs, 5.5%; JPMorgan, 5.9% (3/06 Proxy). Pres & CEO: John W Somerhalder II Inc.: GA Addr: 10 Peachtree Place N E. Atlanta, GA 30309. Tel.: 404-584-4000. Internet: www.aglresources.com.

AGL Resources reported solid performance for 2006. Revenues declined slightly from the record top-line performance achieved in 2005, as a result of reduced customer usage due to warmer weather Despite this, share earnings advanced by about 10%. This resulted from a lower cost of gas, which decreased by almost 9% The Wholesale Services business also augmented AGL's bottom line, as operating earnings for this segment increased by 84% For 2007, we anticipate a modest advance in revenues and share earnings, assuming normal weather patterns. Moderate growth should continue to the end of the decade

The first phase of the company's rate case in Tennessee has been resolved. In December, the company received approval from the Tennessee Regulatory Authority for its joint settlement with the other parties in the case, resulting in a rate increase of $2 7 million, effective January 1, 2007 The second phase of this case will entail a review of the company's conservation and decoupling mechanisms A final ruling on this matter is expected by the end of the third quarter

AGL Resources has announced plans to build a natural gas storage facility in Beaumont, Texas. This initiative will require an investment of $180 million and provide 12 billion cubic feet of capacity upon completion of the first phase. Construction should commence next year, with the facility becoming operational in 2010

The board of directors recently approved a dividend increase. The quarterly payout is now $0 41 This represents a very healthy 10 8% rise over the previous level This pattern is encouraging, although the payout may rise at a slower pace going forward, given AGL's declining cash balance

This stock is ranked to lag the broader market for the coming six to 12 months. However, this issue may appeal to income investors, considering the healthy dividend yield. Also, this good-quality stock scores high marks for Safety and Price Stability Nevertheless, at the current quotation, appreciation potential is below average for the pull to late decade, as the shares currently trade within our Target Price Range

Michael F. Napoli *March 16, 2007*

(A) Fiscal year ends December 31st Ended September 30th prior to 2002.
(B) Diluted earnings per share. Excl. nonrecurring gains (losses): '95, ($0 83); '99. $0 39; '00, $0.13; '01, $0.13; '03. ($0 07) Next earnings report due in May.
(C) Dividends historically paid early March, June. Sept. and Dec ■ Div'd reinvest. plan available.
(D) Includes intangibles. In 2006: $420 million. $5.40/share.
(E) In millions, adjusted for stock split

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	70
Earnings Predictability	75

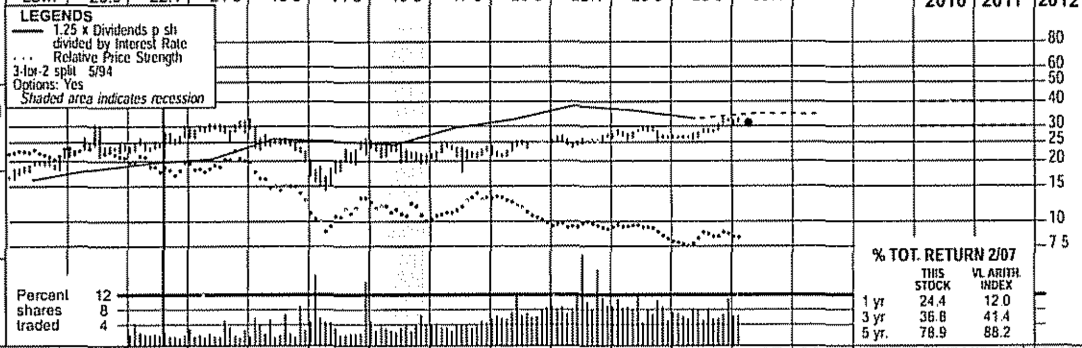
ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE 31.23 | P/E RATIO 15.6 (Trailing: 14.9 Median: 16.0) | RELATIVE P/E RATIO 0.86 | DIV'D YLD 4.1% | VALUE LINE

TIMELINESS 3 Raised 7/28/06
SAFETY 2 Raised 12/16/05
TECHNICAL 3 Lowered 1/12/07
BETA .80 (1.00 = Market)

High:	31 0	30 5	32 3	33.0	26 3	25 8	24 5	25 5	27.6	30 0	33 1	33 1
Low:	20.9	22.1	24 8	19 6	14 3	19 5	17 6	20 8	23.4	25 0	25 5	30.4

Target Price Range 2010 | 2011 | 2012



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+30%)	10%
Low	30	(-5%)	4%

Insider Decisions

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

Institutional Decisions

	2Q2006	3Q2006	4Q2005
to Buy	102	90	115
to Sell	67	88	84
Hld's(000)	46293	48572	53926

% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr	24.4	12.0
3 yr	36.8	41.4
5 yr.	78.9	88.2

Atmos Energy's history dates back to 1906 in the Texas Panhandle Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
30 59	27 90	22 09	26.61	35.36	22 82	54 39	46 50	61 75	75.27	*58.75*	*60.10*	Revenues per sh A	*72.90*
2 85	3 38	2 62	3.01	3 03	3 39	3.23	2 91	3 90	4 26	*4.15*	*4.25*	"Cash Flow" per sh	*4.65*
1 34	1 84	81	1 03	1.47	1.45	1 71	1 58	1 72	2 00	*2 00*	*2.10*	Earnings per sh A B	*2 50*
1.01	1.06	1.10	1.14	1.16	1.18	1.20	1.22	1.24	1.26	*1.28*	*1.30*	Div'ds Decl'd per sh C ■	*1.35*
4 13	4.44	3.53	2 36	2 77	3 17	3.10	3.03	4 14	5 20	*5.00*	*5.30*	Cap'l Spending per sh	*6.60*
11.04	12.21	12.09	12.28	14.31	13.75	16.66	18.05	19.90	20.16	*22.45*	*21.75*	Book Value per sh	*25.20*
29.64	30.40	31.25	31.95	40.79	41.68	51.48	62.80	80.54	81.74	*89.50*	*92.50*	Common Shs Outst'g D	*107.00*
17.9	15 4	33.0	18.9	15.6	15.2	13.4	15.9	16.1	13.5	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
1.03	.80	1.88	1.23	.80	.83	.76	.84	.86	.73	*Value Line*		Relative P/E Ratio	*.95*
4.2%	3.7%	4.1%	5.9%	5.1%	5.4%	5.2%	4.9%	4.5%	4.7%	*estimates*		Avg Ann'l Div'd Yield	*3.9%*
906.8	848.2	690 2	850.2	1442 3	950 8	2799 9	2920 0	4973.3	6152.4	*5260*	*5560*	Revenues ($mill) A	*7800*
39.2	55.3	25.0	32.2	56.1	59.7	79.5	86.2	135.8	162.3	*180*	*195*	Net Profit ($mill)	*270*
37 5%	36 5%	35.0%	36 1%	37 3%	37 1%	37 1%	37.4%	37 7%	37.6%	*38.0%*	*38.0%*	Income Tax Rate	*39.0%*
4.3%	6.5%	3.6%	3.8%	3.9%	6.3%	2.8%	3.0%	2.7%	2.6%	*3.4%*	*3.5%*	Net Profit Margin	*3.5%*
48 1%	51.8%	50.0%	48 1%	54 3%	53 9%	50 2%	43.2%	57 7%	57 0%	*49.0%*	*50.0%*	Long-Term Debt Ratio	*51 0%*
51.9%	48.2%	50.0%	51.9%	45.7%	46.1%	49.8%	56.8%	42.3%	43.0%	*51.0%*	*50.0%*	Common Equity Ratio	*49.0%*
630.2	769.7	755.1	755.7	1276.3	1243 7	1721.4	1994.8	3785.5	3828.5	*3940*	*4020*	Total Capital ($mill)	*5500*
849.1	917.9	965.8	982.3	1335.4	1300.3	1516.0	1722.5	3374.4	3629.2	*3900*	*4200*	Net Plant ($mill)	*5300*
8.3%	9.0%	5.1%	6.5%	5.9%	6.8%	6.2%	5.8%	5.3%	6.1%	*6.0%*	*6.5%*	Return on Total Cap'l	*6.5%*
12 0%	14 9%	6.6%	8.2%	9.6%	10.4%	9.3%	7 6%	8.5%	9 9%	*9.0%*	*9.5%*	Return on Shr Equity	*10.0%*
12.0%	14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.9%	*9.0%*	*9.5%*	Return on Com Equity	*10.0%*
3.9%	6.3%	NMF	NMF	2.1%	1.9%	2.8%	1.7%	2.3%	3.6%	*3.5%*	*3.5%*	Retained to Com Eq	*4.5%*
67%	58%	NMF	112%	79%	82%	70%	77%	73%	63%	*64%*	*62%*	All Div'ds to Net Prof	*54%*

CAPITAL STRUCTURE as of 12/31/06
Total Debt $2336.4 mill **Due in 5 Yrs** $1450 0 mill.
LT Debt $1678.7 mill. **LT Interest** $135.0 mill
(LT interest earned: 2 9x; total interest coverage: 2.8x)
Leases, Uncapitalized Annual rentals $16 0 mill
Pfd Stock None
Pension Assets-9/06 $362 7 mill. Oblig. $326.5 mill
Common Stock 88.577.022 shs as of 1/31/07
MARKET CAP: $2.8 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2005	2006	12/31/06
Cash Assets	40 1	75 8	94.4
Other	1224.3	1041.7	1481.2
Current Assets	1264.4	1117 5	1575 6
Accts Payable	461 3	345 1	762 5
Debt Due	148 1	385 6	457 7
Other	503.4	388.5	407.3
Current Liab	1112.8	1119.2	1627.5
Fix. Chg. Cov.	395%	408%	420%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	7 5%	17 0%	2 5%
"Cash Flow"	4 0%	5 0%	3.5%
Earnings	3 5%	10 0%	5.0%
Dividends	3 0%	2 0%	1 5%
Book Value	6.5%	8.5%	4.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	763 6	1117 5	546.1	492 8	2920.0
2005	1371 0	1687 8	909.9	1004.6	4973 3
2006	2283.8	2033.8	863 2	971 6	6152.4
2007	1602 6	*1800*	*900*	*957.4*	*5260*
2008	*1390*	*1390*	*1390*	*1390*	*5560*

Fiscal Year Ends	EARNINGS PER SHARE A B E Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	57	1 12	09	d 11	1 58
2005	79	1 11	.06	d 21	1 72
2006	88	1 10	d 22	.25	2 00
2007	97	*1.15*	*d.03*	*d.09*	*2.00*
2008	*.95*	*1.15*	*.08*	*d.08*	*2.10*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	30	30	30	305	1 21
2004	305	305	305	31	1 23
2005	31	31	31	315	1 25
2006	315	315	315	32	1 27
2007	32				

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to 3 2 million customers via six regulated natural gas utility operations: Louisiana Division, West Texas Division, Mid-Tex Division, Mississippi Division. Colorado-Kansas Division, and Kentucky/Mid-States Division Combined 2006 gas volumes: 272 MMcf. Breakdown: 53%, residential; 32%, commercial; 10%, industrial; and 5% other 2006 depreciation rate 3.6% Has around 4,600 employees Officers and directors own approximately 1 9% of common stock (12/06 Proxy). Chairman and Chief Executive Officer: Robert W Best. Incorporated: Texas Address: P.O. Box 650205, Dallas, Texas 75265 Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy got off to a good start in fiscal 2007 (ends September 30th), driven by its non-utility businesses. Profits for the core natural gas marketing segment were boosted by higher unrealized storage mark-to-market gains. and underlying business trends were solid. as well The pipeline operation reaped the benefits of the North Side Loop and other projects completed last year. plus rate adjustments arising from filings under the Gas Reliability Infrastructure Program (authorizing companies to earn a rate of return on their incremental annual capital investments)

But full-year earnings per share could be flat. The utility unit may be weighed down a bit by increased operating expenses. reflecting costs from a higher employee headcount. (Weather-normalization mechanisms applicable to around 90% of the customer base ought to help here. though) Moreover. the fourth-quarter comparison ought to be quite difficult, given that our fiscal 2006 figure excludes an $0 18-a-share charge for the impairment of irrigation properties in the West Texas Division. Lastly, the recent public offering of 6 3 million common shares is estimated to dilute share net by around a nickel (The $192 million in net proceeds from that transaction were used to reduce short-term debt) Atmos is gradually strengthening its capital structure following the issuance of debt to finance the acquisition of TXU's gas business

The company is awaiting the results of several rate cases. The largest one seeks $60 million in additional annual revenues in Texas, which would affect some 1 5 million customers There is also a filing in Kentucky for a $10.4 million annual revenue increase (175.000 customers) and Missouri for $3 4 million in additional annual revenues (60,000 customers). Note that our presentation will account for the aforementioned amounts if the measures are approved

These good-quality shares offer a decent yield, a well-covered payout, and moderate dividend growth. But performance wise, they are already trading within our 3- to 5-year Target Price Range. and are ranked only 3 (Average) for Timeliness.

