**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

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

1. Refer to the Direct Testimony of Dr. Vander Weide at 12-13.

   a. Explain whether or not Kentucky-American's expanded supply options through its new water treatment plant, for which a certificate of public convenience and necessity ("CPCN") was granted in PSC Case No. 2007-00134,[1] will mitigate the sensitivity of net income to sales fluctuations.

   b. In the company's last rate case[2] and in this case, the company is placing more of its fixed-cost recovery in the customer charge and less on the volumetric charge. Explain why this does not help mitigate Kentucky-American's operating leverage risk.

   c. Provide an explanation of how each of the three factors contributing to Demand Uncertainty specifically impact Kentucky-American.

Response:

In responding to 1. a., b., and c., Dr. Vander Weide notes that the discussion on pp. 12 – 13 is a general discussion of factors that affect business risk in the water utility industry. Dr. Vander Weide did not attempt to quantify the impact of these risks on Kentucky-American Water Company's cost of equity, and he did not "adjust" or "change" the cost of equity estimates obtained through application of his cost of equity methods to his proxy companies to reflect the specific impact of the general risk factors discussed on pp. 12 – 13. However, these risk factors are implicitly included in his cost of equity estimates for his proxy companies because his cost of equity estimates depend on his proxy companies' stock prices, and these risks are implicitly included in a company's stock price. Mr. Miller can also address the specific circumstances surrounding the source of supply, tariff and demand issues at KAWC as discussed in some detail in the responses to parts a. b., and c. below.

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[1] Case No. 2007-00134, The Application of Kentucky-American Water Company for A Certificate of Convenience and Necessity Authorizing the Construction of Kentucky River Station II, Associated Facilities and Transmission Main (Ky. PSC April 25, 2008).

[2] Case No. 2007-00143, Adjustment of Rates of Kentucky-American Water Company (Ky. PSC Nov. 29, 2007).

a. No study has been performed to specifically identify what impact the expanded source of supply and treatment capacity will have on customer demand, however, a conservation study is currently being prepared as ordered by the Commission in case number 07-00134. The source of supply and plant project will only mitigate sales fluctuations to the extent the Company's current demand plan has impacted sales in drought years. The additional source and treatment capacity will not mitigate sales fluctuations for either hot, dry, cool or wet years that would not have otherwise resulted in voluntary or required restrictions on customer usage. In addition, the cost of the additional source and treatment capacity is substantial and will result in a substantial increase in the fixed capital costs (debt and equity) for KAWC which will not vary as usage increases or decreases in a particular year due to weather, thereby increasing the sensitivity and risk of net income to sales fluctuations. There could also be some level of sensitivity to the increased price of water which could lead to customer conservation and therefore lower customer usage. Kentucky-American's expanded supply options through its new water treatment plant should mitigate the need for future demand management initiation, but will not eliminate sales fluctuations or their impact on net income.

b. Placing more of a company's fixed-cost recovery in the customer charge and less on the volumetric charge should help to mitigate but not eliminate operating leverage risk; however, Dr. Vander Weide has not determined if that is the case and has not performed any analysis to determine how the ratio of customer charges of KAWC compare to the water utilities in his sample group.

c. The three factors contributing to demand uncertainty cited on page 12 impact Kentucky-American Water Company because they impact Kentucky-American Water Company's sales fluctuations. As we know, weather has a significant impact on customer usage in any given year, potentially either a positive or negative impact. Weather has a direct effect on the Company's outdoor watering load, and, thus, can cause wide variances to demand from year to year. In fact, that is why the Company has used a weather normalization approach to determine revenues at present rates in all recent rate cases, an approach the Commission has routinely adopted, to normalize the peaks and valleys in usage and revenue related to weather and avoid the potential roller coaster impact on customer rates absent the weather normalized sales. The Company has also had a very robust internal customer growth rate over the years. The economic climate can have a significant impact on future sales levels and therefore customer rates. KAWC has indicated in this case that it has seen a decline in new home starts and customer growth due to the current economic climate and status of the home mortgage market.

For the electronic version, refer to KAW_R_PSCDR2#1_010809.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

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

2. Refer to the Direct Testimony of Dr. Vander Weide at 13.

   a. Provide an explanation of how Kentucky-American is specifically affected by Supply Uncertainty risk.

   b. Explain whether the water treatment facility at Pool 3 of the Kentucky River neutralizes or minimizes the Supply Uncertainty risk for Kentucky-American.

   c. By stating that the company faces supply uncertainty from the increased costs in complying with more stringent EPA water guidelines, is it Mr. Vander Weide's position that the company faces greater risk because the Commission would not allow the company to recover those federally mandated costs in a timely manner? If not, provide an explanation of how the company faces higher risks.

Response:

a. Kentucky-American is affected by supply uncertainty risk because the company must make investments to assure a safe and reliable supply of water to meet customer needs at any time. Since the return on this investment is uncertain, supply uncertainty affects Kentucky-American's risk.

b. The additional supply and plant capacity provided upon completion of the KRS Project should mitigate the volume of supply issue to the extent that additional supply of potable water eliminates or delays the need for demand management initiation in future years. The additional supply, however, does not eliminate Supply Uncertainty as it relates to potential increases in water quality standards or new water quality standards, spills in the source water, or other unforeseen circumstances. Dr. Vander Weide has performed no study to determine the level of Supply Uncertainty for the Company versus the other water utilities in his sample group.

c. Investors recognize that federally-mandated costs create upward pressure on rates and customers react negatively to rate increases. Investors also recognize that the Company must not only recover federally-mandated costs in a timely manner but must also earn a fair return on its investment costs. Thus, investors are uncertain about whether and when the Commission would allow return of and on federally-mandated investments.

For the electronic version, refer to KAW_R_PSCDR2#2_010809.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Dr. James H. Vander Weide

3. Refer to the Direct Testimony of Dr. Vander Weide at 19-26 and Exhibit_JVW-1 Schedule 1-1.

   a. Provide the Excel spreadsheets in electronic format supporting Schedule 1 with the underlying data and formulas intact.

   b. Provide the data from which the three-month average stock prices were calculated.

   c. In the case where there is more than one analyst providing estimates, does the I/B/E/S growth data in the Exhibit represent an average growth figure?

   d. Provide the separate underlying growth data used to make the water company Discounted Cash Flow ("DCF") calculations.

   e. Provide the DCF calculations without the flotation cost adjustment in a format similar to Schedule 1-1 with an Excel spreadsheet with the formulas intact.

   f. Provide the Value Line company profile sheets from which the data was taken to conduct the analysis.

Response:

a. Please refer to the electronic file named KAW_R_PSCDR2#3a_010809.xls. The requested data are supplied.

b. The requested data are supplied in response to part a.

c. Yes.

d. The separate I/B/E/S and Value Line growth rate data used to calculate the DCF cost of equity for the water companies are shown in Schedule 1. As shown in Table 2, page 25, only three water companies, Aqua America, California Water Service, and Southwest Water, have more than one I/B/E/S estimate of long-term growth. With respect to the I/B/E/S growth forecasts for those companies that have more than one I/B/E/S estimate of long-term growth, Dr. Vander Weide's I/B/E/S subscription provides the average of all growth forecasts but does not provide each analyst's growth forecast.

e. Please refer to the electronic file named KAW_R_PSCDR2#3e_010809.xls. The requested data are supplied.

g. Please see attached. The requested data are supplied.

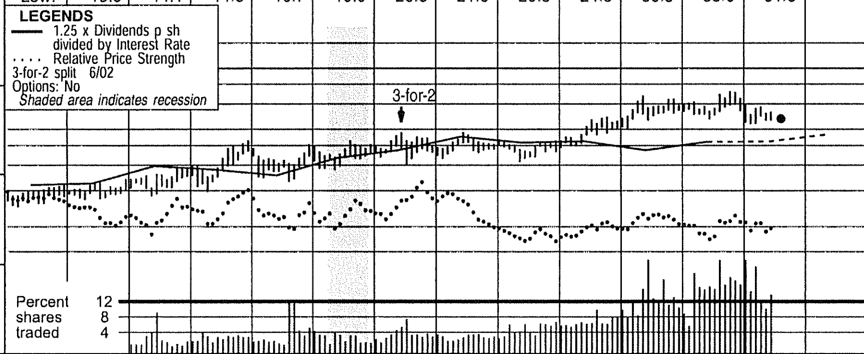
For the electronic version of this document refer to KAW_R_PSCDR2#3_010809.pdf.

AMER. STATES WATER NYSE-AWR

RECENT PRICE 33.80 | P/E RATIO 20.5 (Trailing: 22.4; Median: 20.0) | RELATIVE P/E RATIO 1.39 | DIV'D YLD 3.0% | VALUE LINE

TIMELINESS 4 Lowered 2/15/08
SAFETY 3 New 2/4/00
TECHNICAL 4 Lowered 5/30/08
BETA 1.05 (1.00 = Market)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	17.1	19.5	26.5	25.3	26.4	29.0	29.0	26.8	34.6	43.8	46.1	40.3
Low:	13.5	14.1	14.8	16.7	19.0	20.3	21.6	20.8	24.3	30.3	33.6	31.8



Target Price Range

2011	2012	2013
80	60	50
40	30	25
20	15	10
7.5		

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+90%)	20%
Low	40	(+20%)	7%

Insider Decisions

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

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	63	63	53
to Sell	53	52	59
Hld's(000)	10424	9617	9783

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	0.8	-18.0
3 yr.	28.7	11.3
5 yr.	47.5	63.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
10.10	9.27	10.43	11.03	11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.76	17.49	***17.00***	***18.05***	Revenues per sh	***21.85***
1.81	1.67	1.68	1.75	1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.89	3.31	***3.40***	***3.80***	"Cash Flow" per sh	***4.70***
1.15	1.11	.95	1.03	1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	***1.65***	***1.85***	Earnings per sh A	***2.50***
.77	.79	.80	.81	.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	***1.00***	***1.08***	Div'd Decl'd per sh B■	***1.20***
2.31	1.90	2.43	2.19	2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	***3.80***	***3.75***	Cap'l Spending per sh	***4.00***
8.85	9.95	10.07	10.29	11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	***17.75***	***18.05***	Book Value per sh	***19.20***
9.96	11.71	11.77	11.77	13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.23	***17.75***	***18.00***	Common Shs Outst'g C	***19.00***
10.6	13.4	12.8	11.6	12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	*Bold figures are*		Avg Ann'l P/E Ratio	***21.0***
.64	.79	.84	.78	.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.26	*Value Line*		Relative P/E Ratio	***1.40***
6.3%	5.3%	6.6%	6.7%	5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	*estimates*		Avg Ann'l Div'd Yield	***2.4%***

CAPITAL STRUCTURE as of 3/31/08
Total Debt $315.4 mill. **Due in 5 Yrs** $41.1 mill.
LT Debt $267.2 mill. **LT Interest** $22.5 mill.
(LT interest earned: 3.0x: total interest coverage: 2.8x) (47% of Cap'l)

Leases, Uncapitalized: None
Pension Assets-12/07 $70.9 mill.
Oblig. $83.4 mill.
Pfd Stock None.

Common Stock 17,245,224 shs.
MARKET CAP: $575 million (Small Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
148.1	173.4	184.0	197.5	209.2	212.7	228.0	236.2	268.6	301.4	***302***	***325***	Revenues ($mill)	***415***
14.6	16.1	18.0	20.4	20.3	11.9	16.5	22.5	23.1	28.0	***30.0***	***35.0***	Net Profit ($mill)	***50.0***
40.9%	46.0%	45.7%	43.0%	38.9%	43.5%	37.4%	47.0%	40.5%	42.6%	***43.0%***	***42.5%***	Income Tax Rate	***42.0%***
--	--	--	--	--	--	--	--	12.2%	8.5%	***5.0%***	***5.0%***	AFUDC % to Net Profit	***Nil***
43.6%	51.0%	47.5%	54.9%	52.0%	52.0%	47.7%	50.4%	48.6%	46.9%	***47.5%***	***48.0%***	Long-Term Debt Ratio	***50.0%***
55.7%	48.4%	51.9%	44.7%	48.0%	48.0%	52.3%	49.6%	51.4%	53.1%	***52.5%***	***52.0%***	Common Equity Ratio	***50.0%***
277.1	328.2	371.1	447.6	444.4	442.3	480.4	532.5	551.6	569.4	***600***	***625***	Total Capital ($mill)	***730***
414.8	449.6	509.1	539.8	563.3	602.3	664.2	713.2	750.6	776.4	***810***	***845***	Net Plant ($mill)	***950***
7.0%	6.6%	6.4%	6.1%	6.5%	4.6%	5.2%	5.4%	6.0%	6.7%	***6.5%***	***7.5%***	Return on Total Cap'l	***9.0%***
9.4%	10.0%	9.2%	10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	***9.5%***	***11.0%***	Return on Shr. Equity	***13.5%***
9.4%	10.1%	9.3%	10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	***9.5%***	***11.0%***	Return on Com Equity	***13.5%***
2.1%	2.9%	3.0%	3.6%	3.3%	NMF	1.0%	2.8%	2.7%	3.9%	***4.0%***	***5.5%***	Retained to Com Eq	***7.0%***
78%	72%	68%	65%	65%	113%	84%	67%	67%	58%	***59%***	***56%***	All Div'ds to Net Prof	***46%***

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Cash Assets	3.2	1.7	.8
Receivables	14.8	16.1	14.5
Inventory (Avg Cst)	1.6	1.6	1.6
Other	44.8	43.7	42.9
Current Assets	64.4	63.1	59.8
Accts Payable	24.0	29.1	27.8
Debt Due	32.6	37.8	48.6
Other	29.3	27.4	26.1
Current Liab.	85.9	94.3	102.5
Fix. Chg. Cov.	268%	314%	300%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	3.5%	4.0%	*6.0%*
"Cash Flow"	5.0%	4.0%	*8.0%*
Earnings	3.0%	1.5%	*10.0%*
Dividends	1.0%	1.5%	*5.0%*
Book Value	4.5%	4.5%	*3.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2005	49.8	60.5	68.1	57.8	236.2
2006	64.3	63.0	75.0	66.3	268.6
2007	72.3	79.3	75.8	74.0	301.4
2008	68.9	***79.1***	***76.0***	***78.0***	***302***
2009	***74.0***	***84.0***	***85.0***	***82.0***	***325***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2005	.22	.34	.47	.29	1.32
2006	.35	.36	.32	.30	1.33
2007	.40	.42	.44	.35	1.62
2008	.30	***.43***	***.47***	***.45***	***1.65***
2009	***.35***	***.50***	***.55***	***.45***	***1.85***

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.221	.221	.221	.225	.89
2005	.225	.225	.225	.225	.90
2006	.225	.225	.225	.235	.91
2007	.235	.235	.235	.250	.96
2008	.250	.250			

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Acquired Chaparral City Water of Arizona (10/00). Has roughly 572 employees. Officers & directors own 4.4% of common stock (4/08 Proxy). Chairman: Lloyd Ross. President & CEO: Floyd Wicks. Inc: CA. Addr.: 630 East Foothill Boulevard, San Dimas, CA 91773. Tele.: 909-394-3600. Internet: www.aswater.com.

American States Water got off to an inauspicious start. The company posted earnings of $0.30 a share in the first quarter, 25% off last year's figure and $0.08 below our estimate. Sales decreased 4%, to $68.9 million, due mainly to a reduction in fees from military bases. Water consumption would have declined even further if not for continued improvements in the regulatory process, namely the recent rate hike, effective January 1st, implemented by the California Public Utilities Commission (CPUC).

The outlook for the remainder of the year has dried up, too. Extremely arid weather (the driest on record in roughly 70 years) in California has prompted Governor Schwarzenegger to declare a drought and urge citizens to be more conservative with water usage. This is obviously not a favorable development for American, and we have therefore reduced our share-net estimate by $0.15, to $1.65, and our revenues figure by $10 million, to reflect minimal revenue growth.

We expect that earnings growth ought to improve next year, though. Weather conditions ought to improve, replenishing reserves and sparking higher usage. Plus, the CPUC will likely continue handing down favorable general rate case decisions, a trend that began when the Governor took the reins. In all, we look for double-digit earnings growth in 2009.

Nevertheless, these shares do not whet our appetite. They've tumbled roughly 10% since our last review in April, and are ranked 4 (Below Average) for Timeliness. Growth will probably remain under wraps for the coming six to 12 months due to concerns regarding inventory levels and escalating operating costs. Longer term, we are concerned about the effects of growing infrastructure needs and the company's ability to fund such endeavors. American has a feeble cash position and will have to look to outside financiers to fund future capital expenditures. Not only will such activity result in higher interest costs and share count, thus diluting shareholder gains, but it will also limit the company's ability to make acquisitions and expand its customer base. Meanwhile, the issue does not stand out as an income producer versus other utilities.

Andre J. Costanza *July 25, 2008*

(A) Primary earnings. Excludes nonrecurring gains: '91, 73¢; '92, 13¢; '04, 14¢; '05, 25¢; '06, 6¢. Next earnings report due early August. May not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.

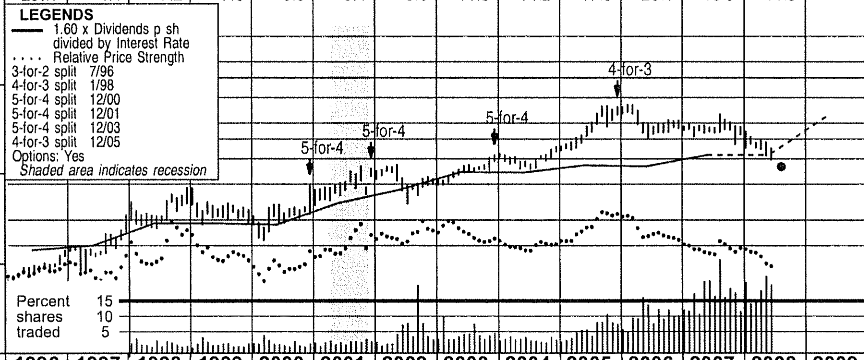
Company's Financial Strength	B++
Stock's Price Stability	75
Price Growth Persistence	85
Earnings Predictability	60

AQUA AMERICA NYSE-WTR

RECENT PRICE **14.66** | P/E RATIO **17.2** (Trailing: 21.2; Median: 24.0) | RELATIVE P/E RATIO **1.17** | DIV'D YLD **3.4%** | VALUE LINE

TIMELINESS **5** Lowered 5/16/08
SAFETY **3** Lowered 8/1/03
TECHNICAL **4** Lowered 6/13/08
BETA .95 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	8.5	11.5	11.5	12.0	14.8	15.0	16.8	18.5	29.2	29.8	26.6	22.0
Low:	4.4	7.2	7.6	6.3	9.4	9.6	11.8	14.2	17.5	20.1	18.9	14.5



Target Price Range
2011 | 2012 | 2013
64, 48, 40, 32, 24, 20, 16, 12, 8, 6

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+140%)	26%
Low	25	(+70%)	16%

Insider Decisions

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

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	84	115	99
to Sell	114	88	111
Hld's(000)	55922	59091	62485

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-27.2	-18.0
3 yr.	-24.1	11.3
5 yr.	21.2	63.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
1.82	1.70	1.82	1.84	1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.52	*4.80*	*5.00*	Revenues per sh	*5.60*
.39	.42	.42	.47	.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	*1.65*	*1.85*	"Cash Flow" per sh	*2.35*
.24	.24	.26	.29	.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	*.85*	*.95*	Earnings per sh A	*1.20*
.20	.21	.21	.22	.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	*.50*	*.56*	Div'd Decl'd per sh B■	*.68*
.60	.47	.46	.52	.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	1.79	*1.85*	*1.90*	Cap'l Spending per sh	*2.15*
2.09	2.29	2.41	2.46	2.69	2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	7.32	*7.70*	*8.20*	Book Value per sh	*10.10*
51.20	59.40	59.77	63.74	65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	133.40	*134.50*	*135.50*	Common Shs Outst'g C	*139.00*
12.5	14.4	13.5	12.0	15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	*Bold figures are*		Avg Ann'l P/E Ratio	*25.0*
.76	.85	.89	.80	.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	*Value Line*		Relative P/E Ratio	*1.65*
6.8%	5.9%	6.0%	6.2%	4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	*estimates*		Avg Ann'l Div'd Yield	*2.7%*

CAPITAL STRUCTURE as of 3/31/08
Total Debt $1239.0 mill. **Due in 5 Yrs** $207.9 mill.
LT Debt $1215.0 mill. **LT Interest** $65.0 mill.
(LT interest earned: 3.3x; total interest coverage: 3.1x) (55% of Cap'l)

Pension Assets-12/07 $147.8 mill. **Oblig.** $194.5 mill.