Frederick L. Harris, III *March 16, 2007*

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs Excl. nonrec. items: '97, d53¢; '99, d23¢; '00, 12¢; '03, d17¢; '06, d18¢. Next egs. rpt. due early May (C) Dividends historically paid in early March, June, Sept., and Dec. ■ Div. reinvestment plan Direct stock purchase plan avail.
(D) In millions, adjusted for stock splits
(E) Qtrs may not add due to change in shrs outstanding.
(F) ATO completed United Cities merger 7/97

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	35
Earnings Predictability	70

ENERGEN CORP. NYSE-EGN

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
47.09	12.6	(Trailing: 12.7 Median: 13.0)	0.70	1.0%	VALUE LINE

TIMELINESS **2** Raised 8/11/06
SAFETY **2** Raised 9/15/06
TECHNICAL **3** Raised 3/16/07
BETA .85 (1.00 = Market)

2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+25%)	7%
Low	45	(-5%)	Nil

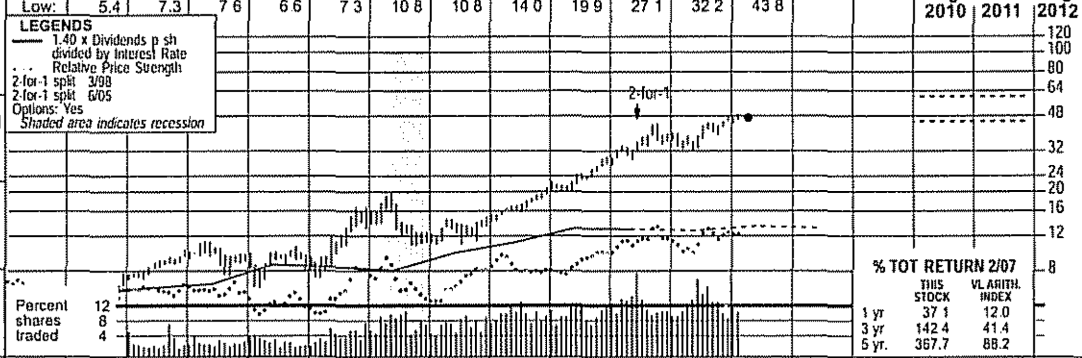
Insider Decisions

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

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	131	92	130
to Sell	104	127	113
Hld's(000)	48634	49076	48743

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High:	7.8	10.3	11.3	10.6	16.8	20.1	15.0	21.0	30.0	44.3	47.6	49.3
Low:	5.4	7.3	7.6	6.6	7.3	10.8	10.8	14.0	19.9	27.1	32.2	43.8



% TOT RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr	37.1	12.0
3 yr	142.4	41.4
5 yr	367.7	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
8.06	8.15	8.65	8.63	7.36	8.95	7.78	8.58	8.35	9.23	12.61	9.74	11.63	12.81	15.35	*18.90*	*22.45*	*19.45*	Revenues per sh A	*25.90*
.94	1.03	1.05	1.14	1.12	1.40	1.54	2.00	2.15	2.36	2.51	2.45	3.14	3.40	4.14	*5.10*	*6.05*	*5.55*	"Cash Flow" per sh	*5.40*
.36	.39	.44	.50	.44	.49	.58	.62	.66	.91	1.12	1.00	1.55	1.75	2.35	3.16	*4.00*	*3.40*	Earnings per sh B	*3.05*
.24	.25	.26	.27	.28	.29	.30	.32	.33	.34	.35	.36	.37	.38	.40	.44	*.46*	*.48*	Div'ds Decl'd per sh C■	*.60*
1.16	.55	1.06	1.04	1.58	3.77	4.92	2.98	2.02	2.21	3.06	2.39	2.47	2.43	3.14	*4.10*	*4.50*	*4.75*	Cap'l Spending per sh	*5.75*
3.02	3.19	3.40	3.82	3.99	4.22	5.23	5.62	6.07	6.66	7.72	8.39	9.65	10.98	12.15	*16.30*	*17.50*	*18.50*	Book Value per sh D	*20.10*
40.42	40.73	41.28	43.67	43.64	44.65	57.59	58.56	59.61	60.22	62.25	69.49	72.45	73.17	73.49	*73.70*	*74.00*	*75.00*	Common Shs Outst'g E	*85.00*
12.6	11.0	12.4	11.1	12.3	12.0	13.4	15.6	13.5	10.8	13.6	13.0	11.1	13.6	14.7	12.4	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*17.0*
.80	.67	.73	.73	.82	.75	.77	.81	.77	.70	.70	.71	.63	.72	.78	.67			Relative P/E Ratio	*1.15*
5.4%	6.0%	4.8%	4.9%	5.2%	5.0%	3.9%	3.3%	3.6%	3.4%	2.3%	2.8%	2.1%	1.6%	1.2%	1.1%			Avg Ann'l Div'd Yield	*1.1%*

CAPITAL STRUCTURE as of 9/30/06
Total Debt $724.9 mill. Due in 5 Yrs $430.0 mill.
LT Debt $682.9 mill. LT Interest $35.0 mill.
(Total interest coverage: 6.8x)

Leases, Uncapitalized Annual rentals $7.0 mill.

Pension Assets-12/05 $140.2 mill.
Oblig. $172.5 mill.

Pfd Stock None

Common Stock 72,355,003 shs
as of 11/1/06

MARKET CAP: $3.4 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
448.2	502.6	497.5	555.6	785.0	677.2	842.2	937.4	1128.4	1394.0	*1660*	*1460*	Revenues ($mill) A	*2200*
29.0	36.3	39.6	55.2	69.1	64.9	110.3	127.5	172.9	232.3	*295*	*255*	Net Profit ($mill)	*260*
9.6%	--	3%	11.4%	19.0%	22.5%	36.8%	37.2%	36.1%	36.2%	*36.5%*	*36.5%*	Income Tax Rate	*36.0%*
6.5%	7.2%	8.0%	9.9%	8.8%	9.6%	13.1%	13.6%	15.3%	16.7%	*17.8%*	*17.5%*	Net Profit Margin	*11.8%*
48.1%	53.1%	50.7%	46.9%	53.1%	46.8%	44.2%	43.3%	43.4%	*32.5%*	*35.0%*	*37.0%*	Long-Term Debt Ratio	*40.0%*
51.9%	46.9%	49.3%	53.1%	46.9%	53.2%	55.8%	56.7%	56.6%	*67.5%*	*65.0%*	*63.0%*	Common Equity Ratio	*60.0%*
580.7	702.0	733.3	754.8	1024.9	1095.8	1251.9	1416.6	1575.9	*1785*	*1990*	*2200*	Total Capital ($mill)	*2850*
667.0	756.3	861.1	907.8	998.3	1256.8	1433.5	1783.1	2068.0	*2250*	*2430*	*2615*	Net Plant ($mill)	*3300*
6.4%	6.8%	7.4%	9.3%	8.7%	7.3%	10.2%	10.2%	12.2%	*14.0%*	*16.0%*	*12.5%*	Return on Total Cap'l	*10.5%*
9.6%	11.0%	11.0%	13.8%	14.4%	11.1%	15.8%	15.9%	19.4%	*19.5%*	*23.0%*	*18.5%*	Return on Shr. Equity	*15.0%*
9.6%	11.0%	11.0%	13.8%	14.4%	11.1%	15.8%	15.9%	19.4%	*19.5%*	*23.0%*	*18.5%*	Return on Com Equity	*15.0%*
4.5%	5.5%	5.7%	8.8%	10.0%	7.0%	12.1%	12.4%	16.1%	*16.5%*	*20.0%*	*16.0%*	Retained to Com Eq	*12.0%*
53%	50%	48%	36%	31%	37%	24%	22%	17%	*14%*	*12%*	*14%*	All Div'ds to Net Prof	*20%*

CURRENT POSITION ($MILL.)	2004	2005	9/30/06
Cash Assets	4.5	8.7	5.7
Other	345.4	469.8	357.7
Current Assets	349.9	478.5	363.4
Accts Payable	159.9	306.6	152.9
Debt Due	145.0	168.0	42.0
Other	193.7	213.7	183.8
Current Liab.	498.6	688.3	378.7
Fix. Chg. Cov.	579%	680%	650%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '10-'12
Revenues	5.0%	9.0%	*10.0%*
"Cash Flow"	12.5%	10.5%	*6.0%*
Earnings	15.0%	21.0%	*7.0%*
Dividends	3.5%	3.0%	*7.0%*
Book Value	11.5%	12.5%	*9.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Mar.31	Jun.30	Sep.30	Dec.31	Full Fiscal Year
2004	351.4	188.2	166.5	231.3	937.4
2005	361.0	241.7	190.6	335.1	1128.4
2006	488.1	282.4	242.7	380.8	1394.0
2007	*415*	*415*	*415*	*415*	*1660*
2008	*365*	*365*	*365*	*365*	*1460*

Fiscal Year Ends	EARNINGS PER SHARE A B Mar.31	Jun.30	Sep.30	Dec.31	Full Fiscal Year
2004	.83	.31	.19	.42	1.75
2005	.80	.51	.26	.78	2.35
2006	1.18	.67	.56	.75	3.16
2007	*1.40*	*.85*	*.75*	*1.00*	*4.00*
2008	*1.25*	*.70*	*.60*	*.85*	*3.40*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.09	.09	.092	.092	.37
2004	.092	.092	.096	.096	.38
2005	.10	.10	.10	.10	.40
2006	.11	.11	.11	.11	.44
2007	.115				

BUSINESS: Energen Corporation is a holding company. Alabama Gas Corporation (Alagasco), a subsidiary, sells to around 460,000 customers in central and northern Alabama, including Birmingham and Montgomery. 2005 utility revenues: residential, 64.1%; commercial and industrial, 27.8%; transportation and other, 8.1%. 2005 deliveries: 86.9 MMcf. Energen Resources Corporation, a subsidiary, engages primarily in exploration and production of natural gas. 2005 proved reserves: gas, 1,080.2 MMcf; oil, 75.0 MBbl; NGL, 31.9 MBbl. Has around 1,500 employees. Chairman & Chief Executive Officer: Wm. Michael Warren, Jr. Incorporated: Alabama. Address: 2101 Sixth Avenue North, Birmingham, Alabama 35203-2784. Telephone: 205-326-2700. Internet: www.energen.com.

We think 2007 will be another excellent year for Energen Corporation. Production for the E&P subsidiary, Energen Resources, should be around last year's record level (i.e., 95.6 billion cubic feet equivalent). That should come about partially by further drilling activities in the San Juan Basin (bolstered by the recent purchase of an estimated 30 billion cubic feet of natural gas reserves from Dominion Resources), plus volumes from properties acquired in the Permian Basin in late 2005. What's more, management was able to hedge a significant portion of production (now at 69% of projected gas output and 71% of estimated oil volumes) at favorable prices. Meanwhile, Alagasco, the Alabama-based natural gas utility, stands to perform reasonably well, as it earns within an allowed range of return on average equity. Despite a rise in operating expenses, 2007 share net may well surge about 26%, to $4.00, which would be the highest earnings in the company's history. Lower, though still relatively good, results could be in store for 2008 if commodity prices were to trend downward.

We have a positive 2010-2012 outlook on the company, although the record performance expected for this year may not be repeated over that span. Energen Resources should be the main growth vehicle going forward, as management continues to implement an aggressive acquisition strategy. Alagasco ought to remain a steady contributor to earnings, made possible by a regulatory measure that provides it the opportunity to earn a target return on equity of between 13.15% and 13.65% in a given year.

The quarterly common stock dividend was recently hiked 4.5%. That was made possible by the energy firm's ability to register substantial cash flows. And our 3- to 5-year projections indicate that additional increases in the distribution will take place.

These shares, ranked 2 (Above Average) for Timeliness, have risen considerably in value since the beginning of this decade, as energy markets have strengthened nicely over that timeframe. But it appears that the price surge has greatly diminished long-term capital appreciation potential.

Frederick L. Harris, III *March 16, 2007*

(A) Fiscal year end 9/30 thru '01. 12/31 after. Three-month stub end 12/31/01: Revenues, $147.3 mill. EPS, 15¢ (excl. nonrec. charge of 9¢). (B) Primary egs thru '96, then diluted. Excl. nonrec. items: '92, 3¢; '94, 5¢; '99, 3¢; '00, d4¢; '01, d2¢; '02, 5¢; Q4 '06, 56¢. Excl. disc. ops.: '02, 1¢; '03, 1¢. Next egs. rpt. late April. (C) Div'd historically paid in early March, June, Sept., Dec. ■ Div'd reinvest. plan avail. (D) Incl. intang. assets. In '05: $71.7 mill., $0.98/sh. (E) In mill., adjusted for stock splits.

Company's Financial Strength	A
Stock's Price Stability	85
Price Growth Persistence	100
Earnings Predictability	65

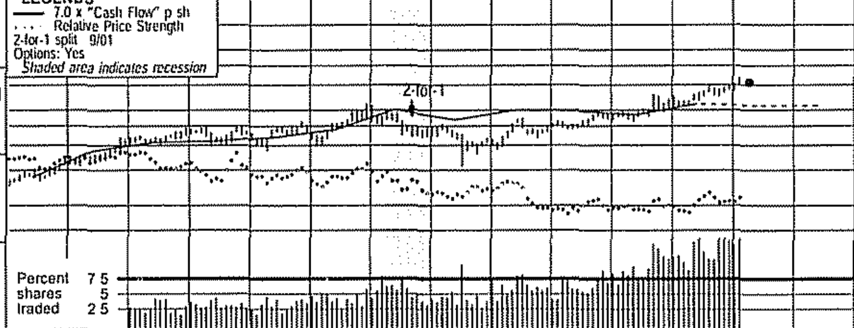
NATIONAL FUEL GAS NYSE-NFG

RECENT PRICE	41.34	P/E RATIO	18.0 (Trailing: 17.5 / Median: 14.0)	RELATIVE P/E RATIO	.99	DIV'D YLD	2.9%	VALUE LINE

TIMELINESS 4 Lowered 2/16/07
SAFETY 2 New 7/27/90
TECHNICAL 5 Lowered 3/16/07
BETA .95 (1.00 = Market)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
High:	22.1	24.5	24.8	26.5	32.3	31.6	25.7	27.5	29.2	36.0	40.2	43.8
Low:	15.7	19.7	19.8	18.8	19.7	22.0	15.6	19.0	23.8	26.2	30.6	36.9

Target Price Range
2010 | 2011 | 2012



2010-12 PROJECTIONS

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

Insider Decisions

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

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	125	117	102
to Sell	98	111	144
Hld's(000)	36453	36899	44367

% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr	33.4	12.0
3 yr	85.0	41.4
5 yr.	110.5	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
13.99	13.58	13.92	15.31	13.03	15.96	16.58	16.22	16.26	18.12	26.45	18.25	24.99	24.48	22.80	27.72	*25.90*	*26.50*	Revenues per sh A	*30.00*
1.61	1.71	1.97	2.11	1.97	2.68	2.97	2.99	3.15	3.42	4.31	3.84	4.29	4.25	4.06	4.59	*4.50*	*4.50*	"Cash Flow" per sh	*4.75*
.82	.97	1.08	1.12	1.02	1.39	1.51	1.44	1.48	1.61	2.11	1.58	1.89	1.97	1.91	2.40	*2.30*	*2.20*	Earnings per sh B	*2.40*
.72	.74	.76	.78	.80	.83	.86	.89	.92	.95	.99	1.03	1.06	1.07	1.14	1.18	*1.20*	*1.20*	Div'ds Decl'd per sh C ■	*1.20*
2.53	2.33	1.80	1.81	2.44	2.27	2.80	5.11	3.35	3.42	3.69	2.90	1.87	2.08	2.60	3.53	*3.50*	*3.65*	Cap'l Spending per sh	*3.75*
8.76	9.34	10.04	10.47	10.69	11.31	11.97	11.57	12.09	12.55	12.63	12.54	13.97	15.11	14.58	17.31	*18.55*	*19.65*	Book Value per sh	*21.05*
61.85	67.71	73.32	74.56	74.87	75.70	76.33	76.94	77.68	78.66	79.41	80.26	81.44	82.99	84.36	83.40	*83.00*	*83.00*	Common Shs Outst'g D	*85.00*
14.4	13.0	14.5	14.4	13.7	12.2	14.0	15.6	15.5	15.0	12.7	14.3	11.8	12.7	15.0	14.1	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.92	.79	.86	.94	.92	.76	.81	.81	.88	.98	.65	.78	.67	.67	.80	.76	*Value Line*		Relative P/E Ratio	*.85*
6.1%	5.8%	4.8%	4.8%	5.8%	4.9%	4.1%	3.9%	4.0%	3.9%	3.7%	4.6%	4.7%	4.3%	4.0%	3.5%	*estimates*		Avg Ann'l Div'd Yield	*4.2%*

CAPITAL STRUCTURE as of 12/31/06
Total Debt $1167.2 mill. Due in 5 Yrs $332.2 mill.
LT Debt $1095.5 mill. LT Interest $69.0 mill.
(Total interest coverage: 4.8x) (43% of Cap'l)

Leases, Uncapitalized Annual rentals $8.5 mill.
Pension Assets-9/06 $616 mill. Oblig. $825 mill.
Pfd Stock None

Common Stock 82,769,461 shares
as of 1/31/07

MARKET CAP: $3.4 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
1265.8	1248.0	1263.3	1425.3	2100.4	1464.5	2035.5	2031.4	1923.5	2311.8	*2150*	*2200*	Revenues ($mill) A	*2550*
27.5%	28.5%	30.6%	30.7%	26.3%	33.1%	26.6%	25.9%	26.0%	21.8%	*23.0%*	*23.0%*	Operating Margin	*26.0%*
111.7	118.9	129.7	142.2	174.9	180.7	195.2	189.5	179.8	179.6	*180*	*185*	Depreciation ($mill)	*200*
114.7	111.4	115.0	127.2	167.4	127.6	154.2	163.3	162.4	203.5	*195*	*190*	Net Profit ($mill)	*205*
37.5%	39.4%	35.7%	37.5%	40.7%	37.6%	37.8%	35.5%	37.7%	22.3%	*22.0%*	*25.0%*	Income Tax Rate	*38.0%*
9.1%	8.9%	9.1%	8.9%	8.0%	8.7%	7.6%	8.0%	8.4%	8.8%	*9.1%*	*8.6%*	Net Profit Margin	*8.0%*
d155.5	d478.9	d381.8	d490.0	d509.6	d373.5	d146.2	d103.2	d198.8	d80.9	*125*	*95.0*	Working Cap'l ($mill)	*50.0*
581.6	692.7	822.7	953.6	1046.7	1145.3	1147.8	1133.3	1119.0	1095.7	*1100*	*1100*	Long-Term Debt ($mill)	*1000*
913.7	890.1	939.3	987.4	1002.7	1006.9	1137.4	1253.7	1229.6	1443.6	*1540*	*1630*	Shr. Equity ($mill)	*1850*
9.1%	8.7%	8.4%	8.3%	10.2%	8.0%	8.8%	8.6%	8.5%	9.4%	*9.0%*	*8.0%*	Return on Total Cap'l	*8.5%*
12.6%	12.5%	12.2%	12.9%	16.7%	12.7%	13.6%	13.0%	13.2%	14.1%	*13.5%*	*11.5%*	Return on Shr. Equity	*11.0%*
5.5%	5.0%	4.8%	5.5%	9.1%	4.6%	6.1%	5.9%	5.6%	7.3%	*6.0%*	*5.5%*	Retained to Com Eq	*4.5%*
56%	60%	61%	57%	46%	63%	55%	55%	58%	48%	*52%*	*54%*	All Div'ds to Net Prof	*50%*

CURRENT POSITION ($MILL.)	2005	2006	12/31/06
Cash Assets	57.5	69.6	47.6
Receivables	155.1	144.3	192.6
Inventory (LIFO)	97.8	96.2	90.8
Other	262.3	209.4	239.3
Current Assets	572.8	519.6	570.3
Accts Payable	156.6	133.0	144.2
Debt Due	9.4	22.9	71.7
Other	295.1	134.4	123.7
Current Liab.	461.1	290.3	339.6

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	5.5%	4.5%	*2.0%*
"Cash Flow"	6.5%	3.5%	*5%*
Earnings	6.0%	4.0%	*1.5%*
Dividends	3.5%	3.5%	*2.5%*
Book Value	4.0%	4.5%	*4.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.)A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	532.5	801.7	419.0	278.2	2031.4
2005	500.3	735.8	400.4	287.1	1923.6
2006	710.8	891.0	415.5	294.5	2311.8
2007	504.2	*926*	*420*	*300*	*2150*
2008	*575*	*935*	*405*	*285*	*2200*

Fiscal Year Ends	EARNINGS PER SHARE ABE Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	.53	.95	.40	.09	1.97
2005	.60	.84	.31	.16	1.91
2006	.67	.91	.46	.36	2.40
2007	.62	*.90*	*.43*	*.35*	*2.30*
2008	*.62*	*.90*	*.38*	*.30*	*2.20*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.26	.26	.27	.27	1.06
2004	.27	.27	.28	.28	1.10
2005	.28	.28	.29	.29	1.14
2006	.29	.29	.30	.30	1.18
2007	.30				

BUSINESS: National Fuel Gas Company is an integrated natural gas company. Gas Utility sells and transports gas to about 733,000 customers in western New York and northwestern Pennsylvania. The company's pipeline and storage division owns gas pipelines between Pennsylvania and the New York/Canadian border near Buffalo. The exploration and production segment is operated by Seneca Resources and other nonregulated divisions. 2006 depreciation rate: 4.3%. Has 2,044 employees. Officers/directors own 5.5% of common stock; Vanguard Fiduciary Trust, 8.8% (1/07 proxy). Chairman, President, & CEO: Philip C. Ackerman. Incorporated: NJ. Address: 6363 Main Street, Williamsville, NY 14221. Telephone: 716-857-7000. Web: www.nationalfuelgas.com.

National Fuel Gas shares are likely to lag the year-ahead market. As the outlook dims for the company's near-term earnings, we do not believe this is a favorable entry point for investors. Although the stock price has edged upward since our last review, at present, we do not envision much relative price outperformance over the next six months. Also, the potential softening of natural gas and oil pricing would limit long-term earnings growth. And NFG's current quotation is above historical P/E multiples as well as our Target Price Range out to 2010–2012.

We look for a year-to-year share-net decline in fiscal 2007 (ends September 30th). The oil and natural gas exploration and production (E&P) segment (Seneca) drove notable gains in fiscal 2006 and continues to be the primary contributor to profits. However, with energy prices falling in recent months, we expect revenue and profit comparisons to be less favorable in the coming years. Moreover, as the cost of finding and developing both oil and natural gas rises, weaker pricing would make it more challenging to offset margin pressure from higher expenses.

We are slightly more optimistic about the longer-term prospects for the company's other segments. The pipeline and storage segment's operating profits are up versus last year. The modest advances there are the result of enhanced transportation and storage revenues. Additionally, the utility division's profits are up year over year. This improvement reflects a favorable rate settlement that enables the company's utility subsidiary, National Fuel Gas Distribution, to charge higher rates. This should help the company to offset the negative effects of potentially lower average usage. Too, cost-reduction efforts in these segments should provide added support.

Meanwhile, the company's joint venture with EOG Resources is promising. The combined efforts to develop Appalachian reserves may unlock considerable growth potential. This region has been underexplored over the past several years, and industry specialists confirm that there are substantial unconventional gas opportunities from deep well-drilling in the area.

Simon R. Shoucair *March 16, 2007*

(A) Fiscal year ends Sept. 30th. (B) Primary egs. thru '97; diluted thereafter. Excl. nonrecur. gain (loss): '94, 9¢; '98, ($2.28); '01, ($1.29); '02, (12¢); '03, 31¢; '04, 4¢; '05, 32¢; '06, (79¢). Incl. nonrecur. loss: '96, 16¢. Fiscal '03 quarterly totals do not sum to total due to rounding. Next egs. report due early May. (C) Div. hist. paid in mid-Jan., Apr., July, and Oct. ■ Div. reinvestment plan available. (D) In millions, adjusted for split. (E) Earnings per share may not sum due to change in shares outstanding.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	85
Earnings Predictability	85

NEW JERSEY RES. NYSE-NJR

RECENT PRICE 49.49 | P/E RATIO 17.1 (Trailing: 18.0 Median: 15.0) | RELATIVE P/E RATIO 0.94 | DIV'D YLD 3.1% | VALUE LINE

TIMELINESS 5 Lowered 12/15/06
SAFETY 1 Raised 9/15/05
TECHNICAL 4 Lowered 3/2/07
BETA .80 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High:	19 9	28 0	26 8	27.4	29.8	32 5	33 6	39 5	44 6	49 3	53 2	51 1
Low:	17.8	18.8	21 0	22 4	24 1	24.8	24 3	30 0	36 5	40 7	41 5	46 3

2010-12 PROJECTIONS

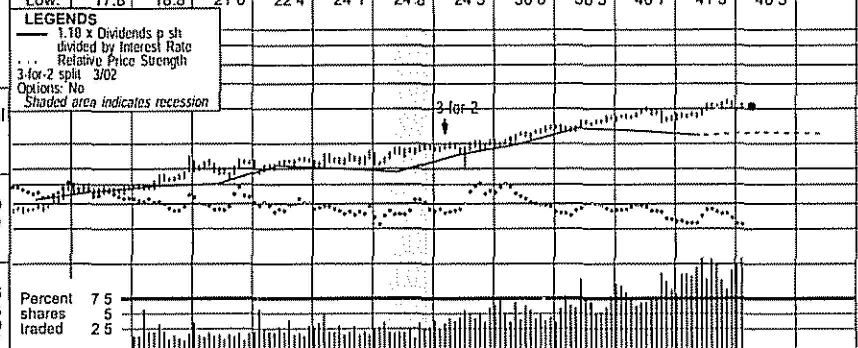
	Price	Gain	Ann'l Total Return
High	50	(Nil)	4%
Low	40	(-20%)	-1%

Insider Decisions

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

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	73	61	68
to Sell	60	69	69
Hld's(000)	16255	16616	15657



% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr	13.2	12.0
3 yr	39.6	41.4
5 yr.	92.4	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
15.99	16 88	18.02	19.22	17 03	20 22	25.97	26.59	33.98	44 13	76 82	66 17	93.43	91 33	114 29	119.44	*121.45*	*123.00*	Revenues per sh A	*128.50*
1 58	1.95	2 14	2 31	2 13	2 22	2.45	2.60	2.79	2 99	3 18	3 21	3.58	3 75	3.92	4 10	*4.25*	*4.30*	"Cash Flow" per sh	*4.70*
55	1.09	1 15	1 26	1 29	1.37	1.48	1 55	1 66	1 79	1 95	2 09	2 38	2 55	2 65	2.80	*2.90*	*3.00*	Earnings per sh B	*3 15*
1.00	1.01	1.01	1.01	1.01	1.03	1.07	1.09	1.12	1.15	1.17	1.20	1.24	1.30	1.36	1.44	*1.52*	*1.56*	Div'ds Decl'd per sh C■	*1.68*
2 91	1 99	2 31	2 10	1 77	1 78	1 72	1 60	1.81	1 85	1 66	1 53	1 71	2 17	1 92	1 92	*2.50*	*2 10*	Cap'l Spending per sh	*2.05*
8.57	9.44	9.81	9.64	9.70	10.10	10.38	10.88	11.35	12.43	13.20	13.06	15.38	16.87	15.90	22.50	*24.10*	*25.65*	Book Value per sh D	*0.50*
20.95	24.43	25.23	25.95	26.69	27.13	26.82	26.72	26.61	26.39	26.66	27.67	27.23	27.74	27.55	27.63	*28.00*	*28.50*	Common Shs Outst'g E	*29.50*
22.3	12.4	15.1	13.0	11.7	13.6	13.5	15 3	15.2	14 7	14.2	14.7	14.0	15.3	16.8	16 1	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
1.42	.75	.89	.85	.78	.85	.78	.80	.87	.96	.73	.80	.80	.81	.89	.86	*Value Line*		Relative P/E Ratio	*.95*
8.1%	7.5%	5.8%	6.2%	6.7%	5.6%	5.3%	4.6%	4.5%	4.4%	4.2%	3.9%	3.7%	3.3%	3.1%	3.2%	*estimates*		Avg Ann'l Div'd Yield	*4.5%*

CAPITAL STRUCTURE as of 12/31/06
Total Debt $626.4 mill Due In 5 Yrs $300 0 mill
LT Debt $336 7 mill LT Interest $25.0 mill
Incl. $7.4 mill capitalized leases.
(LT interest earned: 6 0x; total interest coverage: 6.0x)
Pension Assets-9/06 $95 8 mill Oblig $103 7 mill
Pfd Stock None
Common Stock 27.833.620 shs as of 2/6/07
MARKET CAP: $1.4 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
696.5	710 3	904 3	1164 5	2048.4	1830 8	2544 4	2533.6	3148.3	3299.6	*3400*	*3500*	Revenues ($mill) A	*3800*
41.5	43.3	44.9	47.9	52.3	56.8	65.4	71.6	74.4	78.5	*84.0*	*87.0*	Net Profit ($mill)	*100*
33 3%	30.4%	36.2%	37 8%	38 0%	38.7%	39.4%	39 1%	39.1%	38 9%	*39.0%*	*39.0%*	Income Tax Rate	*40.0%*
6.0%	6.1%	5.0%	4.1%	2.6%	3.1%	2.6%	2.8%	2.4%	2.4%	*2.5%*	*2.5%*	Net Profit Margin	*2.5%*
49 3%	51.2%	48.7%	47 0%	50.1%	50.6%	38 1%	40.3%	42 0%	34 8%	*34.5%*	*33.5%*	Long-Term Debt Ratio	*31 5%*
47.1%	45.6%	51.2%	52.9%	49.9%	49.4%	61.9%	59.7%	58.0%	65.2%	*65.5%*	*66.5%*	Common Equity Ratio	*68.5%*
590.6	638 2	590.4	620 1	706.2	732.4	676.8	783 8	755.3	954 0	*1025*	*1095*	Total Capital ($mill)	*1310*
659.4	680.0	705.4	730.6	743.9	756.4	852.6	880.4	905.1	934.9	*940*	*970*	Net Plant ($mill)	*1100*
8.6%	8 1%	9.0%	9.0%	8 5%	8.7%	10.7%	10.1%	11 2%	9.6%	*9.5%*	*9.5%*	Return on Total Cap'l	*9.0%*
13.9%	13 9%	14.8%	14.6%	14 8%	15.7%	15.6%	15 3%	17 0%	12.6%	*12 5%*	*12.0%*	Return on Shr Equity	*11.0%*
14.3%	14.4%	14.8%	14.6%	14.9%	15.7%	15.6%	15.3%	17.0%	12.6%	*12.5%*	*12.0%*	Return on Com Equity	*11.0%*
4.0%	4.4%	5.0%	5.4%	6.1%	6.9%	7.7%	7.8%	8.5%	6.3%	*6.5%*	*6.0%*	Retained to Com Eq	*6.0%*
73%	71%	67%	63%	59%	56%	51%	49%	50%	50%	*49%*	*50%*	All Div'ds to Net Prof	*50%*

CURRENT POSITION ($MILL.)	2004	2005	12/31/06
Cash Assets	5 0	25 0	10 1
Other	681.0	927.8	1078.8
Current Assets	686 0	952 8	1088 9
Accts Payable	42 9	54 7	45 5
Debt Due	287.4	177.4	289 7
Other	357.4	744.2	687.8
Current Liab.	687.7	976.3	1023.0
Fix. Chg. Cov.	826%	660%	450%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	19 0%	16 0%	*2 5%*
"Cash Flow"	6 0%	5 5%	*3.0%*
Earnings	7 5%	8 0%	*2 5%*
Dividends	3.0%	3.5%	*3 0%*
Book Value	6.5%	8.5%	*8.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	643 0	1037	438.5	414.4	2533 6
2005	854 0	1065	544 3	684 9	3148 3
2006	1164	1064	536 1	534 5	3299 6
2007	741 5	*1285*	*688*	*685.5*	*3400*
2008	*1195*	*1090*	*585*	*630*	*3500*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	.87	1.82	06	d 20	2 55
2005	91	1.84	.07	d 17	2.65
2006	1 23	2 14	d 14	d.43	2 80
2007	1 01	*2.20*	*d.05*	*d.26*	*2 90*
2008	*1.26*	*2.03*	*d.04*	*d.25*	*3.00*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	31	31	31	31	1 24
2004	325	325	325	325	1 30
2005	34	34	34	34	1 36
2006	36	36	36	36	1.44
2007	38				

BUSINESS: New Jersey Resources Corp. is a holding company providing retail and Wholesale energy svcs to customers in New Jersey, in states from the Gulf Coast to New England, and Canada New Jersey Natural Gas has about 471,000 customers at 9/30/06 in Monmouth and Ocean Counties, and other N.J. Counties. Fiscal 2006 volume: 102.8 bill. cu. ft. (56% firm, 7% interruptible industrial and electric utility, 37% off-system and capacity release) N.J Natural Energy subsid provides unregulated retail and wholesale natural gas and related energy svcs. 2006 dep. rate: 2.7% Has 766 empls. Off./dir own about 2% of common (12/06 Proxy). Chrmn. and CEO: Laurence M. Downes. Inc.: N.J. Addr.: 1415 Wyckoff Road, Wall, NJ 07719. Tel.: 732-938-1480. Web: www.njliving.com.