Pfd Stock None

Common Stock 133,630,229 shares as of 4/22/08

MARKET CAP: $2.0 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
151.0	257.3	275.5	307.3	322.0	367.2	442.0	496.8	533.5	602.5	*645*	*675*	Revenues ($mill)	*775*
28.8	45.0	50.7	58.5	62.7	67.3	80.0	91.2	92.0	95.0	*115*	*130*	Net Profit ($mill)	*165*
40.5%	38.4%	38.9%	39.3%	38.5%	39.3%	39.4%	38.4%	39.6%	38.9%	*39.0%*	*39.0%*	Income Tax Rate	*39.0%*
--	--	--	--	--	--	--	--	2.9%	3.1%	*2.5%*	*2.5%*	AFUDC % to Net Profit	*2.0%*
52.7%	52.9%	52.0%	52.2%	54.2%	51.4%	50.0%	52.0%	51.6%	55.4%	*54.5%*	*54.0%*	Long-Term Debt Ratio	*51.0%*
46.6%	46.7%	47.8%	47.7%	45.8%	48.6%	50.0%	48.0%	48.4%	44.6%	*45.5%*	*46.0%*	Common Equity Ratio	*49.0%*
496.6	782.7	901.1	990.4	1076.2	1355.7	1497.3	1690.4	1904.4	2191.4	*2285*	*2410*	Total Capital ($mill)	*2855*
609.8	1135.4	1251.4	1368.1	1490.8	1824.3	2069.8	2280.0	2506.0	2792.8	*2850*	*3000*	Net Plant ($mill)	*3600*
7.6%	7.6%	7.4%	7.8%	7.6%	6.4%	6.7%	6.9%	6.4%	5.9%	*6.5%*	*6.5%*	Return on Total Cap'l	*7.0%*
12.3%	12.2%	11.7%	12.3%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	*11.0%*	*11.5%*	Return on Shr. Equity	*12.0%*
12.4%	12.3%	11.7%	12.4%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	*11.0%*	*11.5%*	Return on Com Equity	*12.0%*
4.5%	4.3%	4.7%	5.1%	5.2%	4.2%	4.6%	4.9%	3.7%	3.2%	*4.5%*	*5.0%*	Retained to Com Eq	*5.5%*
64%	65%	60%	59%	59%	59%	57%	56%	63%	67%	*61%*	*59%*	All Div'ds to Net Prof	*57%*

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Cash Assets	44.0	14.5	16.5
Receivables	72.1	82.9	73.7
Inventory (AvgCst)	10.2	8.8	10.2
Other	8.4	9.3	9.7
Current Assets	134.7	115.5	110.1
Accts Payable	49.4	45.8	23.4
Debt Due	150.4	80.8	24.0
Other	55.8	56.6	127.1
Current Liab.	255.6	183.2	174.5
Fix. Chg. Cov.	352%	323%	305%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	8.0%	9.0%	*5.0%*
"Cash Flow"	9.5%	8.5%	*10.5%*
Earnings	8.5%	7.0%	*9.0%*
Dividends	7.0%	7.5%	*7.5%*
Book Value	10.0%	10.5%	*6.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	114.0	123.1	136.8	122.9	496.8
2006	117.9	131.7	147.0	136.9	533.5
2007	137.3	150.6	165.5	149.1	602.5
2008	139.3	*165*	*185*	*155.7*	*645*
2009	*145*	*175*	*195*	*160*	*675*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.15	.17	.22	.17	.71
2006	.13	.17	.21	.19	.70
2007	.13	.17	.22	.19	.71
2008	.11	*.22*	*.28*	*.24*	*.85*
2009	*.16*	*.25*	*.26*	*.28*	*.95*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.09	.09	.09	.098	.37
2005	.098	.098	.098	.107	.40
2006	.107	.107	.115	.115	.44
2007	.115	.115	.125	.125	.48
2008	.125	.125			

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately 2.8 million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '07: residential, 60%; commercial, 14%; industrial & other, 26%. Officers and directors own 1.4% of the common stock (4/08 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

Aqua America Inc. began the year on a weak note. Even though revenues grew slightly year over year, the bottom line dropped about 15%. A reduction in housing starts dampened the rate of customer growth, increased foreclosures have lowered revenue contributions from these consumers, and higher fuel costs hurt margins during the March interim. Also, the recent loss of customers from the land seized by the government of Fort Wayne, Indiana (under the eminent domain doctrine) has already begun to cut into profits, and will likely hinder growth until late 2009.

The company may be able to gain some momentum in the latter half of the year. A factor that will probably benefit the top and bottom lines are the 17 rate cases that are in varied stages of regulatory processes. These price increase requests should be decided by the end of the year, and can add upwards of $65 million per annum to revenues. It should also be noted that some of these cases are for "rate-relief", which would yield higher price increases to offset the capital investments and rising costs that have been accrued during the integration period. Also, Aqua will likely sell an undisclosed franchise for approximately $10 million late in the third or fourth quarter.

Aqua America has acquired a wastewater and irrigation system in Florida. This will expand the company's customer base with the 4,000 residents of the Fountain Lakes development in Lee County serviced by these systems. The waste-water assets will be run as a regulated utility, subject to rate-increase petitions. Over the next few years, about $400,000 in capital expenditures will be spent to improve and integrate these systems. Further acquisitions are likely to be made during the year, but management has stated that its focus will shift towards making larger, fewer purchases.

These untimely shares may be best suited for patient investors. Although the recent difficulties have hampered its short term appeal, Aqua is establishing and improving facilities in strong locations, which should bolster earnings growth and enhance its appreciation potential over the coming 3 to 5 years.

John D. Burke *July 25, 2008*

(A) Primary shares outstanding through '96; diluted thereafter. Excl. nonrec. gains (losses): '92, (38¢); '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. May not sum due to rounding. Next earnings report due early August.
(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	80
Earnings Predictability	100

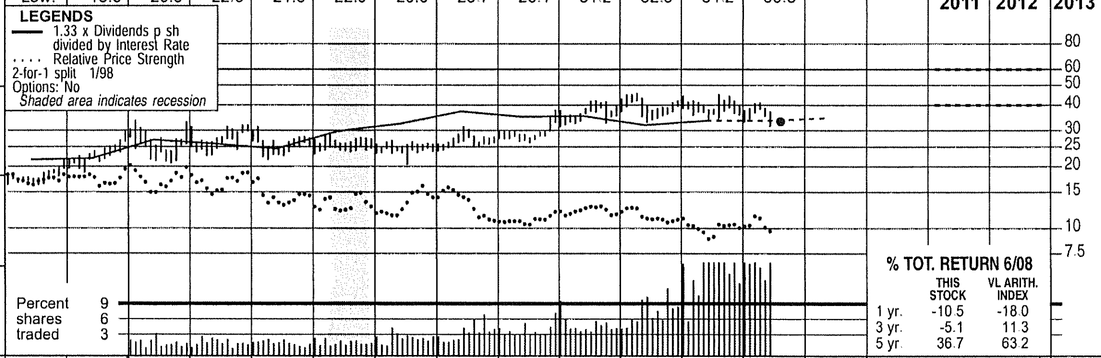
CALIFORNIA WATER NYSE-CWT

RECENT PRICE 33.21 | P/E RATIO 20.8 (Trailing: 23.1; Median: 22.0) | RELATIVE P/E RATIO 1.41 | DIV'D YLD 3.5% | VALUE LINE

TIMELINESS 3 Raised 3/7/08
SAFETY 3 Lowered 7/27/07
TECHNICAL 3 Raised 6/20/08
BETA 1.15 (1.00 = Market)

High:	29.6	33.8	32.0	31.4	28.6	26.9	31.4	37.9	42.1	45.8	45.4	41.2
Low:	18.6	20.8	22.6	21.5	22.9	20.5	23.7	26.1	31.2	32.8	34.2	30.8

Target Price Range 2011 | 2012 | 2013



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+80%)	18%
Low	40	(+20%)	8%

Insider Decisions

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

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	45	62	60
to Sell	46	49	40
Hld's(000)	9581	9554	10255

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-10.5	-18.0
3 yr.	-5.1	11.3
5 yr.	36.7	63.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
12.29	13.34	12.59	13.17	14.48	15.48	14.76	15.96	16.16	16.26	17.33	16.37	17.18	17.44	16.20	17.76	*17.90*	*19.55*	Revenues per sh	*21.25*
1.92	2.25	2.02	2.07	2.50	2.92	2.60	2.75	2.52	2.20	2.65	2.51	2.83	3.03	2.71	3.12	*3.30*	*3.65*	"Cash Flow" per sh	*4.25*
1.09	1.35	1.22	1.17	1.51	1.83	1.45	1.53	1.31	.94	1.25	1.21	1.46	1.47	1.34	1.50	*1.60*	*1.85*	Earnings per sh A	*2.35*
.93	.96	.99	1.02	1.04	1.06	1.07	1.09	1.10	1.12	1.12	1.12	1.13	1.14	1.15	1.16	*1.17*	*1.18*	Div'd Decl'd per sh B ■	*1.21*
3.09	2.53	2.26	2.17	2.83	2.61	2.74	3.44	2.45	4.09	5.82	4.39	3.73	4.01	4.28	3.68	*4.90*	*4.60*	Cap'l Spending per sh	*4.25*
10.51	10.90	11.56	11.72	12.22	13.00	13.38	13.43	12.90	12.95	13.12	14.44	15.66	15.79	18.15	18.50	*19.05*	*19.75*	Book Value per sh C	*21.80*
11.38	11.38	12.49	12.54	12.62	12.62	12.62	12.94	15.15	15.18	15.18	16.93	18.37	18.39	20.66	20.67	*21.25*	*21.75*	Common Shs Outst'g D	*25.00*
14.1	13.6	14.1	13.7	11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	*Bold figures are*		Avg Ann'l P/E Ratio	*21.0*
.86	.80	.92	.92	.75	.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.37	*Value Line*		Relative P/E Ratio	*1.40*
6.1%	5.2%	5.8%	6.4%	5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	*estimates*		Avg Ann'l Div'd Yield	*2.4%*

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
186.3	206.4	244.8	246.8	263.2	277.1	315.6	320.7	334.7	367.1	*380*	*425*	Revenues ($mill)	*500*
18.4	19.9	20.0	14.4	19.1	19.4	26.0	27.2	25.6	31.2	*34.0*	*40.0*	Net Profit ($mill)	*60.0*
36.4%	37.9%	42.3%	39.4%	39.7%	39.9%	39.6%	42.4%	37.4%	39.9%	*41.0%*	*41.0%*	Income Tax Rate	*41.0%*
--	--	--	--	--	10.3%	3.2%	3.3%	10.6%	8.3%	*5.0%*	*5.0%*	AFUDC % to Net Profit	*5.0%*
44.2%	46.9%	48.9%	50.3%	55.3%	50.2%	48.6%	48.3%	43.5%	42.9%	*44.0%*	*45.5%*	Long-Term Debt Ratio	*47.5%*
54.7%	52.0%	50.2%	48.8%	44.0%	49.1%	50.8%	51.1%	55.9%	56.6%	*55.5%*	*54.0%*	Common Equity Ratio	*52.0%*
308.6	333.8	388.8	402.7	453.1	498.4	565.9	568.1	670.1	674.9	*730*	*800*	Total Capital ($mill)	*1050*
478.3	515.4	582.0	624.3	697.0	759.5	800.3	862.7	941.5	1010.2	*1080*	*1140*	Net Plant ($mill)	*1300*
7.8%	7.8%	6.8%	5.3%	5.9%	5.6%	6.1%	6.3%	5.2%	5.9%	*6.0%*	*6.5%*	Return on Total Cap'l	*7.0%*
10.7%	11.2%	10.0%	7.2%	9.4%	7.8%	8.9%	9.3%	6.8%	8.1%	*8.5%*	*9.5%*	Return on Shr. Equity	*11.0%*
10.8%	11.4%	10.1%	7.2%	9.5%	7.9%	9.0%	9.3%	6.8%	8.1%	*8.5%*	*9.5%*	Return on Com Equity	*11.0%*
2.8%	3.5%	1.8%	NMF	1.0%	.7%	2.1%	2.1%	1.0%	1.8%	*2.0%*	*3.5%*	Retained to Com Eq	*5.5%*
74%	70%	82%	119%	90%	91%	77%	78%	86%	77%	*73%*	*64%*	All Div'ds to Net Prof	*50%*

CAPITAL STRUCTURE as of 3/31/08
Total Debt $305.2 mill. **Due in 5 Yrs** $16.2 mill.
LT Debt $288.5 mill. **LT Interest** $20.0 mill.

(LT interest earned: 3.8x; total int. cov.: 3.6x)

Pension Assets-12/07 $85.3 mill. **Oblig.** $105.8 mill.
Pfd Stock $3.5 mill. **Pfd Div'd** $.15 mill.
139,000 shares, 4.4% cumulative ($25 par).

Common Stock 20,716,702 shs.
as of 5/1/08
MARKET CAP: $700 million (Small Cap)

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Cash Assets	60.3	6.7	3.0
Other	49.3	53.3	48.0
Current Assets	109.6	60.0	51.0
Accts Payable	33.1	36.7	26.7
Debt Due	1.8	2.7	16.7
Other	35.3	30.3	35.3
Current Liab.	70.2	69.7	78.7
Fix. Chg. Cov.	317%	365%	375%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	2.0%	0.5%	*3.5%*
"Cash Flow"	1.5%	4.0%	*6.0%*
Earnings	-0.5%	4.5%	*8.5%*
Dividends	1.0%	0.5%	*1.0%*
Book Value	3.5%	6.0%	*4.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	60.3	81.5	101.1	77.8	320.7
2006	65.2	81.1	107.8	80.6	334.7
2007	71.6	95.8	113.8	85.9	367.1
2008	72.9	*95.1*	*120*	*92.0*	*380*
2009	*80.0*	*110*	*135*	*100*	*425*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.03	.41	.71	.32	1.47
2006	.04	.31	.68	.31	1.34
2007	.07	.37	.67	.39	1.50
2008	.01	*.40*	*.77*	*.42*	*1.60*
2009	*.10*	*.45*	*.85*	*.45*	*1.85*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.283	.283	.283	.283	1.13
2005	.285	.285	.285	.285	1.14
2006	.2875	.2875	.2875	.2875	1.15
2007	.290	.290	.290	.290	1.16
2008	.293	.293			

BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 463,600 customers in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired National Utility Company (5/04); Rio Grande Corp. (11/00). Revenue breakdown, '07: residential, 69%; business, 18%; public authorities, 5%; industrial, 5%; other, 3%. '07 reported depreciation rate: 2.2%. Has roughly 890 employees. Chairman: Robert W. Foy. President & CEO: Peter C. Nelson (4/08 Proxy). Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

California Water Service Group barely eked out a gain in the first quarter. The water utility provider posted a profit of $0.01, a stark contrast to the $0.07 gain reported last year, and roughly a dime below our expectation. Revenue growth came in at a disappointing 2%, as the benefits of ongoing regulatory improvements were offset by unusually wet weather conditions. Higher administration costs were also a problem, cutting into operating margins.

Ironically, dryer weather conditions are threatening profitability over the next few quarters. California, where the company does most of its business, saw extremely hot temperatures in the second quarter, which evaporated most water supplies and caused a drought. That said, the company, at Governor Schwarzenegger's urging to be more conservative, has instituted the first stage of its plan aimed at reducing water usage by 10% for the roughly two million people it serves in its 24 operating districts. Although this does not seem to be in the company's best interest at first blush, we believe that it must play ball in order to continue receiving the backing of the current administration with general rate cases. As a result, we've lowered our full-year earnings outlook by 9%, to $1.60 a share.

An improved operating environment ought to clear the way for 16% share-net growth in 2009. It appears as though some of the regulatory agendas in the 2005 Water Action Plan will come to fruition, streamlining the regulatory process.

We recommend taking a pass on this issue. CWT shares have tumbled 18% since our April review and are ranked 3 (Average) for Timeliness. Meanwhile, the capital-intensive nature of the business will likely underpin the stock going forward, making it a below-average selection for the next 3 to 5 years. There are better income vehicles out there too.

We endorse the company's effort to expand its presence in other areas, though. Although regulatory backing in the Golden State has been much improved, diversification of the business model into other states could well improve the stock's appeal. This will be a difficult task, however, given CWT's financial constraints.

Andre J. Costanza — *July 25, 2008*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (7¢); '01, 4¢; 02, 8¢. Next earnings report due early Aug.
(B) Dividends historically paid in mid-Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(C) Incl. deferred charges. In '07: $69.7 mill., $3.37/sh.
(D) In millions, adjusted for split.

Company's Financial Strength	B++
Stock's Price Stability	65
Price Growth Persistence	75
Earnings Predictability	75

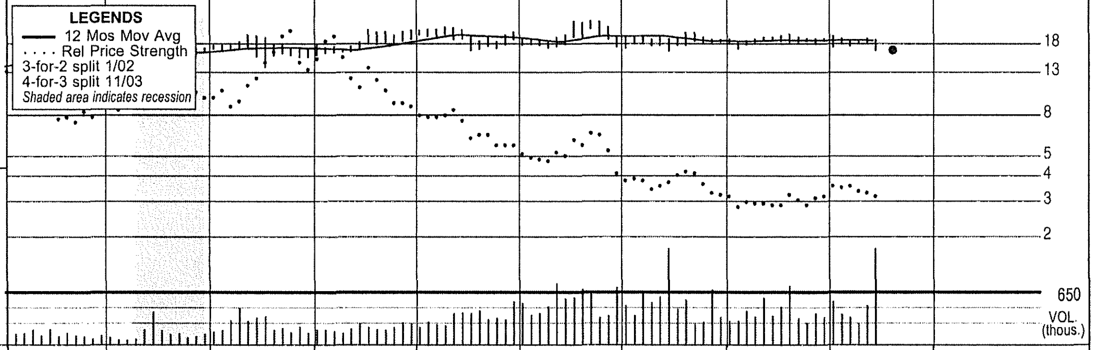
MIDDLESEX WATER NDQ--MSEX

RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
16.79	18.9	1.22	4.2%	

RANKS											
	16.97	18.73	20.04	21.23	21.81	23.47	20.50	20.24	19.83		High
	12.50	14.69	13.73	15.77	16.65	17.07	16.50	16.93	16.58		Low

PERFORMANCE 3 Average
Technical 3 Average
SAFETY 3 Average
BETA .90 (1.00 = Market)

Financial Strength B+
Price Stability 85
Price Growth Persistence 45
Earnings Predictability 85



© VALUE LINE PUBLISHING, INC.	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009/2010
SALES PER SH	5.39	5.87	5.98	6.12	6.25	6.44	6.16	6.50	--	
"CASH FLOW" PER SH	.99	1.18	1.20	1.15	1.28	1.33	1.33	1.49	--	
EARNINGS PER SH	.51	.66	.73	.61	.73	.71	.82	.87	***.94** A,B*	***.99** C/NA*
DIV'DS DECL'D PER SH	.61	.62	.63	.65	.66	.67	.68	.69	--	
CAP'L SPENDING PER SH	1.32	1.25	1.59	1.87	2.54	2.18	2.31	1.66	--	
BOOK VALUE PER SH	6.98	7.11	7.39	7.60	8.38	8.60	9.82	10.05	--	
COMMON SHS OUTST'G (MILL)	10.11	10.17	10.36	10.48	11.36	11.58	13.17	13.25	--	
AVG ANN'L P/E RATIO	28.7	24.6	23.5	30.0	26.4	27.4	22.7	21.6	***17.9***	***17.0/NA***
RELATIVE P/E RATIO	1.87	1.26	1.28	1.71	1.39	1.45	1.23	1.14	--	
AVG ANN'L DIV'D YIELD	4.2%	3.8%	3.7%	3.5%	3.4%	3.5%	3.7%	3.7%	--	
SALES ($MILL)	54.5	59.6	61.9	64.1	71.0	74.6	81.1	86.1	--	***Bold figures***
OPERATING MARGIN	32.2%	47.2%	47.1%	44.0%	44.4%	44.4%	47.4%	47.0%	--	***are consensus***
DEPRECIATION ($MILL)	4.9	5.3	5.0	5.6	6.4	7.2	7.8	8.2	--	***earnings***
NET PROFIT ($MILL)	5.3	7.0	7.8	6.6	8.4	8.5	10.0	11.8	--	***estimates***
INCOME TAX RATE	33.1%	34.8%	33.3%	32.8%	31.1%	27.6%	33.4%	32.6%	--	***and, using the***
NET PROFIT MARGIN	9.7%	11.7%	12.5%	10.3%	11.9%	11.4%	12.4%	13.8%	--	***recent prices,***
WORKING CAP'L ($MILL)	d2.7	d.9	d9.3	d13.3	d11.8	d4.5	2.8	d9.6	--	***P/E ratios.***
LONG-TERM DEBT ($MILL)	81.1	88.1	87.5	97.4	115.3	128.2	130.7	131.6	--	
SHR. EQUITY ($MILL)	74.7	76.4	80.6	83.7	99.2	103.6	133.3	137.1	--	
RETURN ON TOTAL CAP'L	4.9%	5.6%	6.0%	5.0%	5.1%	5.0%	5.1%	5.6%	--	
RETURN ON SHR. EQUITY	7.1%	9.1%	9.6%	7.9%	8.5%	8.2%	7.5%	8.6%	--	
RETAINED TO COM EQ	NMF	.5%	1.3%	NMF	.9%	.5%	1.2%	1.8%	--	
ALL DIV'DS TO NET PROF	121%	94%	87%	106%	90%	94%	84%	79%	--	

A No. of analysts changing earn. est. in last 12 days: 0 up, 0 down, consensus 5-year earnings growth 8.0% per year. B Based upon 2 analysts' estimates. C Based upon 2 analysts' estimates.