New Jersey Resources began fiscal 2007 (ends September 30th) on a weak note. First-quarter profits increased 7% in the natural-gas-distribution segment (NJNG), but dropped 50% in the energy-services unit (NJRES) and dropped 40% in the retail business Revenues declined in all three segments due to lower customer usage at NJNG and lower sales at NJRES, which was the result of lower natural gas prices and higher pipeline transportation costs due to infrastructure damage from regional hurricanes

Even so, we look for a modest increase for share earnings, both this year and next. NJNG added about 10,000 new customers per year in 2005 and 2006 through new housing agreements and customer conversions from other fuels We anticipate this annual new customer growth rate trend will continue According to the company, the customer growth rate should increase natural gas sales volume by 1 5 billion cubic feet annually over the next two years and add $40 million in new utility revenues per year Natural gas is being used in 95% of new construction due to its efficiency and reliability.

In late 2006, the Conservation Incentive Program (CIP) went into effect. NJNG's earnings and cash flows will be affected by this tariff The CIP decouples the link between customer usage and the utility's profits This feature will allow customers to conserve energy while addressing the company's utility profit margin variations due to weather and customer usage

The wholesale energy services provider is on track to leverage its transportation and storage capacity to manage sales to its energy company customers. The portfolio maintains physical asset contracts across the North American continent and its varied weather areas The portfolio's value increases when there are natural gas price differences in these different regions. In maintaining and trading this portfolio, we think that NJRES's customers will receive better pricing on these commodities.

We think this company will be able to register steady growth. Even so, the stock is untimely and is trading at the top of our 3- to 5- year price target.

Enzo DiCostanzo *March 16, 2007*

(A) Fiscal year ends Sept. 30th.
(B) Diluted earnings Next earnings report due late April.
(C) Dividends historically paid in early January, April, July, and October ■ Dividend reinvestment plan available.
(D) Includes regulatory assets in 2006: $323 0 million, $11 70/share
(E) In millions, adjusted for split

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	85
Earnings Predictability	95

N.W. NAT'L GAS NYSE-NWN

RECENT PRICE 43.00 | P/E RATIO 18.1 (Trailing: 18 8 Median: 15.0) | RELATIVE P/E RATIO 1.00 | DIV'D YLD 3.4% | **VALUE LINE**

TIMELINESS **3** Raised 2/23/07
SAFETY **1** Raised 3/18/05
TECHNICAL **3** Lowered 1/12/07
BETA .75 (1.00 = Market)

High:	25 9	31 4	30 8	27 9	27 5	26 8	30 7	31 3	34 1	39 6	43 7	46 3
Low:	20.8	23.0	24 3	19 5	17 8	21 7	23 5	24 0	27 5	32.4	32 8	39 8

2010-12 PROJECTIONS

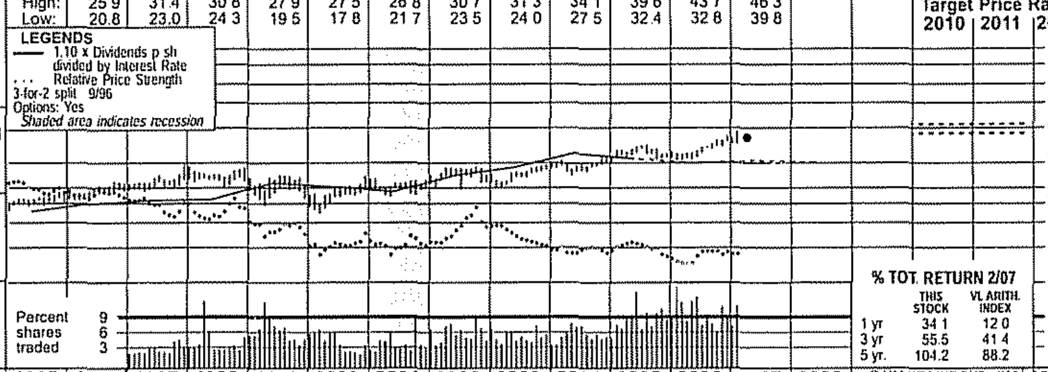
	Price	Gain	Ann'l Total Return
High	50	(+15%)	7%
Low	45	(+5%)	5%

Insider Decisions

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

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	77	66	75
to Sell	59	54	60
Hld's(000)	14328	14332	14381



% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr	34 1	12 0
3 yr	55.5	41 4
5 yr.	104.2	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
16.74	14 10	18.15	18 30	16 02	16.86	15 82	16.77	18 17	21 09	25.78	25.07	23 57	25.69	33 01	37 11	36.35	38 30	Revenues per sh	44.85
2 57	3 25	3 74	3 50	3 41	3.86	3 72	3 24	3.72	3.68	3 86	3.65	3.85	3.92	4 34	4.65	4.80	5.15	"Cash Flow" per sh	5.95
67	74	1 74	1.63	1.61	1 97	1 76	1 02	1 70	1 79	1.88	1.62	1 76	1 86	2 11	2.29	2.40	2 55	Earnings per sh A	2.95
1.13	1.15	1.17	1.17	1.18	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.30	1.32	1.39	1.44	1.50	Div'ds Decl'd per sh B■	1.80
3 58	3 73	3.61	4.23	3.02	3 70	5.07	4 02	4.78	3.46	3.23	3.11	4 90	5.52	3.48	3 55	3.85	3.85	Cap'l Spending per sh	3.85
12.23	12.41	13.08	13.63	14.55	15.37	16.02	16.59	17.12	17.93	18.56	18.88	19.52	20.64	21.28	21.96	22.70	23.65	Book Value per sh	25.85
17.68	19.46	19.77	20.13	22.24	22.56	22.86	24.85	25.09	25.23	25.23	25.59	25.94	27.55	27.58	27.28	27.50	27.50	Common Shs Outst'g C	29.00
28.1	27.0	12.9	13 0	12.9	11.7	14.4	26.7	14 5	12.4	12.9	17 2	15.8	16.7	17.0	16.3	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	16.0
1.79	1.64	.76	.85	.86	.73	.83	1.39	.83	.81	.66	.94	90	.88	.91	.89			Relative P/E Ratio	1.05
5.9%	5.7%	5.2%	5.5%	5.7%	5.2%	4.8%	4.5%	5.0%	5.6%	5.1%	4.5%	4.6%	4.2%	3.7%	3.7%			Avg Ann'l Div'd Yield	3.8%
						361 8	416.7	455.8	532 1	650 3	641.4	611 3	707 6	910 5	1013.2	1000	1050	Revenues ($mill)	1300
						43.1	27.3	44.9	47.8	50.2	43.8	46.0	50.6	58.1	63.4	66.0	70.0	Net Profit ($mill)	86.0
						32 9%	31.0%	35.4%	35.9%	35.4%	34.9%	33.7%	34 4%	36 0%	36.3%	36.5%	36.5%	Income Tax Rate	36.5%
						11.9%	6.6%	9.9%	9.0%	7.7%	6.8%	7.5%	7.1%	6.4%	6.3%	6.6%	6.7%	Net Profit Margin	6.6%
						46.0%	45.0%	46.0%	45.1%	43.0%	47.6%	49 7%	46.0%	47 0%	46.4%	47 0%	47.0%	Long-Term Debt Ratio	48.0%
						49.0%	50.6%	49.9%	50.9%	53.2%	51.5%	50.3%	54.0%	53.0%	53.6%	53.0%	53.0%	Common Equity Ratio	52.0%
						748.0	815.6	861 5	887 8	880.5	937 3	1006 6	1052 5	1108.4	1116 5	1150	1175	Total Capital ($mill)	1350
						827.5	894.7	895.9	934.0	965.0	995.6	1205.9	1318.4	1373.4	1425.1	1475	1525	Net Plant ($mill)	1600
						7 4%	5.0%	6.8%	6 7%	6.9%	5.9%	5 7%	5.9%	6 5%	7 5%	7 0%	7.0%	Return on Total Cap'l	7 0%
						10 7%	6 1%	9 7%	9.8%	10 0%	8.9%	9.1%	8.9%	9 9%	10.6%	10.5%	11 0%	Return on Shr. Equity	12 0%
						11.0%	6.0%	9.9%	10.0%	10.2%	8.5%	9.0%	8.9%	9.9%	10.6%	10.5%	11.0%	Return on Com Equity	12.0%
						3.6%	NMF	2.8%	3.1%	3.5%	1.9%	2.6%	2 7%	3.7%	4.2%	4.0%	4.5%	Retained to Com Eq	5.0%
						70%	118%	74%	70%	67%	79%	72%	69%	63%	61%	60%	59%	All Div'ds to Net Prof	60%

CAPITAL STRUCTURE as of 12/31/06
Total Debt $646.6 mill Due in 5 Yrs $251.7 mill
LT Debt $517 0 mill LT Interest $31 0 mill

(Total interest coverage: 3.4x)

Pension Assets-12/05 $236 mill
Oblig. $269 mill
Pfd Stock None

Common Stock 27.256,341 shs. as of 2/23/07
MARKET CAP $1 2 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	12/31/06
Cash Assets	5.2	7.1	5 8
Other	231.9	316.6	303.0
Current Assets	237 1	323 7	308.8
Accts Payable	102 5	135.3	113.6
Debt Due	117 5	134.7	129.6
Other	47.3	56.6	98.3
Current Liab	267.3	326.6	341.5
Fx. Chg. Cov.	316%	340%	349%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '10-'12
Revenues	4 5%	8 0%	11 0%
"Cash Flow"	1 5%	2 5%	4.5%
Earnings	1 5%	5.0%	7 0%
Dividends	1 0%	1 0%	4 0%
Book Value	4.0%	3.5%	3.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	254 5	109 7	81.4	262.0	707 6
2005	308 7	153 7	106 7	341.4	910 5
2006	390.4	171 0	114 9	336.9	1013 2
2007	380	170	110	340	1000
2008	390	180	120	360	1050

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	1 24	d.03	d 30	95	1.86
2005	1.44	.04	d 31	94	2 11
2006	1.48	07	d 35	1 09	2.29
2007	1.56	.06	d 33	1 11	2.40
2008	1.64	.07	d.33	1.17	2.55

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	315	315	315	325	1 27
2004	325	325	325	325	1 30
2005	325	325	325	345	1 32
2006	345	345	345	355	1 39
2007	355				

BUSINESS: Northwest Natural Gas Co distributes natural gas at retail to 90 communities. 636,000 customers, in Oregon (90% of custs) and in southwest Washington state. Principal cities served: Portland and Eugene. OR; Vancouver, WA. Service area population: 2.4 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system to bring gas to market. Owns local underground storage Rev breakdown: residential. 55%; commercial. 28%; industrial, gas transportation, and other, 17%. Employs 1,200 Barclays owns 6 2% of shares; insiders, 1% (4/06 proxy). CEO: Mark S. Dodson Inc.: OR. Address: 220 NW 2nd Ave., Portland. OR 97209. Tel.: 503-226-4211. Internet: www.nwnatural.com.

Northwest posted solid earnings growth in the last quarter of 2006 . . . The prior-year period suffered from about $0 06 a share in unusual litigation expenses. Still, fourth-quarter earnings rose around 9%. excluding the prior-year period charge. Northwest's customer count continued to grow at a 3% clip. about twice the industry average Operation and maintenance costs declined 1%, after severance costs, as the company's work reorganization plan started to take effect In 2006. the company earned $2 22 a share, before severance costs and mark-to-market accounting for derivatives ($2 29 a share overall).

. . . and the momentum will likely continue through at least 2008. For 20 years, Northwest has logged about twice the average industry customer growth. and we see no reason why that won't continue for the foreseeable future Natural gas came to the Portland area rather late. in the 1950s, giving Northwest ample conversion opportunities And the company has over a 90% share of new residential heating We anticipate further gains on the cost side, too, as Northwest completes its work reorganization This plan entails outsourcing most new construction and some administrative work, and standardizing and centralizing some functions. The company also plans to set up a new salesforce for the conversion market.

Suburban growth and other projects should keep earnings growing at a better-than average industry pace. Over the next 10 years, the Portland metro government will move its urban growth boundary out to the southeast of the city. opening a large new territory for natural gas service. Planners forecast that some towns in this area will grow by over 500% by 2015 with new. higher-density zoning A new interstate pipeline project could also put to work over $100 million of capital. at a good, FERC-regulated rate of return. and NWN will probably benefit from the construction of at least one new liquefied natural gas terminal in its area.

These neutrally ranked, top-quality shares have below average total-return potential. Earnings and dividends will likely grow faster than industry averages, but the current yield is modest.

Sigourney B Romaine *March 16, 2007*

(A) Diluted earnings per share. Excludes non-recurring gain: '98, $0.15; '00. $0.11 Next earnings report due early May
(B) Dividends historically paid in mid-February, mid-May, mid-August, and mid-November
■ Div'd reinvestment plan available.
(C) In millions, adjusted for stock split

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	80

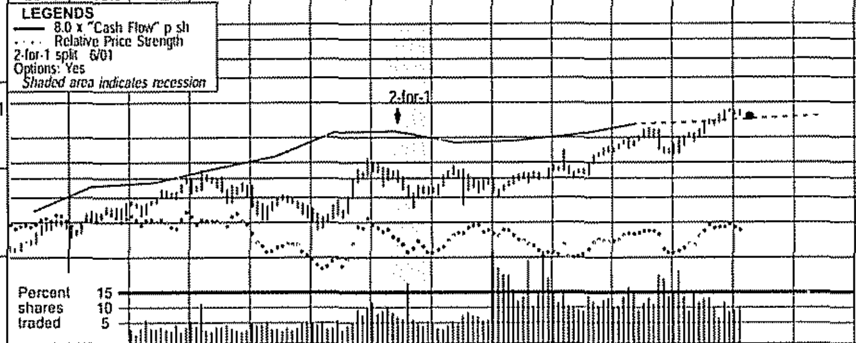
ONEOK INC. NYSE-OKE

RECENT PRICE **40.87** | P/E RATIO **15.7** (Trailing: 16.6, Median: 13.0) | RELATIVE P/E RATIO **0.87** | DIV'D YLD **3.4%** | VALUE LINE

TIMELINESS **5** Lowered 3/9/07
SAFETY **3** New 7/27/90
TECHNICAL **3** Raised 3/2/07
BETA 1.00 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High:	15 2	20 3	22 1	18 6	25 3	24 3	23 1	22 4	29 0	35 8	44 5	43.8
Low:	10.0	12.9	14 9	12 3	10 9	14 2	14 6	16 0	19 7	26 3	26 3	39 3

Target Price Range 2010 | 2011 | 2012



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+35%)	11%
Low	35	(-15%)	Nil

Insider Decisions

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

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	135	125	150
to Sell	121	142	121
Hld's(000)	80489	76584	75766

% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr	40.8	12.0
3 yr	109.4	41.4
5 yr.	171.0	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
12 95	12 71	14 81	14 84	17 58	22.46	20 69	29 06	29 83	112 38	113.38	34.63	31 50	57.47	130.56	108.89	108.70	109.15	Revenues per sh A	107.70
1 38	1.48	1 61	1.62	1 72	2.30	2 38	2 79	3 22	4.26	4.33	3 78	3 86	4 14	4 70	4 79	5.00	5.15	"Cash Flow" per sh	5.55
67	61	72	.67	79	97	1 07	1 12	1 03	1 48	1 23	1 29	2 13	2 30	2 55	2 43	2.60	2 75	Earnings per sh A B	3.05
.41	.48	.53	.56	.56	.59	.60	.60	.62	.62	.62	.62	.69	.88	1.09	1.22	1.36	1.44	Div'ds Decl'd per sh C■	1.60
2 16	1.31	1 62	1 39	- -	1 64	1 61	4 77	3.40	5 27	5 69	3.47	2.26	2 53	2 57	3.40	3 50	3.55	Cap'l Spending per sh	3.55
6.51	6.64	6.82	6.94	7.19	7.61	8.24	9.51	9.81	11.11	21.08	22.47	13.04	15.41	18.38	20.02	21.75	22.10	Book Value per sh E	23.85
53.24	53.26	53.27	53.38	54.04	54.52	56.16	63.15	61.77	59.11	60.00	60.76	95.19	104.20	97.65	110.68	115.00	120.00	Common Shs Outst'g D	130.00
10.8	12.9	14 3	14.0	11.9	12.5	13 8	16.4	15.2	10.5	15.9	15.0	9.2	10.3	11.9	14.6	Bold figures are		Avg Ann'l P/E Ratio	15.0
.69	.78	.84	.92	.80	.78	.80	.85	.87	.68	.81	.82	.52	.54	.63	78	Value Line		Relative P/E Ratio	1.00
5.7%	6.2%	5.2%	5.9%	5.9%	4.9%	4.1%	3.3%	4.0%	4.0%	3.2%	3.2%	3.5%	3.7%	3.6%	3.4%	estimates		Avg Ann'l Div'd Yield	3.5%

CAPITAL STRUCTURE as of 12/31/06
Total Debt$4055.0 mill. Due In 5 Yrs $1492 5 mill.
LT Debt $4030.9 mill LT Interest $248 5 mill
(Total interest coverage: 4 0x) (65% of Cap'l)

Pension Assets-12/06 $710.4 mill Oblig. $833 0 mill.

Pfd Stock None

Common Stock 110.847.495 shs as of 1/31/07

MARKET CAP: $4.5 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
1161.9	1835.4	1842.8	6642.9	6803.1	2104 3	2999.0	5988.1	12749.7	12052.0	12500	13100	Revenues ($mill) A	14000
17.5%	16.6%	19.0%	7.2%	7.6%	24.7%	20.2%	11.3%	6.5%	6.7%	7.0%	7.0%	Operating Margin	8.0%
74.5	101 7	129.7	143.4	157 3	147 8	160 9	188 7	183.4	235.5	245	255	Depreciation ($mill)	285
59.3	101.8	106.4	145.6	139.4	118.9	206.6	242.2	275.4	278.2	310	345	Net Profit ($mill)	410
37 0%	39.5%	38.7%	38 3%	36.8%	46 3%	40.1%	38.2%	44 0%	38 7%	38.0%	37 0%	Income Tax Rate	36.0%
5.1%	5.5%	5.8%	2.2%	2.0%	5.6%	6.9%	4.0%	2.2%	2.3%	2.5%	2.6%	Net Profit Margin	2.9%
18.2	d122 7	d104 3	d210.4	d256.4	d94 0	d346 1	d396.0	d389 5	1174.4	1000	900	Working Cap'l ($mill)	750
328.2	312.4	810 1	1473.2	1498 0	1511 1	1978 6	1543.2	2024 1	4030 9	4100	4200	Long-Term Debt ($mill)	4500
462.6	1168.9	1174.5	1225.0	1265.3	1365.6	1241.4	1605.7	1794.8	2216.0	2500	2650	Shr. Equity ($mill)	3100
9.5%	7 9%	6.4%	5.9%	7 2%	5.8%	7 8%	9 2%	8.3%	6.4%	6.5%	7.0%	Return on Total Cap'l	7.0%
12.8%	8.7%	9.1%	11.9%	11.0%	8.7%	16.6%	15.1%	15.3%	12.6%	12.5%	13.0%	Return on Shr. Equity	13.0%
6.8%	7.8%	5.0%	11.4%	5.2%	3.3%	10.9%	9.5%	9.2%	6.4%	6.5%	6.5%	Retained to Com Eq	7.0%
47%	54%	72%	48%	53%	63%	34%	37%	40%	49%	50%	49%	All Div'ds to Net Prof	49%

CURRENT POSITION ($MILL.)	2004	2005	12/31/06
Cash Assets	9 5	7 9	68 3
Receivables	1432.4	2202 9	1348.5
Inventory (Avg Cst)	615 5	911 4	925.2
Other	461.4	1283.6	896.6
Current Assets	2518 8	4405 8	3238 6
Accts Payable	1185 4	1756 3	1077 0
Debt Due	985.5	1548 0	24 1
Other	743.9	1491.0	963.1
Current Liab.	2914.8	4795.3	2064.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	16 5%	5 0%	1 5%
"Cash Flow"	10 0%	4 5%	3.5%
Earnings	12 5%	14 0%	4.0%
Dividends	5 0%	7 5%	7 0%
Book Value	8.5%	9.0%	5.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	1030 9	632 1	1726 8	2598.3	5988 1
2005	2743 7	2129 9	3181.6	4694.5	12749 7
2006	3911 0	2427 8	2649 3	3063.9	12052 0
2007	3600	2750	2900	3250	12500
2008	3800	2900	3050	3350	13100

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	1.04	.17	19	90	2 30
2005	97	23	49	86	2 55
2006	1 17	39	21	66	2.43
2007	1.20	.45	.30	.65	2.60
2008	1.25	.50	.30	.70	2.75

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	17	17	17	18	.69
2004	19	21	23	25	.88
2005	25	28	28	28	1 09
2006	28	30	32	32	1.22
2007	.34				

BUSINESS: ONEOK Inc is a diversified energy company that purchases. transports. and distributes natural gas ONEOK has over 2 million distribution customers in Oklahoma, Kansas, and Texas Sold production segment, 9/05. Sold gathering and processing. natural gas liquids, and pipelines and storage assets to ONEOK Partners, 4/06. Currently has 45.7% ownership interest in ONEOK Partners. Has 4,536 employees. Officers and directors own approximately 1 3% of common stock; Barclays Global Investors, 6.4% (4/06 Proxy) Chairman: David L Kyle Chief Executive Officer: John W. Gibson President: James C Kneale Incorporated: Oklahoma. Address: 100 West Fifth Street, Tulsa. Oklahoma 74103. Telephone: 918-588-7000. Internet: www.oneok.com.

ONEOK reported solid overall performance for 2006. Business declined slightly. compared with the record-high achievements of the prior year Strong results at ONEOK Partners (in which the company has a 45.7% interest) supported the bottom line. as the partnership's Gathering and Processing operations benefited from relatively high commodity prices and wider processing spreads The Energy Services business also performed well. thanks to higher transportation margins We anticipate modest growth in revenues and earnings per share in 2007, which may well continue to be the case through 2010-2012

ONEOK announced a dividend increase in late January. Starting with the February payout. OKE is now paying a dividend of $0 34 per share This comes as no surprise. considering the company's history of dividend increases and the significant free cash flow generated last year. This pattern is encouraging, and we expect the payout will continue to grow in the coming years, although perhaps at a more moderate rate.

The company recently completed a leadership change. David Kyle relinquished his position as president and CEO at the beginning of the year He will stay on as chairman until 2008 John W. Gibson, who had served as president and chief operating officer of ONEOK Partners, is now the CEO. Former vice president and CFO James C. Kneale is now serving as president.

ONEOK has taken a calculated risk. Long-term debt increased considerably with the purchase of ONEOK Partners, and the debt to equity ratio now approximates 1 8x This figure should fall going forward, as growth in shareholders' equity will probably outstrip that of long-term debt However, it will take time for the balance sheet to normalize, likely precluding any big moves in the meantime OKE's natural gas hedging activities ensure a minimum level of profitability.

ONEOK shares are ranked to lag the broader market for the coming six to 12 months. Moreover. the company's growth prospects appear limited to 2010-2012 Thus, the stock's appreciation potential is below average for this timeframe.

Michael F Napoli *March 16, 2007*

(A) Fiscal year moved to a calendar year, beginning in 2000. (B) Diluted earnings. Excl. nonrecur items: '02, 9¢; '03, (91¢); '05, $2 51; '06, 25¢ Next egs report due early May
(C) Dividends historically paid mid-Feb., May. Aug., and Nov. ■ Div'd reinvest plan avail
(D) In mill., adj. for splits
(E) Includes intangibles In 2006: $1 1 bill.
$9 50/sh

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

PIEDMONT NAT'L. GAS NYSE-PNY

RECENT PRICE 25.14 | P/E RATIO 18.0 (Trailing: 19.8 Median: 17.0) | RELATIVE P/E RATIO 0.99 | DIV'D YLD 4.0% | VALUE LINE

TIMELINESS 4 Raised 12/23/05
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 3/16/07
BETA .80 (1.00 = Market)

High:	12 9	18 2	18 1	18 3	19 7	19 0	19 0	22 0	24 3	25 8	28 4	27 3
Low:	10.3	11.0	13 9	14 3	11 8	14 6	13 7	16 6	19 2	21 3	23 2	24 4

Target Price Range 2010 | 2011 | 2012

2010-12 PROJECTIONS

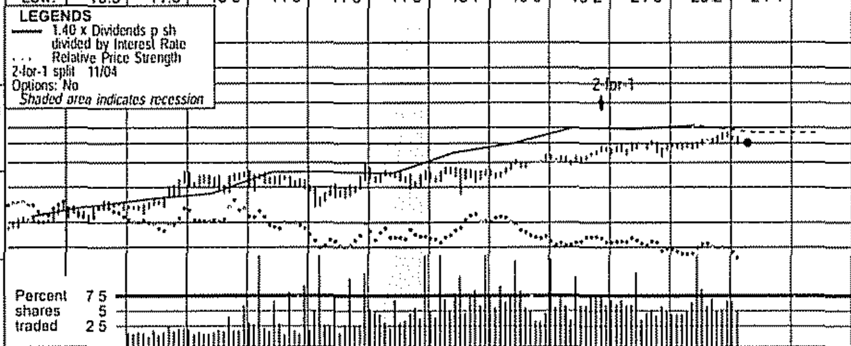
	Price	Gain	Ann'l Total Return
High	40	(+60%)	15%
Low	30	(+20%)	8%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	9	9	9	10	1	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	1	0	1	2	0	0	0	0	1

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	85	68	79
to Sell	61	69	70
Hld's(000)	32936	33570	33589



% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr	5 6	12 0
3 yr	35 2	41 4
5 yr.	92.4	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
8 32	8.91	10.57	10 82	8 76	11 59	12 84	12.45	10 97	13 01	17 06	12.57	18 14	19.95	22 96	25.80	*27.10*	*28.75*	Revenues per sh A	*33.50*
78	1.07	1 14	1 13	1 25	1.49	1 62	1 72	1 70	1 77	1 81	1.81	2 04	2 31	2.43	2 50	*2 60*	*2.70*	"Cash Flow" per sh	*3.00*
.44	70	73	68	73	84	93	98	93	1.01	1 01	95	1 11	1 27	1 32	1.27	*1.40*	*1.45*	Earnings per sh B	*1 55*
.44	.46	.48	.51	.54	.57	.61	.64	.68	.72	.76	.80	.82	.85	.91	.95	*.99*	*1.03*	Div'ds Decl'd per sh C■	*1.15*
1 37	1.41	1 58	1 95	1 72	1 64	1 52	1.48	1 58	1.65	1 29	1 21	1 16	1 85	2 50	2 74	*2 65*	*2.75*	Cap'l Spending per sh	*2.90*
4.83	5.13	5.45	5.68	6.16	6.53	6.95	7.45	7.86	8.26	8.63	8.91	9.36	11.15	11.53	11.83	*12.00*	*12.40*	Book Value per sh D	*13.40*
49.46	51.59	52.30	53.15	57.67	59.10	60.39	61.48	62.59	63.83	64.93	66.18	67.31	76.67	76.70	74.61	*73.80*	*73.00*	Common Shs Outst'g E	*71.80*
16.3	12.3	15.4	15.7	13.8	13.9	13.6	16.3	17.7	14.3	16 7	18.4	16.7	16.6	17.9	19.4	*Bold figures are*		Avg Ann'l P/E Ratio	*22.0*
1.04	.75	.91	1.03	.92	.87	.78	.85	1.01	.93	.86	1.01	.95	88	.95	1.02	*Value Line*		Relative P/E Ratio	*1.30*
6.0%	5.3%	4.3%	4.8%	5.4%	4.9%	4.8%	4.0%	4.1%	5.0%	4.5%	4.6%	4.4%	4.1%	3.8%	3.9%	*estimates*		Avg Ann'l Div'd Yield	*3.5%*
						775.5	765.3	686.5	830.4	1107 9	832 0	1220.8	1529 7	1761 1	1924 7	*2000*	*2100*	Revenues ($mill) A	*2400*
						55.2	60.3	58.2	64.0	65.5	62.2	74.4	95.2	101.3	96.7	*105*	*105*	Net Profit ($mill)	*110*
						39 1%	39.2%	39 7%	34 7%	34 6%	33.1%	34 8%	35 1%	33 7%	35.0%	*35.0%*	*36.0%*	Income Tax Rate	*36.0%*
						7.1%	7.9%	8.5%	7.7%	5.9%	7.5%	6.1%	6.2%	5.8%	5.0%	*5.2%*	*5.1%*	Net Profit Margin	*5.0%*
						47 6%	44 7%	46.2%	46 1%	47.6%	43.9%	42 2%	43.6%	41.4%	48 3%	*49.0%*	*50.0%*	Long-Term Debt Ratio	*49.0%*
						52.4%	55.3%	53.8%	53.9%	52.4%	56.1%	57.8%	56.4%	58.6%	51.7%	*51.0%*	*50.0%*	Common Equity Ratio	*51.0%*
						800.8	829 3	914 7	978.4	1069.4	1051 6	1090.2	1514 9	1509.2	1708.0	*1755*	*1810*	Total Capital ($mill)	*1900*
						941.7	990.6	1047.0	1072.0	1114.7	1158.5	1812.3	1849.8	1939.1	2075.0	*2100*	*2150*	Net Plant ($mill)	*2350*
						8 9%	9.2%	8.1%	8 3%	7 9%	7 8%	8 6%	7 8%	8.2%	7 1%	*7.0%*	*7 5%*	Return on Total Cap'l	*7 0%*
						13 1%	13.2%	11.8%	12 1%	11 7%	10.6%	11.8%	11 1%	11 5%	11.0%	*11 5%*	*11.5%*	Return on Shr Equity	*11 5%*
						13.1%	13.2%	11.8%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	*11.5%*	*11.5%*	Return on Com Equity	*11.5%*
						4.6%	4.7%	3.3%	3.5%	3.0%	1.7%	3.1%	3.7%	3.6%	2.8%	*3.5%*	*3.5%*	Retained to Com Eq	*3.0%*
						65%	65%	72%	71%	75%	83%	74%	66%	68%	74.6%	*72%*	*70%*	All Div'ds to Net Prof	*74%*