ANNUAL RATES of change (per share)	5 Yrs.	1 Yr.
Sales	2.0%	5.5%
"Cash Flow"	4.0%	12.0%
Earnings	5.0%	6.0%
Dividends	2.0%	1.5%
Book Value	6.0%	2.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/06	18.2	21.0	22.6	19.3	81.1
12/31/07	19.0	21.8	24.1	21.2	86.1
12/31/08	20.9				
12/31/09					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/05	.12	.16	.26	.17	.71
12/31/06	.15	.25	.28	.14	.82
12/31/07	.13	.24	.31	.19	.87
12/31/08	.15	***.28***	***.34***	***.19***	
12/31/09					

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2005	.168	.168	.168	.17	.67
2006	.17	.17	.17	.173	.68
2007	.173	.173	.173	.175	.69
2008	.175	.175			

INSTITUTIONAL DECISIONS	3Q'07	4Q'07	1Q'08
to Buy	19	25	32
to Sell	15	12	11
Hld's(000)	3334	3093	4313

ASSETS ($mill.)	2006	2007	3/31/08
Cash Assets	5.8	2.0	1.5
Receivables	12.6	12.8	12.5
Inventory (Avg cost)	1.3	1.2	1.3
Other	1.2	1.4	.9
Current Assets	20.9	17.4	16.2
Property, Plant & Equip, at cost	376.8	398.6	- -
Accum Depreciation	59.7	64.7	- -
Net Property	317.1	333.9	345.2
Other	32.3	41.4	35.4
Total Assets	370.3	392.7	396.8
LIABILITIES ($mill.)			
Accts Payable	5.5	6.5	4.5
Debt Due	2.5	9.0	11.8
Other	10.1	11.5	12.9
Current Liab	18.1	27.0	29.2

LONG-TERM DEBT AND EQUITY as of 3/31/08

Total Debt $143.2 mill. **Due in 5 Yrs.** NA
LT Debt $131.4 mill.
Including Cap. Leases NA (49% of Cap'l)
Leases, Uncapitalized Annual rentals NA

Pension Liability $13.3 mill. in '07 vs. $16.4 mill. in '06

Pfd Stock $4.0 mill. **Pfd Div'd Paid** $.2 mill. (1% of Cap'l)

Common Stock 13,262,000 shares (50% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey and Delaware, as well as a regulated wastewater utility in New Jersey. It offers contract operations services and a service line maintenance program through its nonregulated subsidiary, Utility Service Affiliates, Inc. The company's water utility system treats, stores, and distributes water for residential, commercial, industrial, and fire prevention purposes. Under a special contract, it also provides water treatment and pumping services to the Township of East Brunswick. Middlesex Water's other New Jersey subsidiaries offer water and wastewater services to residents in Southampton Township. The company's Delaware subsidiaries, Tidewater Utilities, Inc., Southern Shores Water Company, LLC, and Tidewater Environmental Services, Inc., offer water services to retail customers in New Castle, Kent, and Sussex counties. In July, the company was added to the Russell 3000 Index. Has 254 employees. Chairman: J. Richard Tompkins. Inc.: NJ. Address: 1500 Ronson Road, P.O. BOX 1500, Iselin, NJ 08830. Tel.: (732) 634-1500. Internet: http://www.middlesexwater.com. *D.T.*

July 25, 2008

TOTAL SHAREHOLDER RETURN
Dividends plus appreciation as of 6/30/2008

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-7.80%	-10.82%	-10.40%	-5.67%	5.72%

SJW CORP. NYSE--SJW

RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
23.65	22.1	1.43	2.7%

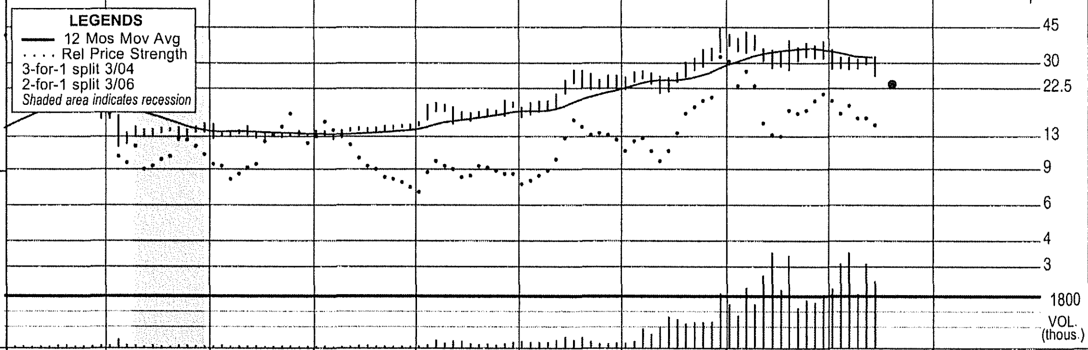
VALUE LINE

	2000	2001	2002	2003	2004	2005	2006	2007	2008	
High	20.33	17.83	15.07	14.95	19.64	27.80	45.33	43.00	35.11	High
Low	15.83	11.58	12.67	12.57	14.60	16.07	21.16	27.65	23.59	Low

RANKS

PERFORMANCE	3	Average
Technical	3	Average
SAFETY	3	Average
BETA 1.15	(1.00 = Market)	

Financial Strength	B+
Price Stability	55
Price Growth Persistence	80
Earnings Predictability	85



© VALUE LINE PUBLISHING, INC.	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009/2010
SALES PER SH	6.74	7.45	7.97	8.20	9.14	9.86	10.35	11.25	--	
"CASH FLOW" PER SH	1.23	1.49	1.55	1.75	1.89	2.21	2.38	2.30	--	
EARNINGS PER SH	.58	.77	.78	.91	.87	1.12	1.19	1.04	***1.22*** A,B	*NA/NA*
DIV'DS DECL'D PER SH	.41	.43	.46	.49	.51	.53	.57	.61	--	
CAP'L SPENDING PER SH	1.89	2.63	2.06	3.41	2.31	2.83	3.87	6.62	--	
BOOK VALUE PER SH	7.90	8.17	8.40	9.11	10.11	10.72	12.48	12.90	--	
COMMON SHS OUTST'G (MILL)	18.27	18.27	18.27	18.27	18.27	18.27	18.28	18.36	--	
AVG ANN'L P/E RATIO	33.1	18.5	17.3	15.4	19.6	19.7	23.5	33.4	***19.4***	*NA/NA*
RELATIVE P/E RATIO	2.15	.95	.94	.88	1.04	1.04	1.27	1.77	--	
AVG ANN'L DIV'D YIELD	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	--	
SALES ($MILL)	123.2	136.1	145.7	149.7	166.9	180.1	189.2	206.6	--	***Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.***
OPERATING MARGIN	30.2%	64.4%	63.7%	56.0%	56.4%	55.9%	57.0%	41.8%	--	
DEPRECIATION ($MILL)	11.9	13.2	14.0	15.2	18.5	19.7	21.3	22.9	--	
NET PROFIT ($MILL)	10.7	14.0	14.2	16.7	16.0	20.7	22.2	19.3	--	
INCOME TAX RATE	41.0%	34.5%	40.4%	36.2%	42.1%	41.6%	40.8%	39.4%	--	
NET PROFIT MARGIN	8.7%	10.3%	9.8%	11.2%	9.6%	11.5%	11.7%	9.4%	--	
WORKING CAP'L ($MILL)	d11.4	d3.8	d4.9	12.0	13.0	10.8	22.2	d1.4	--	
LONG-TERM DEBT ($MILL)	90.0	110.0	110.0	139.6	143.6	145.3	163.6	216.3	--	
SHR. EQUITY ($MILL)	144.3	149.4	153.5	166.4	184.7	195.9	228.2	236.9	--	
RETURN ON TOTAL CAP'L	5.9%	6.7%	6.9%	6.9%	6.5%	7.6%	7.0%	5.7%	--	
RETURN ON SHR. EQUITY	7.4%	9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	--	
RETAINED TO COM EQ	2.2%	4.1%	3.8%	4.7%	3.6%	5.6%	5.2%	3.5%	--	
ALL DIV'DS TO NET PROF	70%	56%	59%	53%	58%	47%	46%	57%	--	

[A]No. of analysts changing earn. est. in last 12 days: 0 up, 0 down, consensus 5-year earnings growth 10.0% per year. [B]Based upon one analyst's estimate.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	7.5%	8.5%
"Cash Flow"	10.0%	-3.5%
Earnings	9.5%	-12.5%
Dividends	5.5%	7.0%
Book Value	8.0%	3.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/06	33.7	47.9	63.1	44.5	189.2
12/31/07	39.0	55.1	64.9	47.6	206.6
12/31/08	41.3				
12/31/09					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/05	.15	.31	.53	.13	1.12
12/31/06	.14	.35	.48	.22	1.19
12/31/07	.12	.29	.43	.20	1.04
12/31/08	.15	***.37***	***.47***	***.26***	
12/31/09					

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2005	.134	.134	.134	.134	.54
2006	.141	.141	.141	.141	.56
2007	.151	.151	.151	.151	.60
2008	.161	.161			

INSTITUTIONAL DECISIONS

	3Q'07	4Q'07	1Q'08
to Buy	32	43	47
to Sell	28	27	25
Hld's(000)	8664	8717	8807

ASSETS ($mill.)	2006	2007	3/31/08
Cash Assets	3.8	2.4	1.7
Receivables	20.9	23.0	22.3
Inventory	.9	.8	.8
Other	33.9	5.4	2.8
Current Assets	59.5	31.6	27.6
Property, Plant & Equip, at cost	776.2	904.3	- -
Accum Depreciation	234.5	258.8	- -
Net Property	541.7	645.5	655.1
Other	104.7	90.2	91.6
Total Assets	705.9	767.3	774.3
LIABILITIES ($mill.)			
Accts Payable	7.3	9.3	6.7
Debt Due	16.0	5.6	10.7
Other	13.9	18.1	16.8
Current Liab	37.2	33.0	34.2

LONG-TERM DEBT AND EQUITY as of 3/31/08

Total Debt $227.9 mill. **Due in 5 Yrs.** NA
LT Debt $217.2 mill.
Including Cap. Leases NA
(48% of Cap'l)
Leases, Uncapitalized Annual rentals NA

Pension Liability $23.4 mill. in '07 vs. $26.3 mill. in '06

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

Common Stock 18,382,246 shares
(52% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: SJW Corp., through its subsidiaries, engages in the production, purchase, storage, purification, distribution, and retail sale of water. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns undeveloped land; a 70% limited partnership interest in 444 West Santa Clara Street, L.P.; and operates commercial buildings in Arizona, California, Connecticut, Florida, Tennessee, and Texas. As of December 31, 2007, SJW provided water service to approximately 225,000 connections that served a population of approximately one million people in the San Jose area. In July, David A. Green was named chief financial officer. Has 364 employees. Chairman: Charles J. Toeniskoetter. Inc.: CA. Address: 374 W. Santa Clara Street, San Jose, CA 95113. Tel.: (408) 279-7800. Internet: http://www.sjwater.com.

D.T.

July 25, 2008

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 6/30/2008

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-7.17%	-23.04%	-19.08%	19.29%	110.19%

SOUTHWEST WATER NDQ-SWWC

RECENT PRICE 9.61 | P/E RATIO 32.0 (35.6 / 25.0) | RELATIVE P/E RATIO 2.18 | DIV'D YLD 2.5% | VALUE LINE

TIMELINESS 4 Lowered 11/23/07
SAFETY 3 New 10/28/05
TECHNICAL 3 Raised 7/11/08
BETA 1.05 (1.00 = Market)

High:	5.0	5.6	9.2	8.3	10.2	12.4	11.2	14.3	15.2	19.1	16.4	12.8
Low:	2.6	3.5	3.6	5.1	6.9	7.6	8.1	10.3	9.0	10.8	11.5	9.4

2011-13 PROJECTIONS

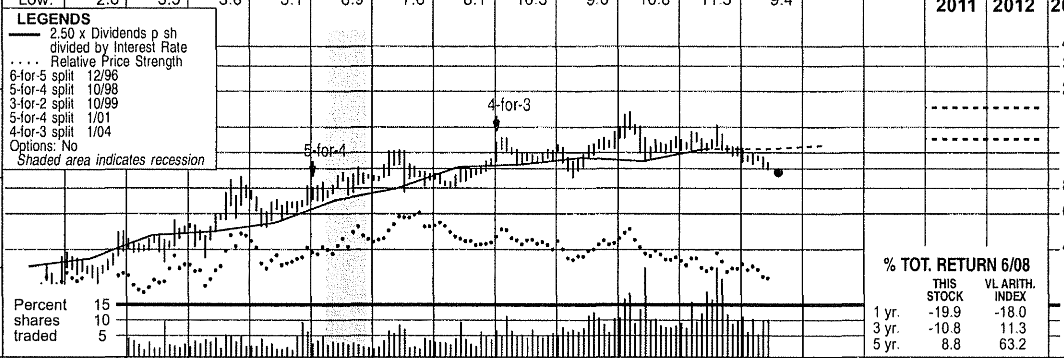
	Price	Gain	Ann'l Total Return
High	20	(+110%)	*22%*
Low	14	(+45%)	*12%*

Insider Decisions

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

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	34	31	41
to Sell	27	26	23
Hld's(000)	10913	11090	12145



Target Price Range 2011 | 2012 | 2013

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-19.9	-18.0
3 yr.	-10.8	11.3
5 yr.	8.8	63.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
3.77	4.03	4.20	4.84	5.31	5.61	5.63	6.16	7.49	8.15	9.12	10.70	9.23	9.10	9.42	8.96	*9.00*	*9.25*	Revenues per sh	*10.35*
.44	.38	.38	.44	.46	.53	.59	.65	.76	.87	.86	.91	.67	.78	.85	.86	*.95*	*1.10*	"Cash Flow" per sh	*1.60*
.19	.08	.09	.12	.15	.21	.25	.31	.38	.42	.39	.44	.23	.34	.40	.31	*.30*	*.40*	Earnings per sh A	*.70*
.18	.14	.08	.08	.09	.09	.10	.11	.13	.14	.15	.16	.18	.20	.21	.23	*.24*	*.26*	Div'd Decl'd per sh B	*.30*
.42	.60	.72	.84	.95	.74	.79	.53	.55	1.06	1.78	1.14	1.26	1.66	1.87	1.70	*1.60*	*1.60*	Cap'l Spending per sh	*1.70*
2.42	2.31	2.31	2.45	2.40	2.52	2.70	3.05	3.44	3.84	4.27	4.90	6.17	6.49	6.98	5.98	*6.65*	*6.80*	Book Value per sh D	*7.85*
11.80	11.97	12.13	11.74	12.45	12.65	12.83	13.12	13.99	14.17	14.35	16.17	20.36	22.33	23.80	24.27	*25.00*	*26.00*	Common Shs Outst'g C	*28.00*
14.5	35.8	22.3	14.6	16.5	16.9	17.2	19.6	17.0	19.8	24.8	21.2	51.6	35.5	34.8	--	*Bold figures are*		Avg Ann'l P/E Ratio	*25.0*
.88	2.11	1.46	.98	1.03	.97	.89	1.12	1.11	1.01	1.35	1.21	2.73	1.89	1.88	--	*Value Line*		Relative P/E Ratio	*1.65*
6.6%	4.7%	4.2%	4.7%	3.4%	2.7%	2.3%	1.8%	2.0%	1.7%	1.5%	1.7%	1.5%	1.6%	1.5%	1.8%	*estimates*		Avg Ann'l Div'd Yield	*1.7%*

CAPITAL STRUCTURE as of 3/31/08
Total Debt $183.8 mill. **Due in 5 Yrs** $60.5 mill.
LT Debt $181.9 mill. **LT Interest** $9.0 mill.
(Total interest coverage: 2.7x) (48% of Cap'l)

Leases, Uncapitalized: Annual rentals $6.7 mill.
Pension Liability None

Pfd Stock $.458 mill. **Pfd Div'd** $.020 mill.
Common Stock 24,467,595 shs.
as of 5/2/08

MARKET CAP: $225 million (Small Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
72.2	80.9	104.7	115.5	130.8	173.0	188.0	203.2	224.2	217.3	*225*	*240*	Revenues ($mill)	*300*
3.4	4.2	5.4	6.2	6.0	7.2	4.5	7.3	9.3	5.0	*7.5*	*10.5*	Net Profit ($mill)	*20.5*
39.5%	39.0%	37.0%	36.0%	34.9%	35.9%	36.1%	36.0%	35.0%	NMF	*35.0%*	*35.0%*	Income Tax Rate	*36.0%*
--	--	--	14.4%	3.2%	--	11.0%	9.5%	12.5%	11.0%	*11.0%*	*11.5%*	AFUDC % to Net Profit	*14.0%*
48.7%	45.2%	48.8%	51.4%	56.7%	47.9%	47.9%	44.7%	43.6%	50.0%	*50.5%*	*47.5%*	Long-Term Debt Ratio	*38.0%*
50.5%	54.1%	50.7%	48.2%	42.9%	51.8%	52.0%	55.1%	56.3%	50.0%	*49.5%*	*52.5%*	Common Equity Ratio	*62.0%*
68.5	73.9	95.0	113.0	142.8	152.8	242.0	262.9	295.2	290.0	*335*	*335*	Total Capital ($mill)	*370*
109.2	113.7	157.8	171.1	203.9	219.5	302.6	344.8	389.6	410.3	*440*	*460*	Net Plant ($mill)	*525*
7.1%	7.6%	7.6%	7.6%	5.8%	6.2%	3.1%	4.1%	4.5%	3.0%	*3.5%*	*4.5%*	Return on Total Cap'l	*6.5%*
9.5%	10.3%	11.1%	11.4%	9.7%	9.0%	3.6%	5.0%	5.6%	3.5%	*4.5%*	*6.0%*	Return on Shr. Equity	*9.0%*
9.6%	10.4%	11.1%	11.4%	9.7%	9.1%	3.6%	5.0%	5.6%	3.5%	*4.5%*	*6.0%*	Return on Com Equity	*9.0%*
6.0%	7.0%	7.8%	7.8%	6.3%	5.8%	.8%	2.1%	2.6%	NMF	*1.0%*	*2.5%*	Retained to Com Eq	*5.5%*
38%	33%	31%	32%	36%	36%	78%	58%	54%	NMF	*80%*	*65%*	All Div'ds to Net Prof	*43%*

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Cash Assets	4.3	2.9	2.2
Receivables	27.5	26.0	27.7
Inventory (Avg Cst)	--	--	--
Other	16.5	32.7	32.8
Current Assets	48.3	61.6	62.7
Accts Payable	12.7	14.9	8.4
Debt Due	1.4	1.9	1.9
Other	21.7	29.4	27.6
Current Liab.	35.8	46.2	37.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	5.5%	2.0%	*2.0%*
"Cash Flow"	2.0%	-6.5%	*13.0%*
Earnings	-1.5%	-19.5%	*12.0%*
Dividends	9.5%	9.0%	*6.0%*
Book Value	10.5%	11.5%	*3.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2005	45.2	51.3	54.7	52.0	203.2
2006	50.8	55.4	60.1	57.9	224.2
2007	48.1	55.0	57.4	56.8	217.3
2008	50.8	*57.0*	*59.0*	*58.2*	*225*
2009	*55.0*	*62.0*	*63.0*	*60.0*	*240*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2005	d.01	.15	.14	.06	.34
2006	.03	.08	.16	.13	.40
2007	.03	.09	.09	.11	.31E
2008	d.01	*.09*	*.10*	*.12*	*.30*
2009	*.03*	*.11*	*.12*	*.14*	*.40*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.044	.044	.044	.048	.18
2005	.048	.048	.048	.052	.20
2006	.052	.052	.052	.058	.21
2007	.058	.058	.058	.058	.23
2008	.06	.06			

BUSINESS: Southwest Water Company provides a broad range of services including water production, treatment and distribution; wastewater collection and treatment; utility billing and collection; utility infrastructure construction management; and public works services. It operates out of two groups, Utility (43% of 2007 revenues) and Services (57%). Utility owns and manages rate-regulated public water utilities in California, New Mexico, Oklahoma, and Texas. Services does mostly maintenance work on a contract basis. Off. & dir. own 6.4% of com. shs.; Stein Roe Investment Council, 9.2% (4/08 proxy). CEO and Chairman: Mark Swatek. Inc.: DE. Addr.: One Wilshire Building, 624 S. Grand Ave. Ste. 2900, Los Angeles, CA 90017. Tel.: 213-929-1800. Internet: www.swwc.com.

Southwest Water's bottom line hit a dry spell during the first quarter. Indeed, despite revenue growth of nearly 6%, year over year, the company registered a deficit of $0.01 per share. This was due to an increase in SG&A expenses of about $1.8 billion, including $700 million for fees incurred during the pursuit of a failed strategic opportunity, $800 million related to expenses for the Cornerstone Project (discussed below), and $300 million in higher restructuring and business engineering costs. As a result, we have lowered our full-year earnings estimates for both 2008 and 2009 by a dime.

The company is petitioning for higher rates. In the California courts, an increase request of approximately $6.8 million per annum has been submitted for approval. If agreed to, these higher prices would be implemented in January of 2009. Also, in Texas, negotiations are under way to raise rates in Southwest's Monarch subsidiary. Decisions for these cases should occur by the end of 2008. Another possible benefit may be realized in New Mexico, where a proposal was presented to collect wastewater fees through a customer surcharge. If successful, these gains should add to both the top and bottom line out to the 2011–2013 period.

The Cornerstone Project may improve margins in the coming years. As a part of this initiative, the company has installed the *Oracle* software platform to consolidate all its financial accounting functions. Other aspects will be the expanded management reporting capabilities, and the development of a financial services center to centralize some administrative processes. Once the expenses related to this restructuring, which are likely to extend to the latter half of 2009, are eliminated, operating margins should begin to show improvements.

This untimely stock does not hold much appeal at this time. Even though the ongoing restructuring efforts and the possible rate hikes are likely to bolster earnings growth over the next few years, these gains have been discounted in the current quotation. As such, the below-average appreciation potential over the next 3 to 5 years is not very attractive at this juncture.

John D. Burke *July 25, 2008*

(A) Diluted earnings. Excludes nonrecurring gains (losses): '00, (3¢); '01, (5¢); '02, 1¢; '05, (23¢); '07, (54¢). Next earnings report due mid-September.
(B) Dividends historically paid in late January, April, July, and October.
(C) In millions, adjusted for splits.
(D) Includes intangibles. In 2007: $19.9 million, $0.83/share.
(E) Earnings may not add due to rounding.