CAPITAL STRUCTURE as of 10/31/06
Total Debt $995.0 mill Due In 5 Yrs $150.0 mill
LT Debt $825.0 mill LT Interest $50.0 mill
(LT interest earned: 4 0x; total interest coverage: 4 0x)

Pension Assets-10/06 $211 9 mill
Oblig. $236 3 mill

Pfd Stock None

Common Stock 74.606.758 shs as of 1/8/07
MARKET CAP: $1.9 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	10/31/06
Cash Assets	5.7	7 1	8 9
Other	329.5	497.8	467.1
Current Assets	335.2	504 9	476 0
Accts Payable	99.6	182 8	80 3
Debt Due	109.5	193 5	170.0
Other	97.1	152.3	150.1
Current Liab	306.2	528.6	400.4
Fix. Chg. Cov.	378%	400%	325%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	7 5%	11 0%	*5.5%*
"Cash Flow"	7 0%	5 5%	*3 0%*
Earnings	5 5%	5 0%	*3 0%*
Dividends	5 5%	5 0%	*4 0%*
Book Value	6.5%	6.5%	*2.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2004	618 8	482.4	214 7	213.8	1529 7
2005	680 6	508 0	232 9	339.6	1761 1
2006	921 4	483 2	237 9	282 2	1924 7
2007	*900*	*550*	*250*	*300*	*2000*
2008	*925*	*575*	*275*	*325*	*2100*

Fiscal Year Ends	EARNINGS PER SHARE A B F Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2004	1 03	54	d 11	d 21	1 27
2005	93	52	d 06	d 07	1 32
2006	94	57	d 16	d 08	1 27
2007	*.96*	*.58*	*d.09*	*d.05*	*1 40*
2008	*.95*	*.60*	*d.06*	*d.04*	*1.45*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	20	208	208	208	82
2004	208	215	215	215	85
2005	215	23	23	23	91
2006	23	24	24	24	95
2007					

BUSINESS: Piedmont Natural Gas Company is primarily a regulated natural gas distributor, serving over 1,016,000 customers in North Carolina, South Carolina, and Tennessee. 2006 revenue mix: residential (44%), commercial (26%), industrial (11%), other (19%). Principal suppliers: Transco and Tennessee Pipeline Gas costs: 72.8% of revenues. '06 deprec. rate: 3.5%. Estimated plant age: 8 7 years. Non-regulated operations: sale of gas-powered heating equipment; natural gas brokering; propane sales. Has about 2,051 employees Officers & directors own less than 1% of common stock (1/07 proxy). Chairman, CEO. & President: Thomas E Skains Inc.: NC Addr.: 4720 Piedmont Row Drive, Charlotte. NC 28210. Telephone: 704-731-4226. Internet: www.piedmontng.com.

We expect Piedmont Natural Gas' earnings for the first quarter of fiscal 2007 (ends October 31st) to rise by $0.02 a share. Customers continue to be added in Piedmont's North Carolina. South Carolina, and Tennessee service areas In addition to South Carolina's increased large-volume customers, the 2006 Rate Stabilization Act filing was settled Both of these factors should increase margins. We expect earnings for the full fiscal year to rise 10%, to $1 40 a share. That's the midpoint of Piedmont's target of $1 35-$1 45

The Public Service Commission of South Carolina approved a gas cost hedging plan for the purpose of cost stabilization. The plan targets 30% to 60% of annual normalized sales volumes Any benefits recognized are deemed to be reductions in gas cost and are refunded to South Carolina customers in rates.

The capitalization ratios of 48% long-term debt and 52% common equity were both in the target ranges. Maintaining sufficient cash flows and achieving this capital structure will allow PNY to have an attractive credit rating, which will facilitate obtaining capital for future infrastructure expenditures

Piedmont's joint venture is performing well. Piedmont Energy's 30% equity interest in SouthStar Energy services, a Georgia-based unregulated retail natural gas marketer, earned $22 9 million of PNY's $29 9 million overall joint venture pretax earnings in fiscal 2006 We expect similar results to continue due to growth in joint markets.

In the three-state service area of the Carolinas and Tennessee, the overall customer growth rate was 3.5% in 2006. The gas distribution system serves a million customers company-wide with an increase last year of a near record 34,400 The growth rate is among the highest in the nation for natural gas distribution companies A record was set in 2006 for residential construction customer growth

Untimely Piedmont stock offers an attractive yield. Investors should note that the company offers a 5% discount on dividend reinvestment. Good dividend growth over the next 3 to 5 - years should produce worthwhile total return over that time

Enzo DiCostanzo *March 16, 2007*

(A) Fiscal year ends October 31st.
(B) Diluted earnings. Excl. extraordinary item: '00, 8¢. Excl. nonrecurring charge: '97. 2¢
Next earnings report due early May
(C) Dividends historically paid mid-January. April, July. October.
■ Div'd reinvest. plan available; 5% discount
(D) Includes deferred charges At 10/31/05: $4.0 million, 5¢/share.
(E) In millions, adjusted for stock splits
(F) Quarters may not add to total due to change in shares outstanding

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	75
Earnings Predictability	80

QUESTAR CORP. NYSE-STR

RECENT PRICE	P/E RATIO	(Trailing / Median)	RELATIVE P/E RATIO	DIV'D YLD
83.70	15.8	(Trailing: 17.1 Median: 15.0)	0.87	1.1%

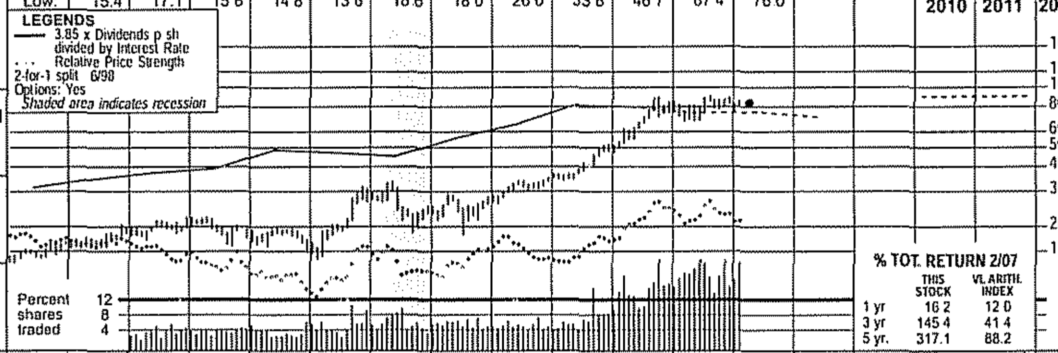
VALUE LINE

TIMELINESS	3 Lowered 2/9/07
SAFETY	3 Lowered 6/16/06
TECHNICAL	5 Lowered 3/2/07
BETA .90 (1.00 = Market)	

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High:	20 7	22 4	22 4	19 9	31 9	33 8	29 5	35 5	52 1	89 6	91 0	86.3
Low:	15.4	17.1	15 8	14 8	13 6	18.6	18 0	26 0	33 8	46 7	67 4	76.0

LEGENDS
— 3.85 x Dividends p sh divided by Interest Rate
... Relative Price Strength
2-for-1 split 6/98
Options: Yes
Shaded area indicates recession

Target Price Range 2010 | 2011 | 2012



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	90	(+10%)	3%
Low	60	(-30%)	-7%

Insider Decisions

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

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	173	128	185
to Sell	149	170	161
Hld's(000)	59733	61171	63917

Percent shares traded 12 8 4

% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr	16 2	12 0
3 yr	145 4	41 4
5 yr.	317.1	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
8.05	7.60	8.22	8.29	7.98	9.97	11.36	10.97	11.35	15.67	17.66	14.63	17.50	22.45	31.94	33.01	*35.25*	*33.90*	Revenues per sh	*30.70*
1.72	1.91	2.18	2.23	2.22	2.53	2.84	2.73	2.94	3.56	3.89	4.12	4.56	5.26	6.87	8.71	*9.10*	*9.20*	"Cash Flow" per sh	*9.25*
.82	.90	1.05	1.08	.98	1.20	1.27	1.18	1.15	1.74	1.94	1.74	2.13	2.67	3.86	4.93	*5.20*	*5.15*	Earnings per sh A	*4.70*
.51	.52	.55	.57	.58	.60	.62	.65	.67	.69	.71	.73	.78	.85	.89	.93	*.94*	*.94*	Div'ds Decl'd per sh B■	*1.00*
1.69	2.13	2.00	3.42	1.41	3.50	2.43	5.18	2.72	4.01	10.68	4.08	3.83	5.21	8.39	10.66	*11.00*	*11.20*	Cap'l Spending per sh	*11.50*
6.39	6.96	7.49	8.08	8.76	9.41	10.30	10.63	11.37	12.26	13.26	13.88	15.08	17.00	18.16	25.68	*26.15*	*27.60*	Book Value per sh	*36.35*
78.55	79.59	80.34	80.86	81.40	82.05	82.14	82.63	81.42	80.82	81.52	82.05	83.63	84.70	85.32	85.90	*86.50*	*87.00*	Common Shs Outst'g C	*88.00*
12.2	12.9	16.0	14.3	15.3	14.4	15.6	16.8	15.7	12.2	13.3	14.4	14.8	15.2	17.3	16.1	*Bold figures are*		Avg Ann'l P/E Ratio	*16.0*
.78	.78	.95	.94	1.02	.90	.90	.87	.89	.79	.68	.79	.84	.80	.92	.86	*Value Line*		Relative P/E Ratio	*1.05*
5.1%	4.5%	3.3%	3.7%	3.9%	3.5%	3.1%	3.3%	3.7%	3.2%	2.7%	2.9%	2.5%	2.1%	1.3%	1.2%	*estimates*		Avg Ann'l Div'd Yield	*1.3%*
						933.3	906.3	924.2	1266.2	1439.4	1200.7	1463.2	1901.4	2724.9	2835.6	*3050*	*2950*	Revenues ($mill)	*2700*
						104.8	97.2	95.0	140.4	158.2	143.9	179.2	229.3	336.1	431.9	*460*	*460*	Net Profit ($mill)	*425*
						30.3%	30.5%	30.8%	34.9%	35.8%	34.1%	35.4%	36.1%	36.5%	36.5%	*36%*	*36%*	Income Tax Rate	*36%*
						11.2%	10.7%	10.3%	11.1%	11.0%	12.0%	12.2%	12.1%	12.3%	15.2%	*15.0%*	*15.5%*	Net Profit Margin	*15.5%*
						39.1%	41.2%	44.3%	41.9%	48.0%	50.1%	43.0%	39.3%	38.8%	31.7%	*32.7%*	*32.4%*	Long-Term Debt Ratio	*28.9%*
						60.9%	58.8%	55.7%	58.1%	52.0%	49.9%	57.0%	60.7%	61.2%	68.3%	*67.3%*	*67.6%*	Common Equity Ratio	*71.1%*
						1387.8	1493.7	1660.9	1705.6	2078.2	2283.9	2211.5	2372.8	2533.0	3227.9	*3360*	*3550*	Total Capital ($mill)	*4500*
						1531.2	1747.6	1786.9	1954.0	2565.1	2617.8	2768.5	2984.7	3427.5	4090.3	*4250*	*4500*	Net Plant ($mill)	*5000*
						9.0%	7.9%	7.0%	9.7%	8.7%	7.8%	9.6%	11.1%	14.5%	14.5%	*14.5%*	*14.0%*	Return on Total Cap'l	*10.5%*
						12.4%	11.1%	10.3%	14.2%	14.6%	12.6%	14.2%	15.9%	21.7%	19.5%	*20.5%*	*19.0%*	Return on Shr. Equity	*13.5%*
						12.4%	11.1%	10.3%	14.2%	14.6%	12.6%	14.2%	15.9%	21.7%	19.5%	*20.5%*	*19.0%*	Return on Com Equity	*13.5%*
						6.3%	4.9%	4.3%	8.6%	9.3%	7.4%	9.1%	11.0%	16.8%	15.9%	*17.0%*	*16.0%*	Retained to Com Eq	*10.5%*
						49%	55%	58%	39%	36%	41%	36%	31%	22%	19%	*18%*	*18%*	All Div'ds to Net Prof	*21%*

CAPITAL STRUCTURE as of 12/31/06

Total Debt $1072.4 mill Due in 5 Yrs $575.3 mill
LT Debt $1022.4 mill. LT Interest $80.0 mill
(LT Interest earned: 11 0x; Total interest coverage: 10 5x) (32% of Cap'l)

Pension Assets-12/06 $314 4 mill Oblig $421 5 mill

Pfd Stock None

Common Stock 85,946,432 shares as of 1/31/07

MARKET CAP: $7.2 billion (Large Cap)

CURRENT POSITION	2004	2005	12/31/06
Cash Assets	3 7	13.4	24 6
Other	483.3	742.4	728.8
Current Assets	487 0	755 8	753 4
Accts Payable	348 3	444 4	436 2
Debt Due	68 0	94 5	50 0
Other	114.3	334.7	192.7
Current Liab.	530.6	873.6	678.9
Fix. Chg. Cov.	610%	605%	1030%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	11 5%	13 5%	*1 0%*
"Cash Flow"	9 5%	12 5%	*5 0%*
Earnings	11 0%	16 5%	*3 5%*
Dividends	4 0%	4 5%	*2 0%*
Book Value	7.5%	8.0%	*10.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	563 6	369 5	360 2	608 1	1901.4
2005	680 3	520 2	582 9	941 5	2724 9
2006	911.4	596 2	555 1	772 9	2835.6
2007	*920*	*675*	*615*	*840*	*3050*
2008	*900*	*650*	*600*	*800*	*2950*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.89	.50	.43	.85	2 67
2005	1 10	.70	.75	1 31	3 86
2006	1 57	1 03	.94	1 39	4 93
2007	*1 65*	*1.15*	*1.10*	*1 30*	*5.20*
2008	*1.70*	*1.10*	*1.10*	*1.25*	*5.15*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.185	.185	.205	.205	.78
2004	.205	.215	.215	.215	.85
2005	.215	.225	.225	.225	.89
2006	.225	.235	.235	.235	.93
2007	.235				

BUSINESS: Questar Corp. is a diversified natural gas holding company. Major subsidiaries include Questar Gas, a natural gas utility in Utah, Wyoming, and Idaho, serving over 850,000 customers; Questar Pipeline, owns storage facilities and over 2,500 miles of transmission lines serving Rocky Mountain producing basins; Exploration & Production ('06 non-utility production: 129.6 billion cubic feet of gas equivalent; reserves at 12/31/06: 1,631 4 Bcfe); and Energy Trading. '06 depr rate: 4 8% Employs 2,188. Officers & directors own 3 0% of stock; Capital Research & Mgmt., 8 6% (4/06 Proxy) Chairman, Pres & CEO: Keith O. Rattie Inc: UT Address: 180 East 100 South Street, P.O. Box 45433, Salt Lake City, UT 84145-0433. Phone: (801) 324-5000. Internet: www.questar.com

Questar Corporation's top line improved modestly in 2006. Profit margins increased considerably and the earnings picture was more favorable, as share net advanced by nearly 28% Strong bottom-line performance was a result of increased natural gas production and higher price realizations in the company's Exploration and Production (E&P) business Realized natural gas prices increased by 16% and realized crude oil and NGL prices rose by 18%. as net income at E&P improved by 47% in 2006 Questar Pipeline also benefited the bottom line, thanks to new transportation revenues from its southern system (located in central Utah) as well as the Overthrust Pipeline in southwestern Wyoming However, due to lower-than-expected price realizations for natural gas and oil equivalents in January and February, the company now forecasts share net of $5 15-$5 35 for 2007, slightly below its previous guidance. We project earnings per share of $5 20. an increase of about 5% Nevertheless, we expect declining revenues and share earnings beyond 2007, assuming some moderation in price realizations later in the decade

The company will continue to invest in its E&P business in the current year. Questar drilled 51 wells at the Pinedale Anticline in 2006 and appears likely to drill another 45-48 wells in 2007. Investments at Pinedale are important. as it comprises about 30% of E&P's production Total E&P production increased by roughly 13% in 2006. Growth may slow this year, as we look for a production advance in the mid-single digits

Questar E&P has engaged in an aggressive hedging policy Last year. natural gas hedges benefited the top line by $53 7 million. more than offsetting the $19 6 million reduction in revenues from the use of oil hedges. This strategy shields the company from declines in commodity prices. and provides for a smoother income stream However, this can serve to limit upside potential, as well.

Questar shares have fallen a notch in Timeliness, to 3 (Average). Moreover, prospects for growth are limited Appreciation potential is below average to 2010-2012, as the shares currently trade within our Target Price Range

Michael F. Napoli *March 16, 2007*

(A) Based on average shares outstanding through '96, then diluted. Excludes net nonrecurring items: '92. 23¢; '95. 10¢; '97, 2¢; '98. 25¢; '99. d40¢; '02. 14¢; '05. d12¢; '06. 14¢ Excludes gains/losses from sale of investments: '99. 45¢; '00. 20¢; '03, d7¢ Next earnings report due late April
(B) Dividends historically paid in March. June. September. and December.
■ Dividend reinvestment plan available
(C) In millions, adjusted for split

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

SOUTH JERSEY INDS. NYSE-SJI

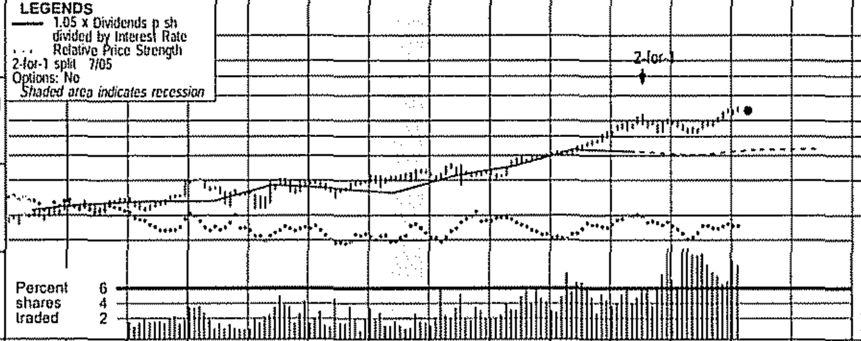
RECENT PRICE 33.74 | P/E RATIO 12.7 (Trailing: 17 2 Median: 14.0) | RELATIVE P/E RATIO 0.70 | DIV'D YLD 2.9% | VALUE LINE

TIMELINESS 3 Raised 3/9/07
SAFETY 2 Lowered 1/4/91
TECHNICAL 3 Lowered 1/26/07
BETA .70 (1.00 = Market)

	High:	Low:
	12 3	10.1
	15 3	10.5
	15.4	11 0
	15 4	10 8
	15 1	12 3
	17 0	13 8
	18 3	14 1
	20 3	15.3
	26 5	19 7
	32 4	24 9
	34 3	25 6
	35 3	31 8

Target Price Range 2010 | 2011 | 2012

LEGENDS
1.05 x Dividends p sh divided by Interest Rate
. . . Relative Price Strength
2-for-1 split 7/05
Options: No
Shaded area indicates recession



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+65%)	15%
Low	40	(+20%)	7%

Insider Decisions

	A	M	J	J	A	S	O	N	D
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

	2Q2006	3Q2006	4Q2006
to Buy	64	50	58
to Sell	46	47	44
Hld's(000)	15700	15711	15568

% TOT RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr	24 9	12.0
3 yr	81 3	41.4
5 yr.	174.1	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
15.10	16.67	17 03	17 45	16 50	16.52	16.18	20 89	17 60	22 43	35.30	20.69	26 34	29 51	31 78	30.85	32 75	34.35	Revenues per sh	38.70
1 37	1 56	1 54	1 35	1 65	1 54	1 60	1 44	1 84	1 95	1 90	2 12	2 24	2.44	2 51	3.39	3.65	3.85	"Cash Flow" per sh	4.30
.64	.81	78	.61	83	85	86	64	1 01	1 08	1 15	1 22	1 37	1 58	1 71	2.46	2 70	2.90	Earnings per sh A	3.30
.71	.71	.72	.72	.72	.72	.72	.72	.72	.73	.74	.75	.78	.82	.86	.92	.98	1.05	Div'ds Decl'd per sh B ■	1.20
2 17	1.69	1 87	1 93	2 08	2 01	2 30	3 06	2 19	2.21	2 82	3.47	2 36	2 67	3 21	2 52	2 70	3.00	Cap'l Spending per sh	3.40
6.77	6.95	7.17	7.23	7.34	8.03	6.43	6.23	6.74	7.25	7.81	9.67	11.26	12.41	13.50	15.12	16.05	16.65	Book Value per sh C	18.55
18.48	19.00	19.61	21.43	21.44	21.51	21.54	21.56	22.30	23.00	23.72	24.41	26.46	27.76	28.98	29.30	29.60	30.00	Common Shs Outst'g D	31.00
14.5	13.2	15.8	16.1	12 2	13 3	13 8	21 2	13.3	13.0	13.6	13.5	13.3	14.1	16.6	14 9	Bold figures are		Avg Ann'l P/E Ratio	14.0
.93	.80	.93	1.06	.82	83	.80	1.10	.76	.85	.70	74	.76	.74	.88	.81	Value Line		Relative P/E Ratio	.95
7.6%	6.6%	5.9%	7.4%	7.2%	6.4%	6.1%	5.3%	5.4%	5.2%	4.7%	4.6%	4.3%	3.7%	3.0%	3.2%	estimates		Avg Ann'l Div'd Yield	3.3%

CAPITAL STRUCTURE as of 12/31/06
Total Debt $555.0 mill Due in 5 Yrs $232.5 mill
LT Debt $358.0 mill LT Interest $21 0 mill
(Total interest coverage: 5.4x)

Pension Assets-12/06 $117 1 mill
Oblig. $132 6 mill
Pfd Stock none

Common Stock 29,340.537 common shs
as of 2/23/07

MARKET CAP: $1.0 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
348 6	450 2	392 5	515.9	837 3	505 1	696 8	819 1	921 0	903 9	970	1030	Revenues ($mill)	1200
18.4	13.8	22.0	24.7	26.8	29.4	34.6	43.0	48.6	72.1	80.0	85.0	Net Profit ($mill)	100
36.8%	46 2%	42 8%	43.1%	42 2%	41.4%	40.6%	40 9%	41 5%	40 7%	40.5%	40.5%	Income Tax Rate	40.5%
5.3%	3.1%	5.6%	4.8%	3.2%	5.8%	5.0%	5.2%	5.3%	8.0%	8.2%	8.3%	Net Profit Margin	8.3%
54 6%	57 3%	53 8%	54.1%	57 0%	53 6%	50.8%	48 7%	44 9%	44 7%	44.4%	44.4%	Long-Term Debt Ratio	42.5%
35.8%	33.5%	37.0%	37.6%	35.9%	46.1%	49.0%	51.0%	55.1%	55.3%	55.6%	55.6%	Common Equity Ratio	57.5%
387 1	401 1	405.9	443.5	516 2	512 5	608 4	675 0	710 3	801 1	855	900	Total Capital ($mill)	1000
456.5	504.3	533.3	562.2	607.0	666.6	748.3	799.9	877.3	920.0	975	1025	Net Plant ($mill)	1200
6 7%	5.3%	7 4%	7.4%	6 9%	7 6%	7 3%	7 9%	8.3%	10.2%	10.5%	10.5%	Return on Total Cap'l	11.5%
10 5%	8.1%	11 7%	12.1%	12 1%	12 4%	11 5%	12.4%	12.4%	16 3%	17 0%	17 0%	Return on Shr. Equity	17.5%
13.3%	10.3%	14.6%	14.8%	12.8%	12.5%	11.6%	12.5%	12.4%	16.3%	17.0%	17.0%	Return on Com Equity	17.5%
2.1%	NMF	4.2%	4.8%	3.5%	4 7%	5.0%	5.9%	6.2%	10.2%	10.5%	11.0%	Retained to Com Eq	11.0%
84%	112%	72%	67%	76%	62%	57%	52%	50%	37%	36%	37%	All Div'ds to Net Prof	37%

CURRENT POSITION ($MILL.)	2004	2005	12/31/06
Cash Assets	10.6	4 9	7 9
Other	273.3	352.6	363.8
Current Assets	283 9	357 5	371 7
Accts Payable	118 8	179 0	101 6
Debt Due	97 6	149 7	197 0
Other	68.9	74.4	124.2
Current Liab	285.3	403.1	422.8
Fix. Chg. Cov.	426%	486%	527%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	5.5%	7 5%	4 0%
"Cash Flow"	4 5%	6 5%	7.5%
Earnings	8 0%	11 5%	9.5%
Dividends	1 5%	2 5%	5.5%
Book Value	5.5%	13.0%	5.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	307 6	136 5	129 5	245.5	819 1
2005	328 6	154 0	157 0	281.4	921 0
2006	365 0	155 5	133 1	250.3	903.9
2007	375	170	155	270	970
2008	390	190	170	280	1030

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	91	15	02	50	1 58
2005	96	27	09	39	1 71
2006	1 06	20	51	69	2.46
2007	1 12	30	.55	.73	2 70
2008	1.15	.35	.60	.80	2.90

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	- -	193	193	395	78
2004	- -	202	202	.415	.82
2005	- -	213	213	.438	.86
2006	- -	225	225	470	92
2007					

BUSINESS: South Jersey Industries. Inc. is a holding company Its subsidiary, South Jersey Gas Co, distributes natural gas to 330,049 customers in New Jersey's southern counties, which covers 2,500 square miles and includes Atlantic City Gas revenue mix '06: residential, 43%; commercial, 24%; cogeneration and electric generation 3%; industrial, 30%. Non-utility operations include: South Jersey Energy, South Jersey Resources Group. Marina Energy, and South Jersey Energy Service Plus Has 611 employees Off./dir. cntrl 1 5% of com shares; Dimensional Fund Advisors, 7 9%; Barclays, 5 3% (3/06 proxy) Chrmn & CEO: Edward Graham. Incorp.: NJ Address: 1 South Jersey Plaza. Folsom, NJ 08037. Tel.: 609-561-9000. Internet: www.sjindustries.com.

South Jersey Industries has restated its earnings. In February, the company determined that its documentation of certain hedge transactions did not contain the specificity required by FASB 133 Therefore. the hedges did not qualify for hedge accounting treatment. As a result. SJI restated its financial statements for 2004. 2005. and the first three quarters of 2006 We have adjusted our 2006 figures accordingly In keeping with *Value Line* convention, we have not restated figures from previous years

The company's earnings per share advanced significantly in 2006. The Conservation Incentive Program (discussed below) boosted net income by $4.6 million The Wholesale Commodity Marketing business reported impressive bottom-line growth. as volatility in natural gas prices and increased storage capacity created lucrative opportunities. Pension and other postretirement benefit costs declined Strong performance will probably continue, although mark-to-market accounting will make earnings more volatile

The company has implemented its Conservation Incentive Program. This initiative allows South Jersey Gas to promote energy conservation, while insulating the company from the negative impact of reduced customer usage (as a result of warmer weather, higher prices. or more efficient heating equipment).

Several projects at Marina Energy may benefit SJI in the coming years. Marina develops, owns. and operates on-site energy plants, which provide income streams as part of long-term contracts It brought three projects on line during the second half of 2006. In addition, Marina has three projects scheduled to commence operations by early 2008.