Company's Financial Strength	B
Stock's Price Stability	55
Price Growth Persistence	70
Earnings Predictability	60

YORK WATER CO NDQ--YORW

RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
14.33	25.6	1.65	3.4%

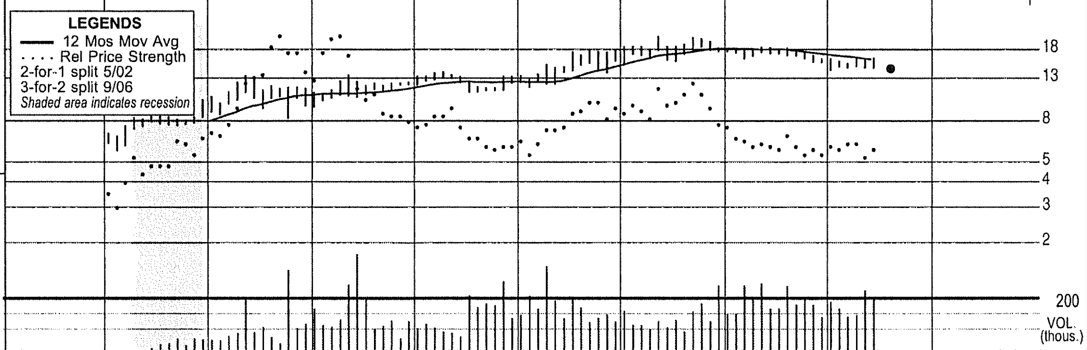
VALUE LINE

RANKS

	10.22	13.45	13.49	14.03	17.87	20.99	18.55	16.50	High
	5.67	8.20	9.33	11.00	11.67	15.33	15.45	14.00	Low

PERFORMANCE **3** *Average*
Technical **3** *Average*
SAFETY **3** *Average*
BETA .50 (1.00 = Market)

Financial Strength B+
Price Stability 80
Price Growth Persistence 40
Earnings Predictability 90



© VALUE LINE PUBLISHING, INC.	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009/2010
REVENUES PER SH	--	2.05	2.05	2.17	2.18	2.58	2.56	2.79	--	
"CASH FLOW" PER SH	--	.59	.57	.65	.65	.79	.77	.86	--	
EARNINGS PER SH	--	.43	.40	.47	.49	.56	.58	.57	***.65*** A,B	***.67*** C/NA
DIV'D DECL'D PER SH	--	.34	.35	.37	.39	.42	.45	.48	--	
CAP'L SPENDING PER SH	--	.75	.66	1.07	2.50	1.69	1.85	1.69	--	
BOOK VALUE PER SH	--	3.79	3.90	4.06	4.65	4.85	5.84	5.97	--	
COMMON SHS OUTST'G (MILL)	--	9.46	9.55	9.63	10.33	10.40	11.20	11.27	--	
AVG ANN'L P/E RATIO	--	17.9	26.9	24.5	25.7	26.3	31.2	30.3	***22.0***	***21.4/NA***
RELATIVE P/E RATIO	--	.92	1.47	1.40	1.36	1.39	1.68	1.61	--	
AVG ANN'L DIV'D YIELD	--	4.3%	3.3%	3.2%	3.1%	2.9%	2.5%	2.8%	--	
REVENUES ($MILL)	18.5	19.4	19.6	20.9	22.5	26.8	28.7	31.4	--	***Bold figures***
NET PROFIT ($MILL)	3.8	4.0	3.8	4.4	4.8	5.8	6.1	6.4	--	***are consensus***
INCOME TAX RATE	35.7%	35.8%	34.9%	34.8%	36.7%	36.7%	34.4%	36.5%	--	***earnings***
AFUDC % TO NET PROFIT	--	2.2%	3.7%	--	--	--	7.2%	3.6%	--	***estimates***
LONG-TERM DEBT RATIO	50.2%	47.7%	46.7%	43.4%	42.5%	44.1%	48.3%	46.5%	--	***and, using the***
COMMON EQUITY RATIO	49.8%	52.3%	53.3%	56.6%	57.5%	55.9%	51.7%	53.5%	--	***recent prices,***
TOTAL CAPITAL ($MILL)	65.2	68.6	69.9	69.0	83.6	90.3	126.5	125.7	--	***P/E ratios.***
NET PLANT ($MILL)	97.0	102.3	106.7	116.5	140.0	155.3	174.4	191.6	--	
RETURN ON TOTAL CAP'L	7.9%	7.9%	7.4%	8.5%	7.6%	8.4%	6.2%	6.7%	--	
RETURN ON SHR. EQUITY	11.6%	11.2%	10.2%	11.4%	10.0%	11.6%	9.3%	9.5%	--	
RETURN ON COM EQUITY	11.6%	11.2%	10.2%	11.4%	10.0%	11.6%	9.3%	9.5%	--	
RETAINED TO COM EQ	2.5%	2.5%	1.3%	2.6%	2.1%	3.0%	2.2%	1.7%	--	
ALL DIV'DS TO NET PROF	78%	78%	88%	77%	79%	74%	77%	82%	--	

A No. of analysts changing earn. est. in last 12 days: 0 up, 0 down, consensus 5-year earnings growth 11.5% per year. B Based upon 3 analysts' estimates. C Based upon 2 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Revenues	5.0%	9.0%
"Cash Flow"	6.5%	11.5%
Earnings	6.5%	-1.5%
Dividends	--	4.5%
Book Value	7.5%	2.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/06	6.6	7.0	7.7	7.4	28.7
12/31/07	7.4	7.9	8.3	7.8	31.4
12/31/08	7.5				
12/31/09					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/05	.12	.14	.17	.13	.56
12/31/06	.12	.14	.17	.15	.58
12/31/07	.12	.15	.15	.15	.57
12/31/08	.11	***.18***	***.20***	***.16***	
12/31/09					

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2005	.104	.104	.104	.104	.42
2006	.112	.112	.112	.112	.45
2007	.118	.118	.118	.118	.47
2008	.121	.121	.121		

INSTITUTIONAL DECISIONS

	3Q'07	4Q'07	1Q'08
to Buy	10	11	15
to Sell	4	11	5
Hld's(000)	1595	1631	1874

ASSETS ($mill.)	2006	2007	3/31/08
Cash Assets	.0	.0	.0
Receivables	4.8	5.2	4.9
Inventory (Avg cost)	.8	.8	.8
Other	1.1	.8	.7
Current Assets	6.7	6.8	6.4
Property, Plant & Equip, at cost	202.7	223.1	- -
Accum Depreciation	28.3	31.5	- -
Net Property	174.4	191.6	194.2
Other	15.0	12.6	12.6
Total Assets	196.1	211.0	213.2
LIABILITIES ($mill.)			
Accts Payable	1.6	3.2	3.2
Debt Due	1.2	15.0	5.0
Other	3.1	3.2	3.2
Current Liab	5.9	21.4	11.4

LONG-TERM DEBT AND EQUITY as of 3/31/08

Total Debt $75.2 mill. **Due in 5 Yrs.** NA
LT Debt $70.2 mill.
Including Cap. Leases NA
(51% of Cap'l)
Leases, Uncapitalized Annual rentals NA

Pension Liability $4.0 mill. in '07 vs. $5.9 mill. in '06

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

Common Stock 11,282,143 shares
(49% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: The York Water Company engages in the impounding, purification, and distribution of water in York County and Adams County, Pennsylvania. The company supplies water for residential, commercial, industrial, and other customers. It has two reservoirs, Lake Williams and Lake Redman, which together hold approximately 2.2 billion gallons of water. The company also has a 15-mile pipeline from the Susquehanna River to Lake Redman that provides access to an additional supply of water. It serves 39 municipalities in York County and seven municipalities in Adams County. In May, the company filed for a general rate increase with the Pennsylvania Public Utility Commission. Has 109 employees. C.E.O. & President: Jeffrey R. Hines. Inc.: PA. Address: 130 East Market Street, York, PA 17401. Tel.: (717) 845-3601. Internet: http://www.yorkwater.com.

D.T.

July 25, 2008

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 6/30/2008

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-2.14%	-4.51%	-15.39%	12.18%	55.19%

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Dr. James H. Vander Weide

4. Refer to the Direct Testimony of Dr. Vander Weide at 28-29 and Exhibit_JVW-1 Schedules 2-1 and 7-2.

   a. Provide further evidence and further explanation of why gas companies are comparable in risk to water distribution companies and are appropriate for use as a proxy group for a water company. Provide the Value Line company profile sheets for the Local Distribution Company ("LDC") gas proxy group.

   b. Provide a side-by-side comparison of the 2007 number of customers and the various sources of revenues, including but not limited to, state regulated revenues, federally regulated revenues, and all other sources of revenues in absolute terms and as a percent of total revenues for Kentucky-American and for the natural gas companies.

   c. For each of the companies listed in the gas proxy group, provide an explanation of how each is appropriate for use as a proxy for Kentucky-American, which is a water distribution company.

   d. Provide the Excel spreadsheets in electronic format supporting Schedule 2 with the data and formulas intact.

Response:

a. Dr. Vander Weide uses two groups of proxy companies for the purpose of estimating Kentucky-American Water Company's cost of equity. The first group consists of seven publicly-traded water companies that are in the same business as Kentucky-American Water Company. The second group consists of 11 publicly-traded natural gas distribution companies that, although they are in a different business than KAWC, are comparable in risk to KAWC as measured by their Value Line Safety Ranks and betas. The financial and economic principles underlying the estimation of the cost of capital do not require that proxy companies be in the same business as the target company: they only require that proxy companies be similar in risk to the target company.

   Dr. Vander Weide's proxy group of natural gas distribution companies are comparable in risk to KAWC because they: (1) invest primarily in a capital intensive physical network that connects the customer to the source of supply; (2) sell their products and services at regulated rates to customers whose demand is primarily dependent on weather and the state of the economy; and (3) have Value Line Safety Ranks and betas similar to the publicly-traded water companies (see Vander Weide Direct Testimony p. 29 and Schedule 7-2).

Gas distribution companies are appropriate for use as a proxy group for a water company because there are few publicly-traded water companies with sufficient data to estimate the cost of equity and because the publicly-traded gas distribution companies are similar in risk to the publicly-traded water companies. The Hope and Bluefield standards require that proxy companies be similar in risk to the target company; these standards do not require that the proxy companies be in the same business as the target company.

The Value Line reports for the natural gas distributions are attached.

b. Dr. Vander Weide's cost of equity recommendation is not based on a side-by-side comparison of the number of customers and various sources of revenues for the natural gas distribution companies compared to Kentucky-American Water Company. Dr. Vander Weide recognizes that the natural gas distribution companies have different numbers of customers and different sources of revenues than Kentucky-American Water Company. However, as noted in response to part (a.), the financial and regulatory principles enunciated in the Hope and Bluefield decisions do not require that proxy companies have the same number of customers and revenue sources as the target company. Rather, Hope and Bluefield require that the proxy companies be similar in risk to the target company.

c. See response to parts (a.) and (b.).

d. Please refer to the electronic file named KAW_R_PSCDR2#4d_010809.xls. The requested data are supplied.

For the electronic version of this document, refer to KAW_R_PSCDR2#4_010809.pdf.

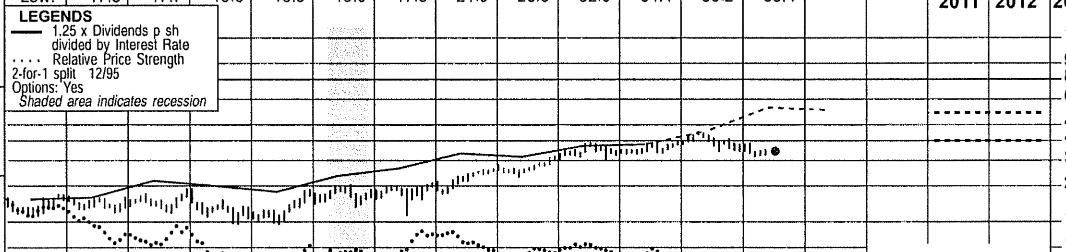
AGL RESOURCES NYSE-ATG

RECENT PRICE **35.70** | P/E RATIO **13.0** (Trailing: 13.8; Median: 14.0) | RELATIVE P/E RATIO **0.79** | DIV'D YLD **4.8%** | **VALUE LINE**

TIMELINESS 4 Lowered 5/9/08
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 12/21/07
BETA .85 (1.00 = Market)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	21.6	23.4	23.4	23.2	24.5	25.0	29.3	33.7	39.3	40.1	44.7	39.1
Low:	17.8	17.7	15.6	15.5	19.0	17.3	21.9	26.5	32.0	34.4	35.2	33.4

Target Price Range
2011 | 2012 | 2013



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+55%)	15%
Low	40	(+10%)	7%

Insider Decisions

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

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	106	128	105
to Sell	112	99	127
Hld's(000)	47302	47469	47696

Percent shares traded 12 8 4

% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-12.4	-9.7
3 yr.	14.8	27.3
5 yr.	67.2	85.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
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	33.73	32.64	**34.40**	**35.90**	Revenues per sh A	**41.25**
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	4.50	4.64	**4.75**	**4.95**	"Cash Flow" per sh	**5.50**
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	2.72	**2.75**	**2.90**	Earnings per sh A B	**3.20**
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	**1.68**	**1.72**	Div'ds Decl'd per sh C■	**1.84**
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	3.26	3.39	**3.75**	**3.90**	Cap'l Spending per sh	**3.75**
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	20.71	21.74	**23.40**	**23.70**	Book Value per sh D	**25.00**
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	77.70	76.40	**77.00**	**78.00**	Common Shs Outst'g E	**80.00**
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	14.7	*Bold figures are*		Avg Ann'l P/E Ratio	**15.0**
.94	1.06	.99	.84	.86	.85	.72	1.22	.88	.75	.68	.71	.69	.76	.73	.78	*Value Line*		Relative P/E Ratio	**1.00**
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%	4.1%	*estimates*		Avg Ann'l Div'd Yield	**3.8%**

CAPITAL STRUCTURE as of 3/31/08
Total Debt $1885.0 mill. **Due in 5 Yrs** $686.0 mill.
LT Debt $1516.0 mill. **LT Interest** $90.0 mill.

(Total interest coverage: 3.7x)
Leases, Uncapitalized Annual rentals $26.0 mill.

Pension Assets-12/07 $383.0 mill. **Oblig.** $427.0 mill.

Pfd Stock None
Common Stock 76,531,344 shs.
as of 4/25/08

MARKET CAP: $2.7 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
1338.6	1068.6	607.4	1049.3	868.9	983.7	1832.0	2718.0	2621.0	2494.0	**2650**	**2800**	Revenues ($mill) A	**3300**
80.6	52.1	71.1	82.3	103.0	132.4	153.0	193.0	212.0	210.5	**215**	**230**	Net Profit ($mill)	**260**
32.5%	33.1%	34.3%	40.7%	36.0%	35.9%	37.0%	37.7%	37.8%	37.6%	**38.0%**	**38.0%**	Income Tax Rate	**38.0%**
6.0%	4.9%	11.7%	7.8%	11.9%	13.5%	8.4%	7.1%	8.1%	8.4%	**8.1%**	**8.2%**	Net Profit Margin	**7.9%**
47.5%	45.3%	45.9%	61.3%	58.3%	50.3%	54.0%	51.9%	50.2%	50.2%	**47.0%**	**47.5%**	Long-Term Debt Ratio	**47.5%**
47.1%	49.2%	48.3%	38.7%	41.7%	49.7%	46.0%	48.1%	49.8%	49.8%	**53.0%**	**52.5%**	Common Equity Ratio	**52.5%**
1388.4	1345.8	1286.2	1736.3	1704.3	1901.4	3008.0	3114.0	3231.0	3335.0	**3400**	**3530**	Total Capital ($mill)	**3800**
1534.0	1598.9	1637.5	2058.9	2194.2	2352.4	3178.0	3271.0	3436.0	3566.0	**3700**	**3800**	Net Plant ($mill)	**4150**
7.6%	5.7%	7.4%	6.5%	8.1%	8.9%	6.3%	7.9%	8.0%	**7.5%**	**7.5%**	**8.0%**	Return on Total Cap'l	**8.0%**
11.1%	7.1%	10.2%	12.3%	14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	**12.0%**	**12.5%**	Return on Shr. Equity	**13.0%**
12.3%	7.9%	11.5%	12.3%	14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	**12.0%**	**12.5%**	Return on Com Equity	**13.0%**
4.4%	NMF	3.2%	4.2%	7.0%	6.6%	5.6%	6.2%	6.3%	**5.5%**	**5.0%**	**5.0%**	Retained to Com Eq	**5.5%**
64%	101%	72%	65%	52%	53%	49%	52%	52%	58%	**60%**	**58%**	All Div'ds to Net Prof	**57%**

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Cash Assets	20.0	21.0	23.0
Other	1802.0	1790.0	1643.0
Current Assets	1822.0	1811.0	1666.0
Accts Payable	213.0	172.0	167.0
Debt Due	539.0	580.0	369.0
Other	875.0	893.0	1107.0
Current Liab.	1627.0	1645.0	1643.0
Fix. Chg. Cov.	397%	391%	372%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	3.5%	13.5%	*3.5%*
"Cash Flow"	5.5%	7.0%	*3.5%*
Earnings	7.0%	15.0%	*3.5%*
Dividends	2.5%	4.0%	*4.0%*
Book Value	6.5%	10.5%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	908	430	387	993	2718
2006	1044	436	434	707	2621
2007	973	467	369	685	2494
2008	1012	**475**	**410**	**753**	**2650**
2009	**1040**	**515**	**440**	**805**	**2800**

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	1.14	.30	.19	.85	2.48
2006	1.41	.25	.46	.60	2.72
2007	1.29	.40	.17	.86	2.72
2008	1.16	**.40**	**.30**	**.89**	**2.75**
2009	**1.20**	**.40**	**.35**	**.95**	**2.90**

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.28	.29	.29	.29	1.15
2005	.31	.31	.31	.37	1.30
2006	.37	.37	.37	.37	1.48
2007	.41	.41	.41	.41	1.64
2008	.42	.42			

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, Virginia, Tennessee, New Jersey, Florida, and Maryland. Engaged in nonregulated natural gas marketing and other allied services. Also wholesales and retails propane. Deregulated subsidiaries: Georgia Natural Gas markets natural gas at retail. Sold Utilipro, 3/01. Acquired Compass Energy Services, 10/07. Officers/directors own less than 1.0% of common (3/08 Proxy). Pres. & CEO: John W. Somerhalder II. Inc.: GA. Addr.: Ten Peachtree Place N.E., Atlanta, GA 30309. Telephone: 404-584-4000. Internet: www.aglresources.com.

AGL Resources reported mixed results for the first quarter. The top line advanced at a moderate pace. However, operating costs also increased, and share earnings came in somewhat below the prior-year period. The Retail Energy segment experienced lower earnings, owing to higher commodity prices and less opportunity to optimize storage and transportation assets. This was partially offset by improved performance at the Energy Investments business, thanks to growth at the Jefferson Island Storage facility and higher revenues from the AGL Networks line. Elsewhere, the Distribution segment posted a flat earnings comparison for the period. Customer growth has slowed at this business, partly due to weakness in the real estate market. Looking forward, we have lowered our bottom-line estimate for 2008 by a nickel, to $2.75 per share.

The company has recently begun construction on two important projects. Subsidiary Golden Triangle Storage has broken ground on the Spindletop salt dome in Beaumont, Texas. This underground natural gas storage facility will offer up to 12 billion cubic feet (bcf) of gas capacity in two caverns. The project should meet a growing need for natural gas storage in the region. Initial operations ought to commence by early 2011, with the second cavern coming on line in 2012. Further expansion could increase storage capacity to 28 bcf in future years. Elsewhere, subsidiary Virginia Natural Gas has begun constructing the Hampton Roads Crossing natural gas pipeline. This will connect two pipeline systems by crossing the Hampton Roads harbor, and provide for an ample supply of natural gas to the region. This project should generate solid returns for the company. The pipeline will probably be completed in late 2009, at an estimated total cost of $123 million.

These shares are unfavorably ranked for Timeliness. Looking further out, we anticipate steady bottom-line growth at the company in the coming years. In addition, this issue's healthy dividend yield may appeal to income-seeking investors. Overall, these good-quality shares offer solid risk-adjusted total return potential for the pull to 2011-2013.

Michael Napoli, CPA *June 13, 2008*

(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 late July/early August.
(C) Dividends historically paid early March, June, Sept., and Dec. ■ Div'd reinvest. plan available.
(D) Includes intangibles. At 3/31/08: $420 mil-lion, $5.49/share.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	80

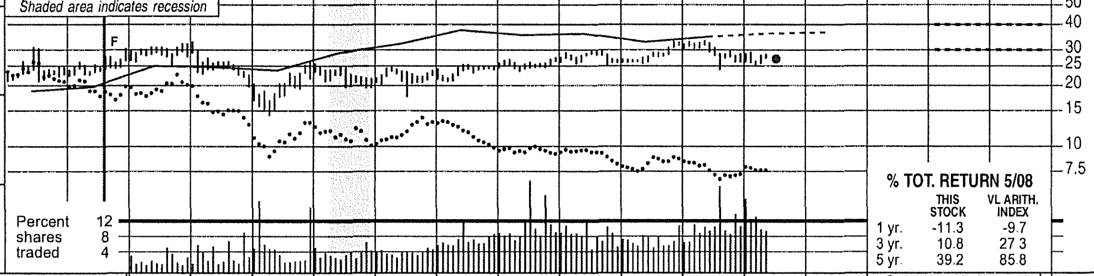
ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE 27.06 | P/E RATIO 13.0 (Trailing: 14.5; Median: 16.0) | RELATIVE P/E RATIO 0.79 | DIV'D YLD 4.9% | VALUE LINE

TIMELINESS 3 Raised 1/25/08
SAFETY 2 Raised 12/16/05
TECHNICAL 2 Raised 6/13/08
BETA .85 (1.00 = Market)

High:	30.5	32.3	33.0	26.3	25.8	24.5	25.5	27.6	30.0	33.1	33.5	29.3
Low:	22.1	24.8	19.6	14.3	19.5	17.6	20.8	23.4	25.0	25.5	23.9	25.0

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+50%)	14%
Low	30	(+10%)	7%

Insider Decisions

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

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	100	113	112
to Sell	112	104	103
Hld's(000)	56311	59007	58504

% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-11.3	-9.7
3 yr.	10.8	27.3
5 yr.	39.2	85.8

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.

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
27.90	22.09	26.61	35.36	22.82	54.39	46.50	61.75	75.27	66.03	*70.10*	*73.05*	Revenues per sh A	*83.50*
3.38	2.62	3.01	3.03	3.39	3.23	2.91	3.90	4.26	4.14	*4.15*	*4.25*	"Cash Flow" per sh	*4.65*
1.84	.81	1.03	1.47	1.45	1.71	1.58	1.72	2.00	1.94	*2.00*	*2.10*	Earnings per sh A B	*2.45*
1.06	1.10	1.14	1.16	1.18	1.20	1.22	1.24	1.26	1.28	*1.30*	*1.32*	Div'ds Decl'd per sh C■	*1.40*
4.44	3.53	2.36	2.77	3.17	3.10	3.03	4.14	5.20	4.39	*4.85*	*5.00*	Cap'l Spending per sh	*6.20*
12.21	12.09	12.28	14.31	13.75	16.66	18.05	19.90	20.16	22.01	*23.20*	*23.45*	Book Value per sh	*25.15*
30.40	31.25	31.95	40.79	41.68	51.48	62.80	80.54	81.74	89.33	*94.00*	*99.00*	Common Shs Outst'g D	*115.00*
15.4	33.0	18.9	15.6	15.2	13.4	15.9	16.1	13.5	15.9	*Bold figures are*		Avg Ann'l P/E Ratio	*14.5*
.80	1.88	1.23	.80	.83	.76	.84	.86	.73	.83	*Value Line*		Relative P/E Ratio	*.95*
3.7%	4.1%	5.9%	5.1%	5.4%	5.2%	4.9%	4.5%	4.7%	4.2%	*estimates*		Avg Ann'l Div'd Yield	*4.0%*
848.2	690.2	850.2	1442.3	950.8	2799.9	2920.0	4973.3	6152.4	5898.4	*6590*	*7230*	Revenues ($mill) A	*9600*
55.3	25.0	32.2	56.1	59.7	79.5	86.2	135.8	162.3	170.5	*190*	*210*	Net Profit ($mill)	*280*
36.5%	35.0%	36.1%	37.3%	37.1%	37.1%	37.4%	37.7%	37.6%	35.8%	*36.0%*	*36.5%*	Income Tax Rate	*38.0%*
6.5%	3.6%	3.8%	3.9%	6.3%	2.8%	3.0%	2.7%	2.6%	2.9%	*2.9%*	*2.9%*	Net Profit Margin	*3.0%*
51.8%	50.0%	48.1%	54.3%	53.9%	50.2%	43.2%	57.7%	57.0%	52.0%	*50.0%*	*50.0%*	Long-Term Debt Ratio	*51.0%*
48.2%	50.0%	51.9%	45.7%	46.1%	49.8%	56.8%	42.3%	43.0%	48.0%	*50.0%*	*50.0%*	Common Equity Ratio	*49.0%*
769.7	755.1	755.7	1276.3	1243.7	1721.4	1994.8	3785.5	3828.5	4092.1	*4360*	*4640*	Total Capital ($mill)	*5900*
917.9	965.8	982.3	1335.4	1300.3	1516.0	1722.5	3374.4	3629.2	3836.8	*4050*	*4270*	Net Plant ($mill)	*5450*
9.0%	5.1%	6.5%	5.9%	6.8%	6.2%	5.8%	5.3%	6.1%	5.9%	*6.0%*	*6.0%*	Return on Total Cap'l	*6.5%*
14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	*8.5%*	*9.0%*	Return on Shr. Equity	*9.5%*
14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	*8.5%*	*9.0%*	Return on Com Equity	*9.5%*
6.3%	NMF	NMF	2.1%	1.9%	2.8%	1.7%	2.3%	3.6%	3.0%	*3.0%*	*3.5%*	Retained to Com Eq	*4.0%*
58%	NMF	112%	79%	82%	70%	77%	73%	63%	65%	*64%*	*62%*	All Div'ds to Net Prof	*58%*

CAPITAL STRUCTURE as of 3/31/08
Total Debt $2128.2 mill. **Due in 5 Yrs** $920.0 mill.
LT Debt $2119.7 mill. **LT Interest** $125.0 mill.
(LT interest earned: 2.9x; total interest coverage: 2.8x)
Leases, Uncapitalized Annual rentals $16.9 mill.
Pfd Stock None
Pension Assets-9/07 $389.1 mill. **Oblig.** $335.6 mill.
Common Stock 90,188,545 shs. **as of 4/25/08**
MARKET CAP: $2.4 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Cash Assets	75.8	60.7	139.6
Other	1041.7	1008.2	1353.1
Current Assets	1117.5	1068.9	1492.7
Accts Payable	345.1	355.3	809.1
Debt Due	385.6	154.4	8.5
Other	388.5	410.0	408.6
Current Liab.	1119.2	919.7	1226.2
Fix. Chg. Cov.	408%	405%	410%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	8.5%	19.0%	3.5%
"Cash Flow"	4.0%	5.5%	2.0%
Earnings	3.5%	7.5%	4.5%
Dividends	2.5%	1.5%	2.0%
Book Value	7.0%	9.0%	3.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
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	2075.6	1218.2	1002.0	5898.4
2008	1657.5	2484.0	*1380*	*1068.5*	*6590*
2009	*1730*	*2850*	*1480*	*1170*	*7230*

Fiscal Year Ends	EARNINGS PER SHARE A B E Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2005	.79	1.11	.06	d.21	1.72
2006	.88	1.10	d.22	.25	2.00
2007	.97	1.20	d.15	d.05	1.94
2008	.82	1.24	*d.04*	*d.02*	*2.00*
2009	*.90*	*1.30*	*d.06*	*d.04*	*2.10*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.305	.305	.305	.31	1.23
2005	.31	.31	.31	.315	1.25
2006	.315	.315	.315	.32	1.27
2007	.32	.32	.32	.325	1.29
2008	.325	.325			

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 2007 gas volumes: 297 MMcf. Breakdown: 56%, residential; 32%, commercial; 8%, industrial; and 4% other. 2007 depreciation rate 3.7%. Has around 4,470 employees. Officers and directors own approximately 1.8% of common stock (12/07 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.

The performance of Atmos Energy's businesses has been a mixed bag thus far in fiscal 2008, which ends on September 30th. The natural gas distribution unit is enjoying higher rates in the Texas, Louisiana, Tennessee, Missouri, and Kentucky service areas. (Note that our estimates do not include amounts from pending rate cases in Georgia, Kansas, Texas, and Virginia.) Moreover, results for the regulated transmission and storage segment are benefiting from a jump in throughput, reflecting higher production in the Barnett Shale and Carthage regions of Texas, as well as higher per-unit margins due to greater demand. On the downside, the nonregulated marketing segment had been experiencing reduced margins because of less volatility in natural gas prices. But there may be some opportunities now that gas prices have perked up.

Earnings per share may advance just 3%, to $2.00, this fiscal year. The bottom line stands to increase at a somewhat stronger 5% pace, to $2.10 a share, in fiscal 2009, assuming further expansion in operating margins.

We look for steady, albeit unexciting, annual bottom-line growth over the 3- to 5-year horizon. With the utility unit now serving some 3.2 million customers across 12 states, Atmos Energy does not depend on the business environment in any one region of the country. Moreover, the nonregulated segments, contributing between 15% and 35% to net income on a historical basis, appear to possess healthy overall prospects. Finally, management should continue to employ its successful strategy of purchasing less-efficient utilities and shoring up their profitability via expense-reduction initiatives, rate relief, and aggressive marketing efforts. (We don't factor in future acquisitions, however.) In the present corporate configuration, share net ought to advance in the mid-single-digit range out to 2011-2013.

Income-oriented investors may be drawn to the good-quality stock's dividend. Further modest increases in the payout seem likely, as well.

Total-return potential looks appealing, on a risk-adjusted basis. But these shares don't stand out for Timeliness.

Frederick L. Harris, III *June 13, 2008*

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '99, d23¢; '00, 12¢; '03, d17¢; '06, d18¢; '07, d2¢. Next egs. rpt. due early Aug. (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	25
Earnings Predictability	80

ENERGEN CORP. NYSE-EGN

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
74.59	17.0 (Trailing: 16.7, Median: 13.0)	1.04	0.7%	VALUE LINE

TIMELINESS 2 Raised 8/11/06
SAFETY 2 Raised 9/15/06
TECHNICAL 3 Lowered 6/6/08
BETA 1.00 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	10.3	11.3	10.6	16.8	20.1	15.0	21.0	30.0	44.3	47.6	70.4	77.2
Low.	7.3	7.6	6.6	7.3	10.8	10.8	14.0	19.9	27.1	32.2	43.8	57.6

2011-13 PROJECTIONS

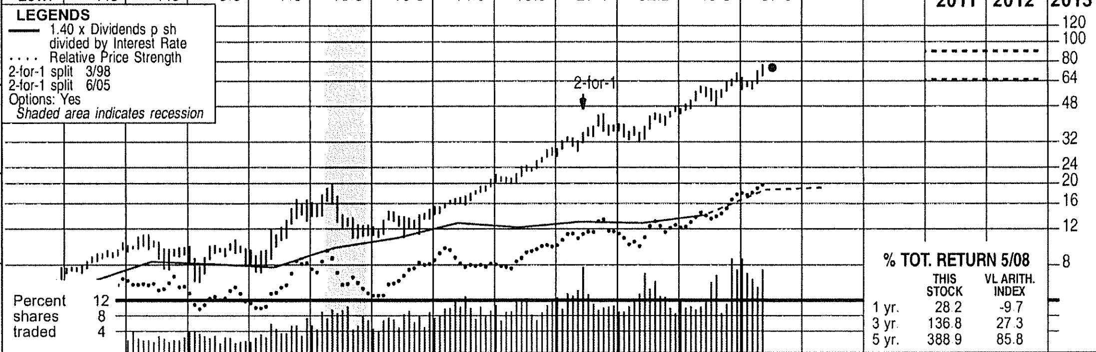
	Price	Gain	Ann'l Total Return
High	90	(+20%)	6%
Low	65	(-15%)	-2%

Insider Decisions

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

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	130	175	147
to Sell	109	107	148
Hld's(000)	50057	50760	50650



% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	28.2	-9.7
3 yr.	136.8	27.3
5 yr.	388.9	85.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
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	19.57	20.02	*21.80*	*23.15*	Revenues per sh A	*29.75*
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	5.26	6.57	*6.80*	*7.40*	"Cash Flow" per sh	*7.00*
.39	.44	.50	.44	.49	.58	.62	.66	.91	1.12	1.00	1.55	1.75	2.35	3.16	4.28	*4.40*	*4.85*	Earnings per sh B	*4.00*
.25	.26	.27	.28	.29	.30	.32	.33	.34	.35	.36	.37	.38	.40	.44	.46	*.48*	*.52*	Div'ds Decl'd per sh C■	*.65*
.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	4.24	5.22	*5.50*	*4.70*	Cap'l Spending per sh	*5.80*
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	16.87	19.23	*20.15*	*21.45*	Book Value per sh D	*24.30*
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	71.24	71.68	*73.00*	*73.50*	Common Shs Outst'g E	*80.00*
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	13.0	*Bold figures are*		Avg Ann'l P/E Ratio	*19.5*
.67	.73	.73	.82	.75	.77	.81	.77	.70	.70	.71	.63	.72	.78	.67	.69	*Value Line*		Relative P/E Ratio	*1.30*
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%	.8%	*estimates*		Avg Ann'l Div'd Yield	*.8%*

CAPITAL STRUCTURE as of 3/31/08
Total Debt $613.1 mill. **Due in 5 Yrs** $305.0 mill.
LT Debt $562.1 mill. **LT Interest** $35.0 mill.
(Total interest coverage: 11.1x)

Leases, Uncapitalized Annual rentals $7.3 mill.

Pension Assets-12/07 $176.6 mill.
Oblig. $199.4 mill.

Pfd Stock None
Common Stock 71,695,349 shs.
as of 5/1/08

MARKET CAP: $5.3 billion (Large Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
502.6	497.5	555.6	785.0	677.2	842.2	937.4	1128.4	1394.0	1435.1	*1590*	*1700*	Revenues ($mill) A	*2380*
36.3	39.6	55.2	69.1	64.9	110.3	127.5	172.9	232.3	309.2	*320*	*355*	Net Profit ($mill)	*320*
--	.3%	11.4%	19.0%	22.5%	36.8%	37.2%	36.1%	36.2%	35.1%	*35.5%*	*35.5%*	Income Tax Rate	*36.0%*
7.2%	8.0%	9.9%	8.8%	9.6%	13.1%	13.6%	15.3%	16.7%	21.5%	*20.1%*	*20.9%*	Net Profit Margin	*13.5%*
53.1%	50.7%	46.9%	53.1%	46.8%	44.2%	43.3%	43.4%	32.6%	29.0%	*30.0%*	*30.0%*	Long-Term Debt Ratio	*33.0%*
46.9%	49.3%	53.1%	46.9%	53.2%	55.8%	56.7%	56.6%	67.4%	71.0%	*70.0%*	*70.0%*	Common Equity Ratio	*67.0%*
702.0	733.3	754.8	1024.9	1095.8	1251.9	1416.6	1575.9	1784.6	1941.0	*2100*	*2250*	Total Capital ($mill)	*2900*
756.3	861.1	907.8	998.3	1256.8	1433.5	1783.1	2068.0	2252.4	2538.2	*2830*	*3115*	Net Plant ($mill)	*3850*
6.8%	7.4%	9.3%	8.7%	7.3%	10.2%	10.2%	12.2%	14.3%	17.1%	*16.0%*	*16.5%*	Return on Total Cap'l	*12.0%*
11.0%	11.0%	13.8%	14.4%	11.1%	15.8%	15.9%	19.4%	19.3%	22.4%	*22.0%*	*22.5%*	Return on Shr. Equity	*16.5%*
11.0%	11.0%	13.8%	14.4%	11.1%	15.8%	15.9%	19.4%	19.3%	22.4%	*22.0%*	*22.5%*	Return on Com Equity	*16.5%*
5.5%	5.7%	8.8%	10.0%	7.0%	12.1%	12.4%	16.1%	16.7%	20.0%	*19.5%*	*20.0%*	Retained to Com Eq	*14.0%*
50%	48%	36%	31%	37%	24%	22%	17%	14%	11%	*11%*	*11%*	All Div'ds to Net Prof	*16%*

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Cash Assets	10.3	8.7	14.0
Other	479.3	440.3	457.6
Current Assets	489.6	449.0	471.6
Accts Payable	194.4	259.8	378.4
Debt Due	158.0	144.0	51.0
Other	218.2	202.4	194.7
Current Liab.	570.6	606.2	624.1
Fix. Chg. Cov.	988%	1117%	1125%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	8.5%	11.5%	*8.5%*
"Cash Flow"	14.5%	17.0%	*5.0%*
Earnings	20.5%	26.5%	*3.5%*
Dividends	4.0%	4.5%	*7.0%*
Book Value	13.5%	16.0%	*7.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	361.0	241.7	190.6	335.1	1128.4
2006	488.1	282.4	242.7	380.8	1394.0
2007	492.7	314.9	276.0	351.5	1435.1
2008	521.6	*345*	*305*	*418.4*	*1590*
2009	*425*	*425*	*425*	*425*	*1700*

Cal-endar	EARNINGS PER SHARE A B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.80	.51	.26	.78	2.35
2006	1.18	.67	.56	.75	3.16
2007	1.44	.94	.80	1.10	4.28
2008	1.53	*1.00*	*.85*	*1.02*	*4.40*
2009	*1.63*	*1.07*	*.97*	*1.18*	*4.85*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.092	.092	.096	.096	.38
2005	.10	.10	.10	.10	.40
2006	.11	.11	.11	.11	.44
2007	.115	.115	.115	.115	.46
2008	.12	.12			

BUSINESS: Energen Corporation is a holding company. Alabama Gas Corporation (Alagasco), a subsidiary, sells to around 450,000 customers in central and northern Alabama, including Birmingham and Montgomery. 2007 utility revenues: residential, 63.7%; commercial and industrial, 27.1%; transportation and other, 9.2%. 2007 deliveries: 82.7 MMcf. Energen Resources, a subsidiary, engages primarily in exploration and production of natural gas. 2007 proved reserves: gas, 1,115.9 MMcf; oil, 74.6 MBbl; NGL, 31.7 MBbl. Estimated pretax present value of 2007 reserves: $4.5 billion. Has around 1,540 employees. CEO: James McManus. Inc.: Alabama. Address: 2101 Sixth Avenue North, Birmingham, Alabama 35203-2784. Tel.: 205-326-2700. Internet: www.energen.com.

These are prosperous times for Energen Corporation. Results for the exploration and production unit, Energen Resources, are being boosted partly by healthy realized prices for unhedged volumes (roughly 25% of production at present). Also, output levels are rising at a moderate rate. That reflects additional development activities in the San Juan and North Louisiana/East Texas basins (offset somewhat by lost production from a recently sold property in the Permian Basin). And it is important to mention that earnings sensitivity to fluctuations in oil and gas prices is fairly low, given the company's large hedge position. Meanwhile, the performance of Alagasco, the Alabama-based natural gas utility, has been decent of late, as it earns within an allowed range of return on average equity. But customer usage is being constrained by conservation efforts (spurred by persistently high energy prices).

Consolidated share net could advance to $4.40 in 2008, which would be a bit above last year's record level. Increased output, made possible by ongoing drilling activity in the core properties, ought to enable Energen's bottom line to reach another record (we estimate $4.85 a share) the following year.

Earnings possibilities out to 2011-2013 look good, but the performances we envision for 2008 and 2009 will be tough to repeat over that span. Energen Resources ought to remain the engine for growth, as management continues to implement an aggressive acquisition strategy. Meanwhile, Alagasco should be a steady contributor to profits (although the service territory is mature). That's partly because of a mechanism providing the utility the opportunity to earn a target return on equity of between 13.15% and 13.65% in a given year.

The good-quality stock is trading near record highs, given Energen's robust near-term earnings picture. What is more, these shares are ranked to outpace the year-ahead market.

But long-term capital appreciation potential is quite limited. That's because much of the good news regarding the company appears to be discounted by the present quotation.

Frederick L. Harris, III *June 13, 2008*

(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¢; '06, 56¢; Q1 '08, 9¢. Excl. disc. ops.: '02, 1¢; '03, 1¢. Next egs. rpt. late July. (C) Div'd historically paid in early March, June, Sept., Dec. ■ Div'd reinvest. plan avail. (D) Incl. intang. assets. In '07: $72.3 mill., $1.01/sh. (E) In mill., adjusted for stock splits.

Company's Financial Strength	A
Stock's Price Stability	85
Price Growth Persistence	100
Earnings Predictability	70

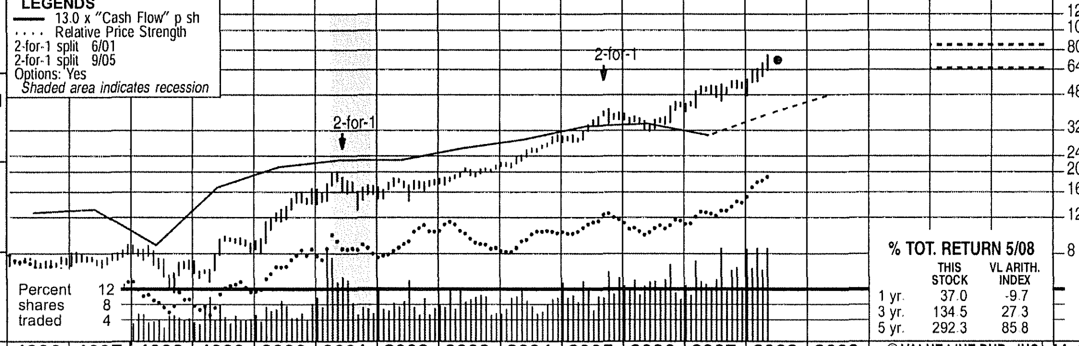
EQUITABLE RES. NYSE-EQT

RECENT PRICE **71.32** | P/E RATIO **35.7** (Trailing: 44.6 / Median: 17.0) | RELATIVE P/E RATIO **2.18** | DIV'D YLD **1.3%** | **VALUE LINE**

TIMELINESS 3 Raised 2/22/08
SAFETY 2 Raised 6/23/00
TECHNICAL 3 Lowered 5/30/08
BETA .95 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	8.9	8.8	9.8	16.7	20.2	18.8	21.7	30.6	41.2	44.5	56.8	76.1
Low:	6.8	5.1	5.8	8.1	13.0	14.3	17.2	21.0	27.9	31.6	39.3	47.2

LEGENDS
— 13.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 6/01
2-for-1 split 9/05
Options: Yes
Shaded area indicates recession



% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	37.0	-9.7
3 yr.	134.5	27.3
5 yr.	292.3	85.8

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+20%)	*6%*
Low	65	(-10%)	*Nil*

Insider Decisions

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

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	137	161	156
to Sell	133	121	154
Hld's(000)	93243	93908	94630

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC. 11-13
Revenues per sh	6.47	7.94	10.11	10.18	13.17	14.56	6.15	8.12	12.69	13.81	8.57	8.40	9.76	10.46	10.43	11.15	*11.45*	*13.15*	*17.90*
"Cash Flow" per sh	1.00	1.09	1.12	1.08	.97	1.01	.67	1.30	1.63	1.76	1.77	2.02	2.22	2.58	2.66	2.33	*3.00*	*3.70*	*5.65*
Earnings per sh A	.48	.57	.44	.33	.39	.43	.20	.50	.86	1.15	1.18	1.37	1.50	1.75	1.86	1.49	*2.00*	*2.55*	*4.00*
Div'ds Decl'd per sh B ■	.26	.28	.29	.30	.30	.30	.30	.30	.30	.32	.34	.49	.72	.82	.87	.88	*.88*	*1.00*	*1.23*
Cap'l Spending per sh	.79	2.46	1.06	.84	.78	1.71	97	.78	.95	1.04	1.75	1.78	1.66	2.30	3.33	6.36	*9.60*	*7.25*	*3.80*
Book Value per sh	4.70	5.28	5.43	5.11	5.25	5.58	4.94	4.91	5.33	6.62	6.24	7.74	7.17	2.96	7.78	8.98	*9.95*	*11.60*	*19.00*
Common Shs Outst'g C	125.54	137.86	138.16	140.03	141.38	147.72	143.42	130.92	130.16	127.74	124.68	124.73	122.06	119.91	121.60	122.16	*125.00*	*124.00*	*119.00*
Avg Ann'l P/E Ratio	14.9	17.0	18.8	21.7	18.5	17.8	37.3	16.1	14.5	14.4	14.5	14.4	16.7	19.2	19.8	33.4	*Bold figures are*		*19.0*
Relative P/E Ratio	.90	1.00	1.23	1.45	1.16	1.03	1.94	.92	.94	.74	.79	.82	.88	1.02	1.07	1.77	*Value Line*		*1.25*
Avg Ann'l Div'd Yield	3.6%	2.9%	3.5%	4.1%	4.1%	3.9%	4.1%	3.7%	2.4%	1.9%	2.0%	2.5%	2.9%	2.4%	2.4%	1.8%	*estimates*		*1.6%*

CAPITAL STRUCTURE as of 3/31/08
Total Debt $1280.5 mill. **Due in 5 Yrs** $239.6 mill.
LT Debt $1253.5 mill. **LT Interest** $50.0 mill.
(Total interest coverage: 7.7x) (41% of Cap'l)