The board of directors has increased the dividend by 9%. The board raised the quarterly payout from $0 225 a share to $0 245 SJI has increased its dividend at a solid clip in recent years and will probably continue to do so

This stock is ranked to pace the broader market for the year ahead. At the current quotation, the yield is low (by utility standards), although the issue does have worthwhile total-return potential for the pull to late decade

Michael F Napoli *March 16, 2007*

(A) Based on avg. shs. Excl. nonrecur. gain: '01, $0.13. Excl gain (losses) from discont ops.: '96, $1 14; '97, ($0 24); '98, ($0 26); '99, ($0.02); '00. ($0.04); '01. ($0.02); '02, ($0.04); '03, ($0 09); '05, ($0.02); '06, ($0.02) Excl gains due to acct'g change: '93, $0.04; '01, $0.14. Next egs. report due early May.
(B) Dividends paid early Apr . Jul . Oct. and late Dec ■ Div. reinvest. plan avail. (2% disc)
(C) Incl. regulatory assets ($197 0 mill): at 12/31/06, $6.72 per shr
(D) In millions, adjusted for split

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	95
Earnings Predictability	90

WGL HOLDINGS NYSE-WGL

RECENT PRICE **30.81** | P/E RATIO **15.7** (Trailing: 16.0; Median: 15.0) | RELATIVE P/E RATIO **0.87** | DIV'D YLD **4.4%** | VALUE LINE

High:	25.0	31.4	30.8	29.4	31.5	30.5	29.5	28.8	31.4	34.8	33.6	33.0
Low:	19.1	20.9	23.1	21.0	21.8	25.3	19.3	23.2	26.7	28.8	27.0	30.4

TIMELINESS **4** Raised 8/4/06
SAFETY **1** Raised 4/2/93
TECHNICAL **3** Lowered 1/5/07
BETA .05 (1.00 = Market)

2010-12 PROJECTIONS

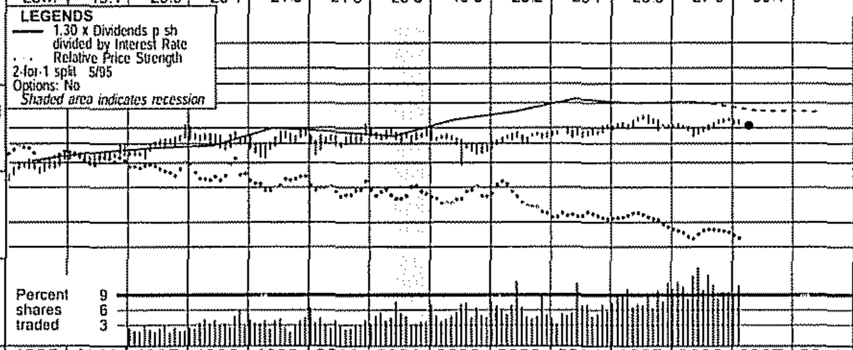
	Price	Gain	Ann'l Total Return
High	40	(+30%)	10%
Low	30	(-5%)	4%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	1	0
Options	0	0	0	1	6	0	1	6	1
to Sell	0	0	0	1	7	0	1	6	1

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	73	86	81
to Sell	78	73	68
Hld's(000)	29760	30043	30408



Target Price Range 2010 | 2011 | 2012

% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr	7.0	12.0
3 yr	24.0	41.4
5 yr.	48.4	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
17.50	18.37	21.55	21.69	19.30	22.19	24.16	23.74	20.92	22.19	29.80	32.63	42.45	42.93	44.94	53.96	*54.90*	*56.70*	Revenues per sh A	*62.50*
2.04	2.17	2.25	2.43	2.51	2.93	3.02	2.79	2.74	3.20	3.24	2.63	4.00	3.87	3.97	3.93	*4.00*	*4.15*	"Cash Flow" per sh	*4.40*
1.14	1.27	1.31	1.42	1.45	1.85	1.85	1.54	1.47	1.79	1.88	1.14	2.30	1.98	2.11	1.94	*1.96*	*2.05*	Earnings per sh B	*2.20*
1.05	1.07	1.09	1.11	1.12	1.14	1.17	1.20	1.22	1.24	1.26	1.27	1.28	1.30	1.32	1.34	*1.38*	*1.42*	Div'ds Decl'd per sh C■	*1.45*
2.05	2.17	2.43	2.84	2.63	2.85	3.20	3.62	3.42	2.67	2.68	3.34	2.65	2.33	2.32	3.27	*2.45*	*2.45*	Cap'l Spending per sh	*2.55*
9.63	10.66	11.04	11.51	11.95	12.79	13.48	13.86	14.72	15.31	16.24	15.78	16.25	16.95	17.80	18.28	*18.90*	*19.60*	Book Value per sh D	*22.0*
39.89	40.62	41.50	42.19	42.93	43.70	43.70	43.84	46.47	46.47	48.54	48.56	48.63	48.67	48.65	48.89	*48.91*	*48.92*	Common Shs Outst'g E	*49.0*
12.8	13.6	15.6	14.0	12.7	11.5	12.7	17.2	17.3	14.6	14.7	23.1	11.1	14.2	14.7	15.5	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
.82	.82	.92	.92	.85	.72	.73	.89	.99	95	.75	1.26	.63	.75	.78	.81	*Value Line*		Relative P/E Ratio	*1.0*
7.2%	6.2%	5.3%	5.6%	6.1%	5.4%	5.0%	4.5%	4.8%	4.8%	4.6%	4.8%	5.0%	4.6%	4.2%	4.5%	*estimates*		Avg Ann'l Div'd Yield	*4.3%*

CAPITAL STRUCTURE as of 12/31/06
Total Debt $882.8 mill Due in 5 Yrs $290.0 mill
LT Debt $605.1 mill LT Interest $40.6 mill.
(LT interest earned: 4.8x; total interest coverage: 4.2x)
Pension Assets-9/06 $699.9 mill. Oblig. $697.4 mill
Preferred Stock $28.2 mill Pfd Div'd $1.3 mill.
Common Stock 49,141,163 shs
MARKET CAP: $1.5 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
1055.8	1040.6	972.1	1031.1	1446.5	1584.8	2064.2	2089.6	2186.3	2637.9	*2685*	*2775*	Revenues ($mill) A	*3050*
82.0	68.6	68.8	84.6	89.9	55.7	112.3	98.0	104.8	95.1	*98*	*102*	Net Profit ($mill)	*110*
36.9%	35.6%	36.0%	36.1%	39.6%	34.0%	38.0%	38.2%	37.4%	39.0%	*38.0%*	*38.0%*	Income Tax Rate	*38.0%*
7.8%	6.6%	7.1%	8.2%	6.2%	3.5%	5.4%	4.7%	4.8%	3.6%	*3.6%*	*3.7%*	Net Profit Margin	*3.6%*
41.1%	40.3%	41.5%	43.1%	41.7%	45.7%	43.8%	40.9%	39.5%	38.5%	*39.0%*	*38.8%*	Long-Term Debt Ratio	*36.0%*
56.2%	57.1%	56.1%	54.8%	56.3%	52.4%	54.3%	57.2%	58.6%	61.5%	*61.0%*	*61.5%*	Common Equity Ratio	*64.0%*
1049.0	1064.8	1218.5	1299.2	1400.8	1462.5	1454.9	1443.6	1478.1	1497.8	*1560*	*1615*	Total Capital ($mill)	*1720*
1217.1	1319.5	1402.7	1460.3	1519.7	1606.8	1874.9	1915.6	1969.7	2068	*2170*	*2280*	Net Plant ($mill)	*2640*
9.3%	8.0%	7.1%	7.9%	7.9%	5.3%	9.1%	8.2%	8.5%	7.7%	*7.5%*	*7.5%*	Return on Total Cap'l	*7.5%*
13.3%	10.8%	9.7%	11.4%	11.0%	7.0%	13.7%	11.5%	11.7%	10.3%	*10.0%*	*10.5%*	Return on Shr. Equity	*10.0%*
13.7%	11.1%	9.9%	11.7%	11.2%	7.2%	14.0%	11.7%	12.0%	10.2%	*10.5%*	*10.7%*	Return on Com Equity	*10.5%*
5.1%	2.5%	1.8%	3.7%	3.8%	NMF	6.2%	4.1%	4.6%	3.1%	*3.2%*	*3.5%*	Retained to Com Eq	*4.0%*
63%	78%	82%	69%	67%	112%	56%	65%	62%	70%	*68%*	*67%*	All Div'ds to Net Prof	*65%*

CURRENT POSITION ($MILL.)	2005	2006	12/31/06
Cash Assets	4.8	4.4	12.2
Other	476.2	556.9	798.8
Current Assets	481.0	561.3	811.0
Accts Payable	204.9	208.5	313.1
Debt Due	91.0	238.4	277.7
Other	115.5	113.9	214.4
Current Liab	411.4	560.8	805.2
Fix. Chg. Cov.	460%	450%	450%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	7.5%	14.5%	*4.0%*
"Cash Flow"	5.0%	6.5%	*2.0%*
Earnings	4.5%	6.0%	*1.0%*
Dividends	1.5%	1.5%	*1.5%*
Book Value	4.0%	3.0%	*3.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	585.3	862.2	356.9	285.2	2089.6
2005	623.4	929.8	349.0	284.1	2186.3
2006	902.9	1064.5	346.9	323.6	2637.9
2007	732.9	*1095*	*440*	*417.1*	*2685*
2008	*970*	*1040*	*390*	*375*	*2775*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	.81	1.62	d.08	d.37	1.98
2005	.88	1.63	d.17	d.23	2.11
2006	.93	1.17	d.01	d.15	1.94
2007	.92	*1.20*	*d.01*	*d.15*	*1.96*
2008	*.95*	*1.26*	*d.01*	*d.15*	*2.05*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.32	.325	.325	.325	1.30
2004	.325	.333	.333	.333	1.32
2005	.33	.33	.333	.333	1.33
2006	.333	.333	.338	.338	1.34
2007	.34				

BUSINESS: WGL Holdings, Inc. is the parent of Washington Gas Light, a natural gas distributor in Washington, D.C. and adjacent areas of VA and MD to resident'l and comm'l users (1,031,916 meters). Hampshire Gas, a federally regulated sub., operates an underground gas-storage facility in WV. Non-regulated subs.: Wash. Gas Energy Svcs. sells and delivers natural gas and provides energy related products in the D.C. metro area; Wash. Gas Energy Sys. designs/installs comm'l heating, ventilating, and air cond. systems. American Century Inv. own 9.6% of common stock; Off./dir. less than 1% (1/07 proxy). Chrmn. & CEO: J.H. DeGraffenreidt. Inc.: D.C. and VA. Addr.: 1100 H St., N.W., Washington, D.C. 20080. Tel.: 202-624-6410. Internet: www.wglholdings.com.

WGL Holdings, Inc.'s consolidated operating revenues were down 2% to $733 million for the first three months of fiscal 2007. The biggest declines were in the regulated utility segment, where gas delivery revenues were down 30% due to warm weather and customer conservation. In addition the nonutility operation HVAC segment was down 60% owning to the completion of large projects for its customers at the end of fiscal 2006 that have not yet been replaced in the segment's revenue stream. The regulated utility segment is WGL's core business; it represents 91% of the holding company's total assets. Even so, corporate income increased 2% to $45.1 million thanks to a 20% decrease in operating expenses.

Washington Gas is continuing to address the natural gas leaks in its distribution system in Maryland. Gas used in the system from a liquefied natural gas terminal has a lower concentration of heavy hydrocarbons, that, when introduced into the overall distribution system, can cause the seals in the pipe couplings to leak. These gas service lines and couplings are being replaced and rehabilitated in the distribution system. The project is expected to be completed by December, 2007 at an estimated cost of $144 million. This project is necessary to provide safe and reliable utility service. It is anticipated that these costs will be recognized in the rate-making process. Washington Gas' financial condition, results of operations, and cash flows will, of course, be affected by the Public Service Commission of Maryland's rate-making judgment.

WGL Holdings expects to benefit from robust economic growth in its service area. The DC market is one of the most prosperous in the United States. New customers have been added at an average of 20,000 per year for the last few years. And attention will be focused on residential customer conversions to natural gas from other forms of energy.

These shares are trading within our Target Price Range, and we see negligible price appreciation for the 3- to 5-years ahead. The stock stands out for its yield, however, which is one of the highest among the gas distribution companies. Moreover, finances are strong.

Enzo DiCostanzo *March 16, 2007*

(A) Fiscal years end Sept. 30th
(B) Based on diluted shares. Excludes nonrecurring losses: '01, (13¢); '02, (34¢); discontinued operations: '06, (15¢). Next earnings report due late April. (C) Dividends historically paid early February, May, August, and November. ■ Dividend reinvestment plan available. (D) Includes deferred charges and intangibles '05: $150.0 million, $3.08/sh. (E) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	60

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00143

COMMISSION STAFF'S SECOND SET
OF INFORMATION REQUESTS

Item 78 of 80

Witness: Dr. James H. Vander Weide

78. Refer to Direct Testimony of James Vander Weide, Exhibit_JVW-1, Schedule 7-1.

a. Provide all documents that Dr. Vander Weide used or relied upon to calculate an average electric company Beta of 0.86.

b. For each company that Dr. Vander Weide used or relied upon to calculate an average electric company Beta of 0.86, state the name of the company and its individual Betas.

c. Explain the appropriateness and reasonableness of using electric companies in this analysis.

d. Provide the pages from Stocks Bonds Bills and Inflation 2007 Valuation Yearbook that Dr. Vander Weide used to obtain the risk premium obtained.

Response:

a. The data underlying the average water company beta of 0.86 are shown on Exhibit JVW_1, Schedule 7-2. There is a typographical error in Exhibit_JVW-1, Schedule 7-1: the word "electric" should read "water." Dr. Vander Weide's testimony at page 40 describes his CAPM estimate of the cost of equity using his comparable water and gas companies.

b. See response to (a.).

c. See response to (a.).

d. The requested data are supplied.

For electronic version, refer to KAW_R_PSCDR2#78_061807.pdf

Key Variables in Estimating the Cost of Capital

	Value
Yields (Riskless Rates)[1]	
Long-term (20-year) U.S. Treasury Coupon Bond Yield	4.9%
Equity Risk Premium[2]	
Long-horizon expected equity risk premium (historical): large company stock total returns minus long-term government bond income returns	7.1
Long-horizon expected equity risk premium (supply side): historical equity risk premium minus price-to-earnings ratio calculated using three-year average earnings	6.3

Size Premium[3]

Decile	Market Capitalization of Smallest Company (in millions)		Market Capitalization of Largest Company (in millions)	Size Premium (Return in Excess of CAPM)
Mid-Cap 3-5	$1,947.240	–	$7,777.183	0.97%
Low-Cap 6-8	$627.017	–	$1,946.588	1.70%
Micro-Cap 9-10	$2.247	–	$626.955	3.88%
Breakdown of Deciles 1-10				
1-Largest	$16,848.063	–	$371,187.368	-0.30%
2	$7,847.424	–	$16,820.566	0.65%
3	$4,090.254	–	$7,777.183	0.81%
4	$2,861.655	–	$4,085.184	1.03%
5	$1,947.240	–	$2,848.771	1.45%
6	$1,379.207	–	$1,946.588	1.67%
7	$977.912	–	$1,378.476	1.62%
8	$627.017	–	$976.624	2.28%
9	$314.912	–	$626.955	2.70%
10-Smallest	$2.247	–	$314.433	6.27%
Breakdown of the 10th Decile				
10a	$173.664	–	$314.433	4.35%
10b	$2.247	–	$173.439	9.68%

[1] As of December 31, 2006. Maturity is approximate.
[2] See chapter 5 for complete methodology.
[3] See chapter 7 for complete methodology.
Note: Examples on how these variables can be used are found in Chapters 3 and 4.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00143

COMMISSION STAFF'S SECOND SET
OF INFORMATION REQUESTS

Item 79 of 80

Witness: Dr. James H. Vander Weide

79. Refer to Direct Testimony of James Vander Weide, Exhibit_JVW-1, Schedule 7-2. State whether the Average Beta on line 8 of the top Table should read 0.807 rather than 0.86. If not, explain how the Average Beta was obtained.

Response:

No, 0.86 is the correct average beta. 0.86 is a market-weighted average beta, calculated using the companies' betas and market weights shown on Schedule 7-2.

For electronic version, refer to KAW_R_PSCDR2#79_061807.pdf

KENTUCKY-AMERICAN WATER COMPANY
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COMMISSION STAFF'S SECOND SET OF INFORMATION REQUESTS

Item 80 of 80

Witness: Linda C. Bridwell

80. Refer to Direct Testimony of Linda C. Bridwell, page 15. State whether the proposed 3.0 million gallon water storage tank, when constructed, will eliminate the need for the deviation that Kentucky-American has requested in Case No. 2005-00546.

<u>Response</u>:

No.

For electronic version, refer to KAW_R_PSCDR2#80_061807.pdf