Leases, Uncapitalized None

Pension Assets-12/07 $67 mill. **Oblig.** $73 mill.
Pfd Stock None

Common Stock 122,243,139 shares
as of 3/31/08
MARKET CAP: $8.7 billion (Large Cap)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	11-13
Revenues ($mill)	882.6	1062.7	1652.2	1764.5	1069.1	1047.3	1191.6	1253.7	1267.9	1361.4	*1430*	*1630*	*2130*
Operating Margin	17.3%	22.9%	19.6%	18.6%	33.0%	36.3%	34.2%	36.8%	37.3%	31.0%	*35.0%*	*37.5%*	*39.0%*
Depreciation ($mill)	68.1	100.7	97.8	73.2	69.4	78.1	83.1	93.5	100.1	109.8	*120*	*135*	*190*
Net Profit ($mill)	28.7	69.1	114.3	151.8	150.6	173.6	188.4	216.2	223.3	174.9	*255*	*320*	*480*
Income Tax Rate	37.0%	36.3%	35.0%	36.6%	34.0%	32.0%	32.7%	33.5%	31.4%	45.2%	*33.0%*	*33.0%*	*33.0%*
Net Profit Margin	3.3%	6.5%	6.9%	8.6%	14.1%	16.6%	15.8%	17.2%	17.6%	12.8%	*17.7%*	*19.7%*	*22.6%*
Working Cap'l ($mill)	8.0	d102.7	d261.8	1.1	d121.6	d152.7	d362.6	d995.3	d378.3	d777.1	*d840*	*d780*	*d370*
Long-Term Debt ($mill)	406.4	423.4	412.8	505.5	572.0	632.1	617.8	763.4	753.5	753.5	*1200*	*1400*	*800*
Shr. Equity ($mill)	708.4	642.8	693.7	846.2	778.6	965.3	874.7	354.5	946.3	1097.5	*1240*	*1440*	*2260*
Return on Total Cap'l	4.2%	8.1%	11.7%	12.4%	12.0%	11.7%	13.6%	21.3%	14.5%	10.7%	*12.0%*	*13.0%*	*16.5%*
Return on Shr. Equity	4.1%	10.8%	16.5%	17.9%	19.3%	18.0%	21.5%	61.0%	23.6%	15.9%	*20.5%*	*22.5%*	*21.5%*
Retained to Com Eq	NMF	4.5%	10.9%	13.2%	14.0%	11.7%	11.3%	32.9%	12.5%	6.2%	*11.5%*	*13.5%*	*15.0%*
All Div'ds to Net Prof	NMF	58%	34%	27%	28%	35%	47%	46%	47%	61%	*43%*	*40%*	*31%*

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Cash Assets	- -	81.7	- -
Receivables	199.5	188.6	268.3
Inventory (Avg Cst)	269.1	283.5	144.4
Other	232.9	188.4	252.8
Current Assets	701.5	742.2	665.5
Accts Payable	213.3	279.3	262.2
Debt Due	146.0	29.3	27.0
Other	720.5	1210.7	916.1
Current Liab.	1079.8	1519.3	1205.3

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	-1.5%	-2.0%	*9.0%*
"Cash Flow"	9.5%	8.0%	*14.5%*
Earnings	16.0%	10.0%	*15.5%*
Dividends	11.0%	22.0%	*6.0%*
Book Value	2.0%	1.5%	*16.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	401.3	230.2	229.3	392.9	1253.7
2006	430.1	251.2	232.8	353.8	1267.9
2007	456.5	293.2	226.9	384.8	1361.4
2008	535.8	*290*	*250*	*354.2*	*1430*
2009	*580*	*340*	*300*	*410*	*1630*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.60	.27	.33	.55	1.75
2006	.59	.36	.32	.59	1.86
2007	.46	.27	.27	.49	1.49
2008	.57	*.45*	*.40*	*.58*	*2.00*
2009	*.72*	*.55*	*.55*	*.73*	*2.55*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.15	.19	.19	.19	.72
2005	.19	.21	.21	.21	.82
2006	.21	.22	.22	.22	.87
2007	.22	.22	.22	.22	.88
2008	.22	.22			

BUSINESS: Equitable Resources, Inc. markets natural gas products and energy services. Distributes natural gas to 275,000 customers, mainly residential, in parts of PA, WV, and KY. Operates 7,500 miles of pipelines in WV, KY, VA, and PA. Produces natural gas in the Appalachian Basin with total proved reserves of 2,682 Bcfe. Operates approx. 12,000 wells in Appalachia. '07 net operating revenues by business segment: Utilities (36%), Supply (64%). Sold NORESCO, 12/05. '07 dep. rate: 2.6%. About 1,400 employees. Off./dir. own 2.4% of common stock; Barclays Global Investors, 3.5% (3/08 proxy). Chairman, President & CEO: Murry S. Gerber. Inc.: PA. Address: 225 North Shore Drive, Pittsburgh, PA 15212. Tel.: 412-553-5700. Internet: www.eqt.com.

Equitable Resources started the year on a high note. Results, during the first quarter, were driven by both the Production and Midstream segments. The former reported a 56% operating income advance over the year-ago period, to $60 million. Revenue increased considerably thanks to higher average well-head pricing and a 2% increase in production volume. Although costs associated with the unit's drilling activity picked up, lower SG&A expenses led to operating gains. Meanwhile, Midstream reported an approximately 20% operating income gain. A double-digit revenue expansion reflected better gathering rates, higher natural gas prices, and headway in transmission and storage. All told, earnings per share expanded almost 24%, to $0.57.

Favorable market conditions augur well for the company. LNG imports to the U.S. are likely to decline this year from last year's levels, due to strong demand in certain East Asian countries. Indeed, low Chinese coal inventories, as well as outages at Japanese nuclear plant facilities, are increasing these respective countries' dependence on gas. Additionally, we expect U.S. imports of Canadian gas to wane because of a decline in Canadian rig count, growing Canadian consumption, and lower well-flow rates. Lastly, demand growth from the electric sector has grown 7% over the last two years, compared to an average of 3% over the prior five years. This trend should continue due to an increasing dependence on gas-fired generating capacity. These factors ought to support double-digit share-earnings gains this year and next.

The Midstream unit's major projects are nearing completion. The Big Sandy project is complete and is being commissioned; the Mayking corridor construction is scheduled for completion in the third quarter of 2008; and the construction of the Langley processing plant is expected to go on line by the fourth quarter of the current year. These projects should enable the gas producer to deliver good results over the 2011-2013 time frame.

However, stock-price appreciation potential is below the *Value Line* median, because much of the good news is already factored in.

Dominic B. Silva *June 13, 2008*

(A) Based on diluted shares. Excludes net nonrecurring gain/(loss): '95, ($1.29); '96, 13¢; '97, 3¢; '98, ($1.73); '00, (12¢); '02, 4¢; '03, (6¢); '05, $0.34; '06, ($0.6); '07, $0.61. Excludes results of disc. ops.: '98, (24¢); '05, 1¢. Includes accelerated collection of prior years' gas costs: '95, 19¢; '96, 13¢; '97, 13¢; '98, 5¢. Next egs. rpt. due late July. (B) Dividends historically paid in early March, June, Sept., and Dec. ■ Div. reinvestment plan available. (C) In millions, adjusted for stock splits.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	100
Earnings Predictability	85

NICOR, INC. NYSE-GAS

RECENT PRICE 41.06 | P/E RATIO 17.5 (Trailing: 14.4 / Median: 15.0) | RELATIVE P/E RATIO 1.07 | DIV'D YLD 4.5% | VALUE LINE

TIMELINESS 3 Raised 12/7/07
SAFETY 3 Lowered 6/17/05
TECHNICAL 3 Lowered 4/4/08
BETA .95 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	42.9	44.4	42.9	43.9	42.4	49.0	39.3	39.7	43.0	49.9	53.7	42.7
Low:	30.0	37.1	31.2	29.4	34.0	17.3	23.7	32.0	35.5	38.7	37.8	32.3

Target Price Range 2011 | 2012 | 2013

2011-13 PROJECTIONS

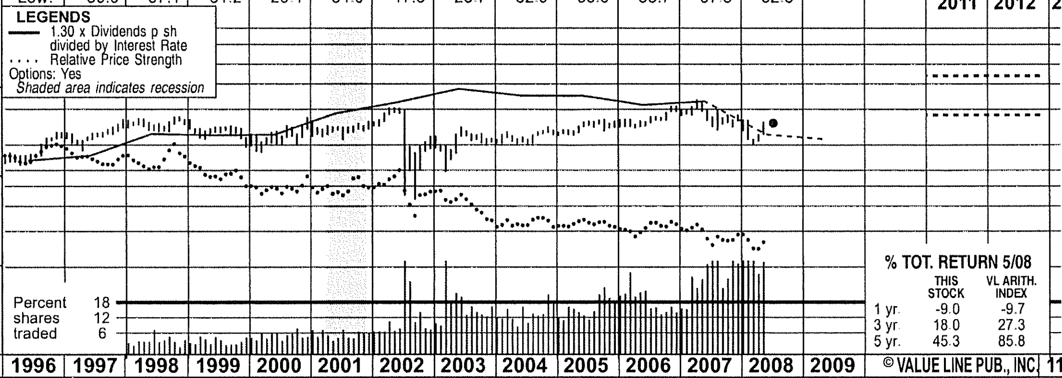
	Price	Gain	Ann'l Total Return
High	70	(+70%)	17%
Low	45	(+10%)	7%

Insider Decisions

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

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	93	96	91
to Sell	123	111	120
Hld's(000)	36014	32986	31875



% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-9.0	-9.7
3 yr.	18.0	27.3
5 yr.	45.3	85.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
28.90	31.02	31.23	29.42	37.39	41.33	30.84	34.45	50.52	57.30	43.11	60.46	62.12	76.00	65.92	69.20	79.35	82.05	Revenues per sh	93.50
4.14	3.80	4.11	4.19	4.97	5.29	5.21	5.59	6.16	6.41	6.03	5.37	6.00	6.19	6.82	6.96	6.70	7.15	"Cash Flow" per sh	8.65
1.92	1.97	2.07	1.96	2.42	2.55	2.31	2.57	2.94	3.01	2.88	2.11	2.22	2.27	2.87	2.99	2.35	2.60	Earnings per sh A	3.55
1.18	1.22	1.25	1.28	1.32	1.40	1.48	1.54	1.66	1.76	1.84	1.86	1.86	1.86	1.86	1.86	1.86	1.86	Div'ds Decl'd per sh B	1.86
3.12	2.62	3.34	3.12	2.42	2.34	2.87	3.28	3.48	4.18	4.37	4.12	4.32	4.57	4.17	3.77	4.45	4.55	Cap'l Spending per sh	4.65
12.76	13.05	13.26	13.67	14.74	15.43	15.97	16.80	15.56	16.39	16.55	17.13	16.99	18.36	19.43	20.58	21.05	21.80	Book Value per sh	25.70
55.77	53.96	51.54	50.30	49.49	48.22	47.51	46.89	45.49	44.40	44.01	44.04	44.10	44.18	44.90	45.90	46.00	46.00	Common Shs Outst'g C	46.00
11.6	14.1	12.5	13.1	12.5	14.2	17.6	14.6	11.9	12.8	13.1	15.8	15.9	17.3	15.0	15.0	Bold figures are		Avg Ann'l P/E Ratio	16.0
.70	.83	.82	.88	.78	.82	.92	.83	.77	.66	.72	.90	.84	.92	.81	.80	Value Line		Relative P/E Ratio	1.05
5.3%	4.4%	4.8%	5.0%	4.4%	3.9%	3.6%	4.1%	4.7%	4.6%	4.9%	5.6%	5.3%	4.7%	4.3%	4.2%	estimates		Avg Ann'l Div'd Yield	3.2%

CAPITAL STRUCTURE as of 3/31/08
Total Debt $526.4 mill. **Due in 5 Yrs** $544.0 mill.
LT Debt $373.4 mill. **LT Interest** $30.0 mill.
(Total interest coverage: 5.9x)

Pension Assets-12/07 $478.7 mill. **Oblig.** $263.2 mill.

Pfd Stock $.6 mill. **Pfd Div'd** None

Common Stock 45,139,386 shares as of 4/25/08
MARKET CAP: $1.9 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
1465.1	1615.2	2298.1	2544.1	1897.4	2662.7	2739.7	3357.8	2960.0	3176.3	3650	3775	Revenues ($mill)	4300
111.1	121.9	136.4	136.3	128.0	93.1	98.1	101.1	128.3	135.2	110	120	Net Profit ($mill)	165
34.4%	34.7%	34.8%	33.5%	31.0%	35.2%	31.8%	28.3%	26.3%	26.6%	31.0%	31.5%	Income Tax Rate	33.0%
7.6%	7.5%	5.9%	5.4%	6.7%	3.5%	3.6%	3.0%	4.3%	4.3%	3.0%	3.2%	Net Profit Margin	3.8%
42.1%	35.5%	32.7%	37.8%	35.1%	39.6%	39.8%	37.4%	36.3%	30.9%	27.0%	23.0%	Long-Term Debt Ratio	20.0%
57.4%	64.0%	66.7%	61.7%	64.5%	60.3%	60.1%	62.5%	63.7%	69.0%	73.0%	77.0%	Common Equity Ratio	80.0%
1322.6	1230.1	1061.2	1180.1	1128.9	1251.5	1246.0	1297.7	1370.7	1368.0	1320	1300	Total Capital ($mill)	1480
1731.8	1735.2	1729.6	1768.6	1796.8	2484.2	2549.8	2659.1	2714.1	2757.3	2850	2950	Net Plant ($mill)	3300
9.9%	10.9%	13.7%	12.3%	12.2%	8.3%	8.8%	9.4%	10.9%	11.2%	9.5%	10.0%	Return on Total Cap'l	12.0%
14.5%	15.4%	19.1%	18.6%	17.5%	12.3%	13.1%	12.5%	14.7%	14.3%	11.0%	12.0%	Return on Shr. Equity	14.0%
14.6%	15.4%	19.2%	18.7%	17.5%	12.3%	13.1%	12.5%	14.7%	14.3%	11.0%	12.0%	Return on Com Equity	14.0%
5.4%	6.2%	8.5%	7.9%	6.5%	1.5%	2.1%	2.3%	5.2%	5.4%	2.5%	3.5%	Retained to Com Eq	6.5%
63%	60%	56%	58%	63%	88%	84%	81%	65%	62%	79%	71%	All Div'ds to Net Prof	52%

CURRENT POSITION ($MILL.)	2005	2006	3/31/08
Cash Assets	67.6	91.1	72.9
Other	843.1	932.7	1174.6
Current Assets	910.7	1023.8	1247.5
Accts Payable	564.5	662.7	574.4
Debt Due	350.0	444.0	153.0
Other	227.9	169.7	828.3
Current Liab.	1142.4	1276.4	1555.7
Fix. Chg. Cov.	543%	544%	596%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	7.0%	7.0%	5.0%
"Cash Flow"	3.5%	1.5%	4.5%
Earnings	1.5%	-1.5%	4.5%
Dividends	3.5%	1.0%	Nil
Book Value	3.0%	4.0%	4.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	1179.9	484.4	336.0	1357.5	3357.8
2006	1319.4	451.3	351.1	838.2	2960.0
2007	1334.7	556.9	365.2	919.5	3176.3
2008	1595.7	575	400	1079.3	3650
2009	1650	600	415	1110	3775

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.98	.35	d.06	1.02	2.29
2006	.99	.19	.39	1.30	2.87
2007	1.04	.40	.32	1.22	2.98
2008	.91	.30	.20	.94	2.35
2009	.90	.35	.25	1.10	2.60

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.465	.465	.465	.465	1.86
2005	.465	.465	.465	.465	1.86
2006	.465	.465	.465	.465	1.86
2007	.465	.465	.465	.465	1.86
2008	.465	.465	.465		

BUSINESS: Nicor Inc. is a holding company with gas distribution as its primary business. Serves over 2.2 million customers in northern and western Illinois. 2007 gas delivered: 468.3 Bcf, incl. 212.1 Bcf from transportation. 2007 gas sales (256.2 bcf): residential, 79%; commercial, 19%; industrial, 2%. Principal supplying pipelines: Natural Gas Pipeline, Horizon Pipeline, and TGPC. Current operations include Tropical Shipping subsidiary and several energy related ventures. Divested inland barging, 7/86; contract drilling, 9/86; oil and gas E&P, 6/93. Has about 3,900 employees. Off./dir. own about 2.2% of common stock (3/08 proxy). Chairman and CEO: Russ Strobel. Inc.: Illinois Address: 1844 Ferry Road, Naperville, Illinois 60563. Telephone: 630-305-9500. Internet: www.nicor.com.

Nicor is operating in a tough environment. The company continued the weak performance it registered in 2007 in this year's first quarter. Namely, Nicor's gas distribution business struggled due to higher costs, while the shipping business was hurt by high fuel prices and the overall economic environment. As a result, Nicor posted $0.91 a share on the bottom line, which was down from $1.04 a share in the same period of 2007.

This will likely be a disappointing year for the company. Management provided uninspiring guidance for the coming year. Nicor expects share net to come in between $2.20 and $2.40. The gas distribution business will likely continue to be weighed down by high operating costs. Accordingly, we are forecasting earnings of $2.35 a share for the year end in light of the challenging environment.

Management filed a rate case with the Illinois Commerce Commission (ICC). The company filed the case at the end of April for an overall increase of $140.3 million. Nicor is hoping for a return of 9.21% on a base of about $1.5 billion, which would reflect an 11.05% return on equity. These cases usually take about 11 months, and therefore would not factor into results until the second quarter of 2009. The company also asked the ICC to implement a rate decoupling mechanism, which would encourage conservation through energy efficiency programs. For now, shares of GAS will likely face uncertainty as the investment community waits for the outcome of the pending rate case. Additionally, the company will likely struggle to post solid results until it receives rate relief from the Illinois Commerce Commission. Nicor believes that it needs new rates in order to post a decent performance because rising operating costs in its distribution system and the ongoing need for capital investment continue to pressure results. For better or worse, the decision on the pending rate case will likely act as a catalyst for this stock in 2009.

These shares lack appeal at this time. Indeed, this issue is ranked 3 (Average) for Timeliness and, although the yield is relatively high, dividend growth is lacking. However, the future beyond this year is unclear due to the pending rate case.

Richard Gallagher *June 13, 2008*

(A) Based on primary earnings thru. '96, then diluted. Excl. nonrecurring gains/(loss): '97, 6¢; '98, 11¢; '99, 5¢; '00, ($1.96); '01, 16¢; '03, (27¢); '04, (52¢); '05, 80¢; '06, (17¢); '07 (13¢). Excl. items from discontinued ops.: '93, 4¢; '96, 30¢. Next egs. report due late July. (B) Dividends historically paid mid February, May, August, November. ■ Dividend reinvestment plan available. (C) In millions.

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

N.W. NAT'L GAS NYSE-NWN

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
45.73	17.3	(Trailing: 17.5) (Median: 16.0)	1.05	3.3%	VALUE LINE

TIMELINESS 4 Lowered 2/22/08
SAFETY 1 Raised 3/18/05
TECHNICAL 3 Lowered 5/30/08
BETA .80 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	31.4	30.8	27.9	27.5	26.8	30.7	31.3	34.1	39.6	43.7	52.8	50.7
Low:	23.0	24.3	19.5	17.8	21.7	23.5	24.0	27.5	32.4	32.8	39.8	41.1

2011-13 PROJECTIONS

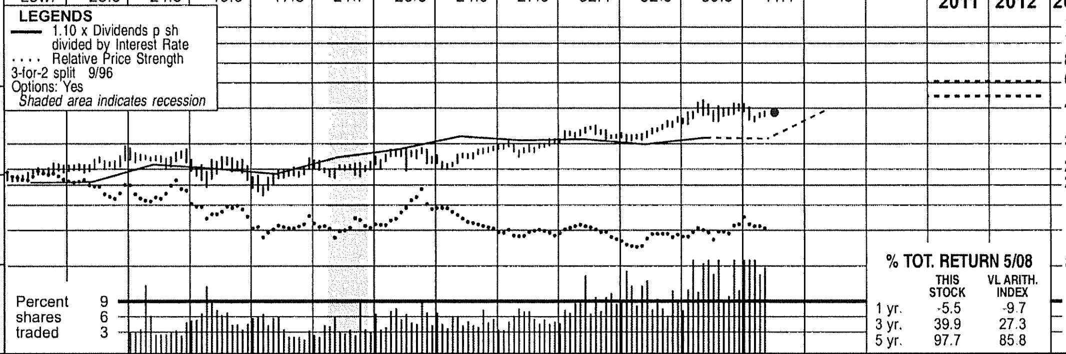
	Price	Gain	Ann'l Total Return
High	65	(+40%)	*12%*
Low	55	(+20%)	*8%*

Insider Decisions

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

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	66	95	77
to Sell	88	60	92
Hld's(000)	16048	16848	16772



Target Price Range
2011 | 2012 | 2013

% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-5.5	-9.7
3 yr.	39.9	27.3
5 yr.	97.7	85.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
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	37.20	39.13	**41.50**	**43.95**	Revenues per sh	**50.00**
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	4.76	5.41	**5.45**	**5.75**	"Cash Flow" per sh	**6.60**
.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	2.35	2.76	**2.65**	**2.80**	Earnings per sh A	**3.35**
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	**1.52**	**1.60**	Div'ds Decl'd per sh B■	**1.88**
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	3.56	4.48	**5.45**	**9.00**	Cap'l Spending per sh	**4.50**
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	22.01	22.52	**23.65**	**23.75**	Book Value per sh	**26.50**
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	27.24	26.41	**26.50**	**26.50**	Common Shs Outst'g C	**28.00**
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	15.9	16.7	*Bold figures are*		Avg Ann'l P/E Ratio	**18.0**
1.64	.76	.85	.86	.73	.83	1.39	.83	.81	.66	.94	.90	.88	.91	.86	.88	*Value Line*		Relative P/E Ratio	**1.20**
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%	3.1%	*estimates*		Avg Ann'l Div'd Yield	**3.1%**
						416.7	455.8	532.1	650.3	641.4	611.3	707.6	910.5	1013.2	1033.2	**1100**	**1165**	Revenues ($mill)	**1400**
						27.3	44.9	47.8	50.2	43.8	46.0	50.6	58.1	65.2	74.5	**70.0**	**74.0**	Net Profit ($mill)	**94.0**
						31.0%	35.4%	35.9%	35.4%	34.9%	33.7%	34.4%	36.0%	36.3%	37.2%	**37.0%**	**37.0%**	Income Tax Rate	**37.0%**
						6.6%	9.9%	9.0%	7.7%	6.8%	7.5%	7.1%	6.4%	6.4%	7.2%	**6.4%**	**6.4%**	Net Profit Margin	**6.7%**
						45.0%	46.0%	45.1%	43.0%	47.6%	49.7%	46.0%	47.0%	46.3%	46.3%	**47.0%**	**48.0%**	Long-Term Debt Ratio	**48.0%**
						50.6%	49.9%	50.9%	53.2%	51.5%	50.3%	54.0%	53.0%	53.7%	53.7%	**53.0%**	**52.0%**	Common Equity Ratio	**52.0%**
						815.6	861.5	887.8	880.5	937.3	1006.6	1052.5	1108.4	1116.5	1106.8	**1150**	**1200**	Total Capital ($mill)	**1500**
						894.7	895.9	934.0	965.0	995.6	1205.9	1318.4	1373.4	1425.1	1495.9	**1550**	**1650**	Net Plant ($mill)	**2000**
						5.0%	6.8%	6.7%	6.9%	5.9%	5.7%	5.9%	6.5%	7.1%	8.5%	**7.5%**	**7.7%**	Return on Total Cap'l	**7.0%**
						6.1%	9.7%	9.8%	10.0%	8.9%	9.1%	8.9%	9.9%	10.9%	12.5%	**11.5%**	**11.5%**	Return on Shr. Equity	**11.0%**
						6.0%	9.9%	10.0%	10.2%	8.5%	9.0%	8.9%	9.9%	10.9%	12.5%	**11.5%**	**11.5%**	Return on Com Equity	**11.0%**
						NMF	2.8%	3.1%	3.5%	1.9%	2.6%	2.7%	3.7%	4.5%	6.0%	**5.0%**	**5.0%**	Retained to Com Eq	**5.0%**
						118%	74%	70%	67%	79%	72%	69%	63%	59%	52%	**57%**	**57%**	All Div'ds to Net Prof	**56%**

CAPITAL STRUCTURE as of 3/31/08
Total Debt $571.6 mill. **Due in 5 Yrs** $144.0 mill.
LT Debt $512.0 mill. **LT Interest** $37.0 mill.

(Total interest coverage: 4.0x)

Pension Assets-12/07 $241 mill.
Oblig. $260 mill.
Pfd Stock None

Common Stock 26,415,248 shs.
as of 4/30/08
MARKET CAP $1.2 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Cash Assets	5.8	6.1	6.4
Other	303.0	268.8	230.4
Current Assets	308.8	274.9	236.8
Accts Payable	113.6	119.7	93.1
Debt Due	129.6	148.1	59.6
Other	98.3	122.1	159.3
Current Liab.	341.5	389.9	312.0
Fx. Chg. Cov.	349%	408%	NMF

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	8.5%	8.5%	*6.5%*
"Cash Flow"	3.0%	5.5%	*5.0%*
Earnings	3.0%	6.5%	*7.0%*
Dividends	1.5%	2.0%	*5.5%*
Book Value	3.5%	3.5%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	308.7	153.7	106.7	341.4	910.5
2006	390.4	171.0	114.9	336.9	1013.2
2007	394.1	183.2	124.2	331.7	1033.2
2008	387.7	**200**	**130**	**382.3**	**1100**
2009	**420**	**210**	**135**	**400**	**1165**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	1.44	.04	d.31	.94	2.11
2006	1.48	.07	d.35	1.15	2.35
2007	1.77	.10	d.22	1.11	2.76
2008	1.63	**.10**	**d.28**	**1.20**	**2.65**
2009	**1.70**	**.11**	**d.27**	**1.26**	**2.80**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.325	.325	.325	.325	1.30
2005	.325	.325	.325	.345	1.32
2006	.345	.345	.345	.355	1.39
2007	.355	.355	.355	.375	1.44
2008	.375	.375			

BUSINESS: Northwest Natural Gas Co. distributes natural gas to 90 communities, 657,000 customers, in Oregon (90% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 2.5 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Rev. breakdown: residential, 55%; commercial, 28%; industrial, gas transportation, and other, 17%. Employs 1,130. Barclays Global owns 6.5% of shares; officers and directors, 1.3% (4/08 proxy). CEO: Mark S. Dodson. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Telephone: 503-226-4211. Internet: www.nwnatural.com.

Northwest Natural actually began 2008 fairly well. Earnings in the first quarter of 2007 benefited from a $0.25-a-share gas hedging profit from astute forward purchasing in 2006. (In Oregon, Northwest keeps one-third of the gain or loss from such activity, while 100% of the gas cost is passed through to customers in Washington.) Thus, without that fortuitous gain in 2007, share net would have risen 7%. Customer growth continued strong, and lower operating costs and higher earnings from gas storage helped.

Earnings will likely grow at a normal utility pace through 2009. Customer growth will probably continue strong, despite a slowdown in new construction. The company has beefed up its conversion sales effort, which has led to more conversions to gas from other heating sources. Northwest expanded its gas storage capacity by about 11% last year, and that should generate earnings gains of around $0.02 a share per quarter. Finally, NWN has filed a rate case in Washington, the first since 2003, seeking a 4.8% general increase; some of that will likely be granted.

Expanding service to the suburbs should help to boost profits over the next 10 years. Oregon has increased the permitted population density in some suburban areas southeast of Portland, and expected population growth there could add 15% to customer rolls by 2015.

Two large projects could contribute substantially to earnings by 2011. Northwest and PG&E plan to build a gas storage facility near Fresno, CA, 75%-owned by NWN. And the proposed Palomar pipeline, half-owned by NWN, would give Northwest a second source of gas and could come on stream by then, as well. The company's total investment in the two projects could be around $500 million, and returns should be adequate. While completing both projects would require a stock issue, the gain in earnings per share from the two projects could run as high as $0.80. As neither project has been approved, we exclude their effects from our earnings forecast. Still, even without the big projects,

These top-quality, though untimely, shares have decent risk-adjusted long-term total return prospects.

Sigourney B. Romaine, CFA June 13, 2008

(A) Diluted earnings per share. Excludes nonrecurring items: '98, $0.15; '00, $0.11; '06, ($0.06). Next earnings report due early August.
(B) Dividends historically paid in mid-February, mid-May, mid-August, and mid-November.
■ Dividend reinvestment plan available.
(C) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	80

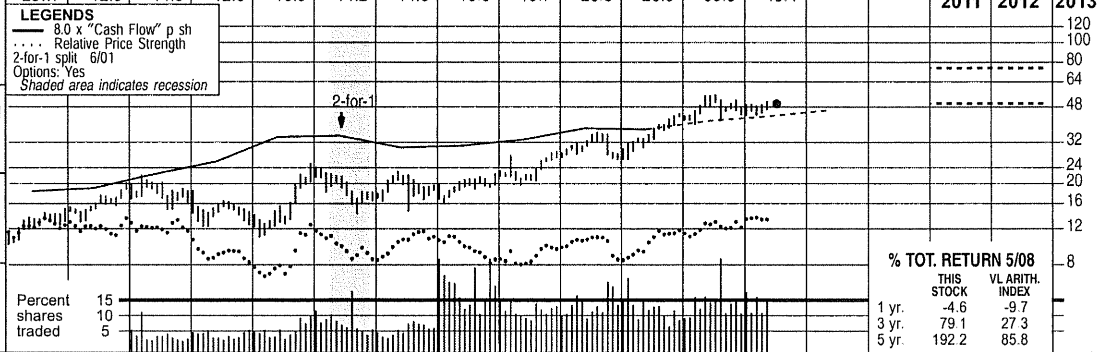
ONEOK INC. NYSE-OKE

RECENT PRICE **49.92** | P/E RATIO **16.9** (Trailing: 18.0; Median: 14.0) | RELATIVE P/E RATIO **1.03** | DIV'D YLD **3.1%** | **VALUE LINE**

TIMELINESS 3 Raised 3/7/08
SAFETY 3 New 7/27/90
TECHNICAL 3 Lowered 5/9/08
BETA .90 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	20.3	22.1	18.6	25.3	24.3	23.1	22.4	29.0	35.8	44.5	55.3	51.3
Low:	12.9	14.9	12.3	10.9	14.2	14.6	16.0	19.7	26.3	26.3	39.3	43.4

LEGENDS
— 8.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 6/01
Options: Yes
Shaded area indicates recession



Target Price Range
2011 | 2012 | 2013

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	75	(+50%)	*13%*
Low	50	(Nil)	*3%*

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	1	0	0	0	8	6	0
to Sell	1	1	2	0	0	0	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	127	149	144
to Sell	170	130	143
Hld's(000)	76193	73505	74667

% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-4.6	-9.7
3 yr.	79.1	27.3
5 yr.	192.2	85.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
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	107.42	129.70	*132.10*	*134.25*	Revenues per sh A	*151.80*
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	4.64	5.12	*5.40*	*5.80*	"Cash Flow" per sh	*7.00*
.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	2.79	*2.95*	*3.25*	Earnings per sh A B	*4.25*
.48	.53	.56	.56	.59	.60	.60	.62	.62	.62	.62	.69	.88	1.09	1.22	1.40	*1.52*	*1.60*	Div'ds Decl'd per sh C ■	*1.92*
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	8.50	*11.30*	*9.25*	Cap'l Spending per sh	*6.75*
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	18.94	*20.30*	*22.20*	Book Value per sh E	*25.90*
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	103.99	*106.00*	*108.00*	Common Shs Outst'g D	*112.00*
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	16.9	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
.78	.84	.92	.80	.78	.80	.85	.87	.68	.81	.82	.52	.54	.63	.79	.89	*Value Line*		Relative P/E Ratio	*1.00*
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%	3.0%	*estimates*		Avg Ann'l Div'd Yield	*3.0%*

CAPITAL STRUCTURE as of 3/31/08
Total Debt$4502.2 mill. **Due in 5 Yrs** $1800.0 mill.
LT Debt $4118.4 mill. **LT Interest** $225.0 mill.
(Total interest coverage: 3.7x) (67% of Cap'l)

Leases, Uncapitalized: Annual rentals $121 mill.
Pension Assets-12/07 $771.9 mill. **Oblig.** $820.0 mill.
Pfd Stock None

Common Stock 104,275,088 shs.
as of 4/30/08

MARKET CAP: $5.2 billion (Large Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
1835.4	1842.8	6642.9	6803.1	2104.3	2999.0	5988.1	12750	11889	13488	*14000*	*14500*	Revenues ($mill) A	*17000*
16.6%	19.0%	7.2%	7.6%	24.7%	20.2%	11.3%	6.5%	8.2%	*6.5%*	*6.5%*	*6.5%*	Operating Margin	*7.0%*
101.7	129.7	143.4	157.3	147.8	160.9	188.7	183.4	235.5	228.0	*240*	*255*	Depreciation ($mill)	*285*
101.8	106.4	145.6	139.4	118.9	206.6	242.2	275.4	278.2	304.9	*330*	*370*	Net Profit ($mill)	*500*
39.5%	38.7%	38.3%	36.8%	46.3%	40.1%	38.2%	44.0%	38.7%	37.7%	*37.0%*	*36.0%*	Income Tax Rate	*36.0%*
5.5%	5.8%	2.2%	2.0%	5.6%	6.9%	4.0%	2.2%	2.3%	2.3%	*2.4%*	*2.6%*	Net Profit Margin	*2.9%*
d122.7	d104.3	d210.4	d256.4	d94.0	d346.1	d396.0	d389.5	1174.4	69.8	*50.0*	*150*	Working Cap'l ($mill)	*250*
312.4	810.1	1473.2	1498.0	1511.1	1978.6	1543.2	2024.1	4030.9	4215.0	*4000*	*4200*	Long-Term Debt ($mill)	*4800*
1168.9	1174.5	1225.0	1265.3	1365.6	1241.4	1605.7	1794.8	2216.0	1969.3	*2150*	*2400*	Shr. Equity ($mill)	*2900*
7.9%	6.4%	6.9%	7.2%	5.8%	7.8%	9.2%	8.3%	6.4%	*6.5%*	*7.0%*	*7.5%*	Return on Total Cap'l	*8.0%*
8.7%	9.1%	11.9%	11.0%	8.7%	16.6%	15.1%	15.3%	12.6%	15.5%	*15.5%*	*15.5%*	Return on Shr. Equity	*17.0%*
7.8%	5.0%	11.4%	5.2%	3.3%	10.9%	9.5%	9.2%	6.4%	7.9%	*8.0%*	*8.5%*	Retained to Com Eq	*10.0%*
54%	72%	48%	53%	63%	34%	37%	40%	49%	49%	*48%*	*46%*	All Div'ds to Net Prof	*43%*

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Cash Assets	68.3	19.1	268.7
Receivables	1348.5	1723.2	1723.6
Inventory (Avg Cst)	925.2	841.4	329.3
Other	896.6	367.8	421.1
Current Assets	3238.6	2951.5	2742.7
Accts Payable	1077.0	1436.0	1585.8
Debt Due	24.1	623.1	383.8
Other	963.1	822.6	909.4
Current Liab.	2064.2	2881.7	2879.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	18.5%	3.0%	*3.5%*
"Cash Flow"	9.0%	2.5%	*6.5%*
Earnings	11.5%	14.0%	*8.5%*
Dividends	6.5%	11.5%	*7.5%*
Book Value	9.5%	5.0%	*5.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	2743.7	2129.9	3181.6	4694.5	12749.7
2006	3748.3	2427.8	2649.3	3063.9	11889.3
2007	3797.7	2885.2	2806.8	3998.3	13488.0
2008	4918.0	*2900*	*2850*	*3332*	*14000*
2009	*4500*	*3300*	*3200*	*3500*	*14500*

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.97	.23	.49	.86	2.55
2006	1.17	.39	.21	.66	2.43
2007	1.36	.31	.13	.98	2.79
2008	1.36	*.40*	*.30*	*.89*	*2.95*
2009	*1.45*	*.45*	*.40*	*.95*	*3.25*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.19	.21	.23	.25	.88
2005	.25	.28	.28	.28	1.09
2006	.28	.30	.32	.32	1.22
2007	.34	.34	.36	.36	1.40
2008	.38	.38			

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. Sold Spring Creek power plant, 10/06. Currently has 47.8% ownership interest in ONEOK Partners. Has 4,555 employees. Barclays Global Investors owns 6.7% of common stock; officers and directors, 1.3% (3/08 Proxy). Chairman: David L. Kyle. CEO: 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 good first-quarter performance in two of its three businesses. At ONEOK Partners, operating income increased roughly 44%, mainly as a result of higher price realizations and increased volumes. Additional supply connections and a recent acquisition supported volume growth. Meanwhile, the Distribution segment posted moderate growth in operating income. Volumes increased in Kansas and Oklahoma, as these territories experienced colder-than-usual temperatures. However, performance in the Energy Services segment was far less favorable. Operating income decreased significantly, owing to a considerable decline in marketing and storage margins. In sum, growth in the top line was offset by a greater cost of sales and higher operating expenses, and share net only matched the prior-year period.

We anticipate solid results at ONEOK in the coming quarters, driven by continued strength from ONEOK Partners. The partnership has numerous pipeline construction and expansion projects under way that have promise for earnings in the years ahead. Interests in the booming natural gas liquids are especially upbeat. (OKE now has a 47.7% stake in the MLP, up from 45.7% at the end of 2007). Elsewhere, ONEOK recently received approval to increase rates by $1.1 million in south Texas. This should benefit operating earnings modestly at the Distribution segment. Better marketing and storage margins from Energy Services would also help. Overall, we expect share earnings will advance roughly 6% in the current year. Bottom-line growth may accelerate in 2009, assuming higher revenues and greater cost control.

ONEOK shares are neutrally ranked for the coming six to 12 months. Looking further out, we anticipate decent growth in earnings per share at the company for the pull to 2011-2013. That should lead to steady annual dividend increases. We've bumped up our long-term earnings projection based on the expansion opportunities at the partnership. However, this appears to be partially discounted by the current quotation, and total return potential for the coming years is below the *Value Line* median.

Michael Napoli, CPA *June 13, 2008*

(A) Fiscal year ended August 31st through 1999, December 31st thereafter. (B) Diluted earnings. Excl. nonrecur. items: '02, 9¢; '03, (91¢); '05, $2.51; '06, 25¢. Totals may not sum due to rounding. Next egs. report due late July/early August. (C) Dividends historically paid mid-Feb., May, Aug., and Nov. ■ Div'd reinvest. plan avail. (D) In mill., adj. for split. (E) Includes intangibles. At 3/31/08: $1.04 bill., $9.99/sh.

Company's Financial Strength	B+
Stock's Price Stability	85
Price Growth Persistence	90
Earnings Predictability	80

PIEDMONT NAT'L. GAS NYSE-PNY

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
26.55	17.1 (Trailing: 16.8 / Median: 17.0)	1.07	3.9%

VALUE LINE

TIMELINESS **3** Raised 6/15/07
SAFETY **2** New 7/27/90
TECHNICAL **3** Lowered 6/6/08
BETA .85 (1.00 = Market)

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+50%)	15%
Low	30	(+15%)	10%

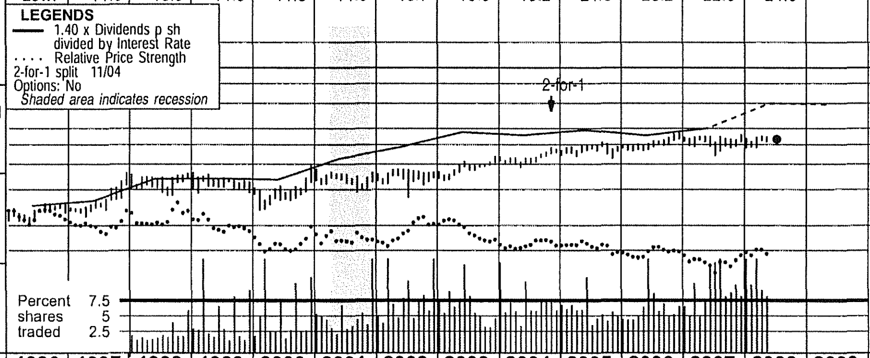
Insider Decisions

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

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	78	85	78
to Sell	80	81	85
Hld's(000)	35472	36470	36778

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	18.2	18.1	18.3	19.7	19.0	19.0	22.0	24.3	25.8	28.4	28.0	27.7
Low:	11.0	13.9	14.3	11.8	14.6	13.7	16.6	19.2	21.3	23.2	22.0	24.0



Target Price Range
2011 | 2012 | 2013

% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	5.9	-9.7
3 yr.	23.9	27.3
5 yr	67.3	85.8

© VALUE LINE PUB., INC.	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	11-13
Revenues per sh A	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	23.37	*25.60*	*26.45*	*29.25*
"Cash Flow" per sh	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	2.51	2.64	*2.80*	*2.85*	*3.10*
Earnings per sh B	.70	.73	.68	.73	.84	.93	.98	.93	1.01	1.01	.95	1.11	1.27	1.32	1.28	1.40	*1.55*	*1.60*	*1.85*
Div'ds Decl'd per sh C■	.46	.48	.51	.54	.57	.61	.64	.68	.72	.76	.80	.82	.85	.91	.95	.99	*1.03*	*1.07*	*1.19*
Cap'l Spending per sh	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	1.85	*2.00*	*2.05*	*2.30*
Book Value per sh D	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	11.99	*12.45*	*12.95*	*14.70*
Common Shs Outst'g E	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	73.23	*73.00*	*72.75*	*72.00*
Avg Ann'l P/E Ratio	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	19.2	18.7	*Bold figures are*	*Value Line*	*18.0*
Relative P/E Ratio	.75	.91	1.03	.92	.87	.78	.85	1.01	.93	.86	1.01	.95	.88	.95	1.04	.98	*estimates*		*1.50*
Avg Ann'l Div'd Yield	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%	3.8%			*3.1%*

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	11-13
Revenues ($mill) A	765.3	686.5	830.4	1107.9	832.0	1220.8	1529.7	1761.1	1924.7	1711.3	*1870*	*1925*	*2105*
Net Profit ($mill)	60.3	58.2	64.0	65.5	62.2	74.4	95.2	101.3	97.2	104.4	*113*	*117*	*135*
Income Tax Rate	39.2%	39.7%	34.7%	34.6%	33.1%	34.8%	35.1%	33.7%	34.2%	33.0%	*35.0%*	*35.0%*	*35.0%*
Net Profit Margin	7.9%	8.5%	7.7%	5.9%	7.5%	6.1%	6.2%	5.8%	5.0%	6.1%	*6.0%*	*6.1%*	*6.4%*
Long-Term Debt Ratio	44.7%	46.2%	46.1%	47.6%	43.9%	42.2%	43.6%	41.4%	48.3%	48.4%	*48.0%*	*47.6%*	*46.0%*
Common Equity Ratio	55.3%	53.8%	53.9%	52.4%	56.1%	57.8%	56.4%	58.6%	51.7%	51.6%	*52.0%*	*52.4%*	*54.0%*
Total Capital ($mill)	829.3	914.7	978.4	1069.4	1051.6	1090.2	1514.9	1509.2	1707.9	1703.3	*1750*	*1800*	*1960*
Net Plant ($mill)	990.6	1047.0	1072.0	1114.7	1158.5	1812.3	1849.8	1939.1	2075.3	2141.5	*2200*	*2250*	*2400*
Return on Total Cap'l	9.2%	8.1%	8.3%	7.9%	7.8%	8.6%	7.8%	8.2%	7.2%	7.8%	*8.0%*	*8.0%*	*8.0%*
Return on Shr. Equity	13.2%	11.8%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	*12.5%*	*12.5%*	*12.5%*
Return on Com Equity	13.2%	11.8%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	*12.5%*	*12.5%*	*12.5%*
Retained to Com Eq	4.7%	3.3%	3.5%	3.0%	1.7%	3.1%	3.7%	3.6%	2.8%	3.5%	*4.0%*	*4.0%*	*4.5%*
All Div'ds to Net Prof	65%	72%	71%	75%	83%	74%	66%	68%	74%	70%	*66%*	*67%*	*64%*

CAPITAL STRUCTURE as of 1/31/08
Total Debt $1113.8 mill. **Due in 5 Yrs** $150.0 mill.
LT Debt $824.8 mill. **LT Interest** $55.7 mill.
(LT interest earned: 4.0x; total interest coverage: 4.0x)

Pension Assets-10/07 $225.0 mill. **Oblig.** $188.7 mill.

Pfd Stock None

Common Stock 73,407,684 shs.
as of 3/4/08
MARKET CAP: $2.0 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2006	2007	1/31/08
Cash Assets	8.9	7.5	17.7
Other	467.1	427.8	644.8
Current Assets	476.0	435.3	662.5
Accts Payable	80.3	97.2	187.1
Debt Due	170.0	195.0	289.0
Other	150.1	132.3	162.9
Current Liab.	400.4	424.5	639.0
Fix. Chg. Cov.	261%	225%	220%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	8.0%	11.0%	*3.5%*
"Cash Flow"	5.5%	7.0%	*3.5%*
Earnings	5.0%	6.0%	*6.0%*
Dividends	5.0%	4.5%	*4.0%*
Book Value	6.0%	6.5%	*4.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2005	680.6	508.0	232.9	339.6	1761.1
2006	921.4	483.2	237.9	282.1	1924.7
2007	677.2	531.5	224.4	278.2	1711.3
2008	788.5	*540*	*240*	*301.5*	*1870*
2009	*805*	*555*	*255*	*310*	*1925*

Fiscal Year Ends	EARNINGS PER SHARE A B F Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2005	.93	.52	d.06	d.07	1.32
2006	.94	.57	d.16	d.08	1.27
2007	.94	.69	d.12	d.11	1.40
2008	1.12	*.70*	*d.15*	*d.12*	*1.55*
2009	*1.08*	*.75*	*d.13*	*d.10*	*1.60*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.208	.215	.215	.215	.85
2005	.215	.23	.23	.23	.91
2006	.23	.24	.24	.24	.95
2007	.24	.25	.25	.25	.99
2009	.25	.26			

BUSINESS: Piedmont Natural Gas Company is primarily a regulated natural gas distributor, serving over 932,097 customers in North Carolina, South Carolina, and Tennessee. 2007 revenue mix: residential (54%), commercial (30%), industrial (14%), other (2%). Principal suppliers: Transco and Tennessee Pipeline. Gas costs: 69.4% of revenues. '07 deprec. rate: 3.4%. Estimated plant age: 8.7 years. Non-regulated operations: sale of gas-powered heating equipment; natural gas brokering; propane sales. Has about 1,876 employees. Officers & directors own less than 1% of common stock (1/08 proxy). Chairman, CEO, & President: Thomas E. Skains. Inc.: NC. Addr.: 4720 Piedmont Row Drive, Charlotte, NC 28210. Telephone: 704-364-3120. Internet: www.piedmontng.com.

Piedmont Natural Gas likely posted April-period earnings little changed compared to last year. The company was scheduled to report earnings for its fiscal second quarter (ended April 30th) after this report went to press. PNY probably experienced low to mid-single-digit increases in revenues. The lift in top-line volume should have stemmed from growth in the company's customer base in the residential and commercial & power generation markets. Meanwhile, gas costs, inventories, supplier refund, and lost and unaccounted for adjustments ought to have benefited margins for that interim.

We have raised our 2008 estimate by a nickel, to $1.55 a share. Heightened volumes and widening margins lead the way for this revision. The top and bottom lines ought to get a boost from the company's nonutility business. We expect to see solid contributions from both the Hardy storage facility and Southstar Energy joint venture. Meanwhile, continued investments in the company's natural gas infrastructure will likely bear fruit. And efficiency initiatives focused on streamlining and consolidating the business processes ought to continue to take hold.

In 2009, Piedmont may benefit from a pending rate case in North Carolina. The company recently filed for the rate hikes with the North Carolina Utilities Commission. The new plan would expand PNY's energy efficiency and conservation programs, and permanently extend a margin decoupling mechanism. The rate case would also help the company recover some of the additional costs and capital expenditures used to maintain and grow its distribution network. In sum, if the case is approved, PNY would receive an additional $41 million in revenues next year.

These neutrally ranked shares may appeal to income-oriented accounts (Timeliness: 3). Indeed the equity offers a decent dividend yield thanks to the board of directors' recent hike of approximately 4%. And conservative accounts may find the Above Average Safety rank (2) and top marks for Price Stability (100) attractive. However, momentum investors should look elsewhere, as these shares offer below-average total return potential for the pull to 2011-2013.

Bryan Fong *June 13, 2008*

(A) Fiscal year ends October 31st.
(B) Diluted earnings. Excl. extraordinary item: '00, 8¢. Excl. nonrecurring charge: '97, 2¢. Next earnings report due early August.
(C) Dividends historically paid mid-January, April, July, October.
■ Div'd reinvest. plan available; 5% discount.
(D) Includes deferred charges. In 2007: $23.9 million, 33¢/share.
(E) In millions, adjusted for stock split.
(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	60
Earnings Predictability	80

SOUTH JERSEY INDS. NYSE-SJI

RECENT PRICE **38.04** | P/E RATIO **16.9** (Trailing: 17.7 Median: 14.0) | RELATIVE P/E RATIO **1.03** | DIV'D YLD **2.9%** | VALUE LINE

TIMELINESS **3** Raised 5/23/08
SAFETY **2** Lowered 1/4/91
TECHNICAL **3** Lowered 5/23/08
BETA .85 (1.00 = Market)

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+30%)	10%
Low	35	(-10%)	1%

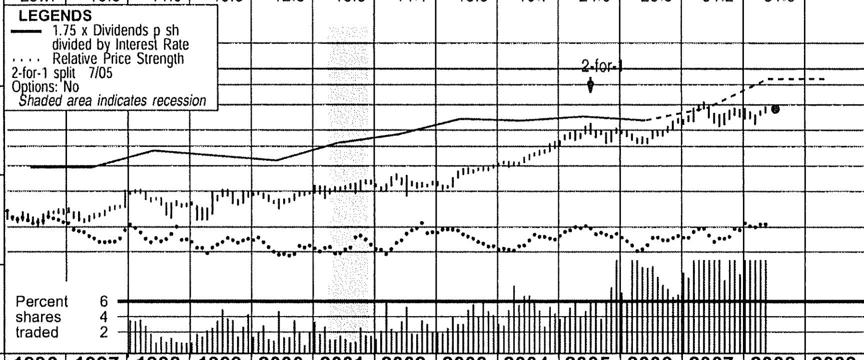
Insider Decisions

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

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	67	66	57
to Sell	58	59	71
Hld's(000)	16787	16995	17182

High:	15.3	15.4	15.4	15.1	17.0	18.3	20.3	26.5	32.4	34.3	41.3	39.3
Low:	10.5	11.0	10.8	12.3	13.8	14.1	15.3	19.7	24.9	25.6	31.2	31.9



Target Price Range
2011 | 2012 | 2013

% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	1.4	-9.7
3 yr.	47.7	27.3
5 yr.	142.2	85.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
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	31.76	32.30	*32.65*	*34.75*	Revenues per sh	*39.05*
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	3.51	3.03	*3.20*	*3.50*	"Cash Flow" per sh	*4.05*
.81	.78	.61	.83	.85	.86	.64	1.01	1.08	1.15	1.22	1.37	1.58	1.71	2.46	2.09	*2.25*	*2.45*	Earnings per sh A	*3.00*
.71	.72	.72	.72	.72	.72	.72	.72	.73	.74	.75	.78	.82	.86	.92	1.01	*1.10*	*1.16*	Div'ds Decl'd per sh B ■	*1.28*
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	2.51	1.87	*2.05*	*2.30*	Cap'l Spending per sh	*3.15*
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	15.11	16.25	*17.35*	*18.45*	Book Value per sh C	*20.30*
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	29.33	29.61	*30.00*	*30.50*	Common Shs Outst'g D	*32.00*
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	11.9	17.2	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.80	.93	1.06	.82	.83	.80	1.10	.76	.85	.70	.74	.76	.74	.88	.64	.91	*Value Line*		Relative P/E Ratio	*.95*
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%	2.8%	*estimates*		Avg Ann'l Div'd Yield	*3.0%*

CAPITAL STRUCTURE as of 3/31/08
Total Debt $389.8 mill. **Due in 5 Yrs** $69.7 mill.
LT Debt $357.9 mill. **LT Interest** $21.0 mill.
(Total interest coverage: 4.9x)

Pension Assets-12/07 $120.4 mill.
Oblig. $133.0 mill.
Pfd Stock none

Common Stock 29,728,697 common shs. as of 5/1/08

MARKET CAP: $1.1 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
450.2	392.5	515.9	837.3	505.1	696.8	819.1	921.0	931.4	956.4	*980*	*1060*	Revenues ($mill)	*1250*
13.8	22.0	24.7	26.8	29.4	34.6	43.0	48.6	72.0	61.8	*67.5*	*75.0*	Net Profit ($mill)	*95.0*
46.2%	42.8%	43.1%	42.2%	41.4%	40.6%	40.9%	41.5%	41.3%	*40.7%*	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
3.1%	5.6%	4.8%	3.2%	5.8%	5.0%	5.2%	5.3%	7.7%	6.5%	*6.9%*	*7.1%*	Net Profit Margin	*7.6%*
57.3%	53.8%	54.1%	57.0%	53.6%	50.8%	48.7%	44.9%	44.7%	42.7%	*41.5%*	*40.5%*	Long-Term Debt Ratio	*41.0%*
33.5%	37.0%	37.6%	35.9%	46.1%	49.0%	51.0%	55.1%	55.3%	57.3%	*58.5%*	*59.5%*	Common Equity Ratio	*59.0%*
401.1	405.9	443.5	516.2	512.5	608.4	675.0	710.3	801.1	839.0	*890*	*945*	Total Capital ($mill)	*1100*
504.3	533.3	562.2	607.0	666.6	748.3	799.9	877.3	920.0	948.9	*980*	*1015*	Net Plant ($mill)	*1200*
5.3%	7.4%	7.4%	6.9%	7.6%	7.3%	7.9%	8.3%	10.1%	*8.5%*	*9.0%*	*9.0%*	Return on Total Cap'l	*10.0%*
8.1%	11.7%	12.1%	12.1%	12.4%	11.5%	12.4%	12.4%	16.3%	12.8%	*13.0%*	*13.5%*	Return on Shr. Equity	*14.5%*
10.3%	14.6%	14.8%	12.8%	12.5%	11.6%	12.5%	12.4%	16.3%	12.8%	*13.0%*	*13.5%*	Return on Com Equity	*14.5%*
NMF	4.2%	4.8%	3.5%	4.7%	5.0%	5.9%	6.2%	10.2%	6.7%	*6.5%*	*7.0%*	Retained to Com Eq	*8.5%*
112%	72%	67%	76%	62%	57%	52%	50%	37%	48%	*49%*	*47%*	All Div'ds to Net Prof	*43%*

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Cash Assets	7.9	11.7	11.9
Other	363.8	316.6	306.1
Current Assets	371.7	328.3	318.0
Accts Payable	101.6	101.2	123.3
Debt Due	197.0	118.4	31.9
Other	124.2	108.7	130.3
Current Liab.	422.8	328.3	285.5
Fix. Chg. Cov.	527%	476%	474%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	6.5%	4.5%	*3.5%*
"Cash Flow"	6.5%	8.5%	*5.0%*
Earnings	9.5%	12.0%	*6.0%*
Dividends	2.0%	3.5%	*5.5%*
Book Value	6.0%	13.5%	*5.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	328.6	154.0	157.0	281.4	921.0
2006	372.6	153.8	154.7	250.3	931.4
2007	368.4	171.7	156.2	260.1	956.4
2008	348.0	*185*	*170*	*277*	*980*
2009	*380*	*200*	*185*	*295*	*1060*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.96	.27	.09	.39	1.71
2006	1.06	.20	.51	.69	2.46
2007	1.30	.21	d.05	.63	2.09
2008	1.32	*.24*	*.05*	*.64*	*2.25*
2009	*1.30*	*.30*	*.15*	*.70*	*2.45*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	--	.202	.202	.415	.82
2005	--	.213	.213	.438	.86
2006	--	.225	.225	.470	.92
2007	--	.245	.245	.515	1.01
2008	--	.270			

BUSINESS: South Jersey Industries, Inc. is a holding company. Its subsidiary, South Jersey Gas Co., distributes natural gas to 335,663 customers in New Jersey's southern counties, which covers 2,500 square miles and includes Atlantic City. Gas revenue mix '07: residential, 46%; commercial, 23%; cogeneration and electric generation, 8%; industrial, 23%. Non-utility operations include: South Jersey Energy, South Jersey Resources Group, Marina Energy, and South Jersey Energy Service Plus. Has 604 employees. Off./dir. control 1.0% of com. shares; Dimensional Fund Advisors, 6.5%; Barclays, 6.1% (3/08 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 reported a lower top line for the first quarter, as revenues at South Jersey Gas declined roughly 11%. However, the utility's cost of sales decreased 16%, and its bottom line advanced modestly. The On-Site Energy Production business benefited from improved performance at Marina Energy's thermal and landfill gas facilities. Elsewhere, the Retail Services business also increased earnings, helped by new sales campaigns and operational efficiencies. Overall, share earnings improved slightly. Looking forward, we expect solid results in the coming quarters. The company has announced share-net guidance of $2.22 to $2.30 for full-year 2008. Our estimate lies near the midpoint of this range.

Long-term prospects appear favorable for South Jersey Gas. Customer growth has continued at a respectable pace, despite weakness in the housing market. Natural gas remains the fuel of choice within SJG's service territory, as the vast majority of new homes constructed use it as their main heating source. New economic development planned for the Atlantic City area will likely have a positive effect on housing demand over time. In addition, the company expects to continue to experience high margins from new commercial customers. Moreover, the Conservation Incentive Program (CIP) ought to further benefit performance. This initiative allows the utility to promote energy conservation while insulating itself from the negative impact of lower customer usage. The CIP protected roughly $6.2 million in net income in the first quarter.

Marina Energy should benefit from two new projects. Marina develops, owns, and operates on-site energy plants, which provide income streams under long-term contracts. It will provide energy services to the Borgata's expansion, which opens in the current month. In addition, development of the thermal plant serving the Echelon resort in Las Vegas remains ahead of schedule, with startup planned for the third quarter of 2010.

We project continued earnings growth at South Jersey over the pull to 2011-2013. This good-quality issue offers only modest, but reasonably well-defined, total return potential for the coming years.

Michael Napoli, CPA *June 13, 2008*

(A) Based on GAAP EPS through 2006, economic earnings thereafter. GAAP EPS: '07, $2.10. 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). Next egs. report due in August. (B) Div'ds paid early Apr., Jul., Oct., and late Dec. ■ Div. reinvest. plan avail. (C) Incl. regulatory assets. At 3/31/08: $184.7 mill., $6.22 per shr. (D) In millions, adjusted for split.

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

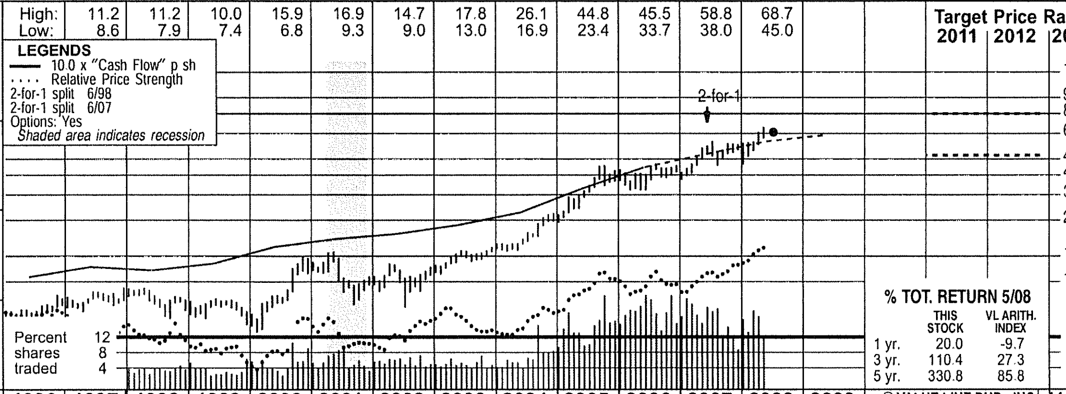
QUESTAR CORP. NYSE-STR

RECENT PRICE	P/E RATIO	(Trailing / Median)	RELATIVE P/E RATIO	DIV'D YLD	
64.85	19.4	(Trailing: 21.2, Median: 15.0)	1.18	0.8%	VALUE LINE

TIMELINESS **1** Raised 5/9/08
SAFETY **3** Lowered 6/16/06
TECHNICAL **2** Raised 6/13/08
BETA 1.05 (1.00 = Market)

High:	11.2	11.2	10.0	15.9	16.9	14.7	17.8	26.1	44.8	45.5	58.8	68.7
Low:	8.6	7.9	7.4	6.8	9.3	9.0	13.0	16.9	23.4	33.7	38.0	45.0

LEGENDS
—— 10.0 x "Cash Flow" p sh
. . . . Relative Price Strength
2-for-1 split 6/98
2-for-1 split 6/07
Options: Yes
Shaded area indicates recession



Target Price Range

2011	2012	2013

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	80	(+25%)	6%
Low	50	(-25%)	-5%

Insider Decisions

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

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	146	191	184
to Sell	185	167	179
Hld's(000)	128467	128347	132667

% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	20.0	-9.7
3 yr.	110.4	27.3
5 yr.	330.8	85.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
3.80	4.11	4.15	3.99	4.98	5.68	5.48	5.68	7.83	8.83	7.32	8.75	11.22	15.97	16.51	15.68	**18.55**	**19.75**	Revenues per sh	**21.15**
.96	1.09	1.11	1.11	1.27	1.42	1.37	1.47	1.78	1.95	2.06	2.28	2.63	3.44	4.35	5.05	**5.85**	**6.30**	"Cash Flow" per sh	**7.05**
.45	.53	.54	.49	.60	.63	.59	.58	.87	.97	.87	1.07	1.34	1.93	2.47	2.86	**3.35**	**3.65**	Earnings per sh A	**4.10**
.26	.27	.28	.29	.30	.31	.33	.34	.34	.35	.36	.39	.43	.45	.47	.49	**.50**	**.53**	Div'ds Decl'd per sh B■	**.60**
1.06	1.00	1.71	.71	1.75	1.22	2.59	1.36	2.00	5.34	2.04	1.91	2.61	4.20	5.30	8.09	**14.30**	**11.30**	Cap'l Spending per sh	**10.00**
3.48	3.75	4.04	4.38	4.71	5.15	5.31	5.69	6.13	6.63	6.94	7.54	8.50	9.08	12.84	14.92	**15.70**	**16.40**	Book Value per sh	**18.15**
159.18	160.68	161.72	162.79	164.10	164.28	165.26	162.84	161.64	163.05	164.11	167.26	169.40	170.64	171.80	172.80	**175.00**	**177.00**	Common Shs Outst'g C	**182.00**
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	17.3	*Bold fig*	*ures are*	Avg Ann'l P/E Ratio	**16.0**
.78	.95	.94	1.02	.90	.90	.87	.89	.79	.68	.79	.84	.80	.92	.87	.92	*Value*	*Line*	Relative P/E Ratio	**1.05**
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%	1.0%	*estim*	*ates*	Avg Ann'l Div'd Yield	**.9%**

CAPITAL STRUCTURE as of 3/31/08
Total Debt $2081.4 mill. **Due in 5 Yrs** $1025 mill.
LT Debt $1871.1 mill. **LT Interest** $90.0 mill.
(LT Interest earned: 12.9x; Total interest coverage: 11.7x) (42% of Cap'l)
Pension Assets-12/07 $344.6 mill. **Oblig.** $418.4 mill.
Pfd Stock None
Common Stock 173,288,877 shares as of 4/30/08

MARKET CAP: $11.2 billion (Large Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
906.3	924.2	1266.2	1439.4	1200.7	1463.2	1901.4	2724.9	2835.6	2709.0	**3250**	**3500**	Revenues ($mill)	**3850**
97.2	95.0	140.4	158.2	143.9	179.2	229.3	336.1	431.7	503.1	**595**	**655**	Net Profit ($mill)	**760**
30.5%	30.8%	34.9%	35.8%	34.1%	36.4%	36.1%	36.5%	38.3%	36.6%	**36.0%**	**36.0%**	Income Tax Rate	**36.0%**
10.7%	10.3%	11.1%	11.0%	12.0%	12.2%	12.1%	12.3%	15.2%	18.6%	**18.3%**	**18.7%**	Net Profit Margin	**19.7%**
41.2%	44.3%	41.9%	48.0%	50.1%	43.0%	39.3%	38.8%	31.7%	28.4%	**40.0%**	**37.5%**	Long-Term Debt Ratio	**32.5%**
58.8%	55.7%	58.1%	52.0%	49.9%	57.0%	60.7%	61.2%	68.3%	71.6%	**60.0%**	**62.5%**	Common Equity Ratio	**67.5%**
1493.7	1660.9	1705.6	2078.2	2283.9	2211.5	2372.8	2533.0	3227.9	3599.1	**4600**	**4650**	Total Capital ($mill)	**4900**
1747.6	1786.9	1954.0	2565.1	2617.8	2768.5	2984.7	3427.5	4091.4	5098.6	**6500**	**7200**	Net Plant ($mill)	**8000**
7.9%	7.0%	9.7%	8.7%	7.8%	9.6%	11.1%	14.5%	14.5%	14.5%	**14.0%**	**15.0%**	Return on Total Cap'l	**16.5%**
11.1%	10.3%	14.2%	14.6%	12.6%	14.2%	15.9%	21.7%	19.6%	19.5%	**21.5%**	**22.5%**	Return on Shr. Equity	**23.0%**
11.1%	10.3%	14.2%	14.6%	12.6%	14.2%	15.9%	21.7%	19.6%	19.5%	**21.5%**	**22.5%**	Return on Com Equity	**23.0%**
4.9%	4.3%	8.6%	9.3%	7.4%	9.1%	11.0%	16.8%	16.0%	16.3%	**18.5%**	**19.5%**	Retained to Com Eq	**19.5%**
55%	58%	39%	36%	41%	36%	31%	22%	18%	17%	**15%**	**14%**	All Div'ds to Net Prof	**14%**

CURRENT POSITION	2006	2007	3/31/08
Cash Assets	24.6	14.2	382.3
Other	728.8	644.7	283.8
Current Assets	753.4	658.9	666.1
Accts Payable	436.2	463.1	511.7
Debt Due	50.0	361.9	210.3
Other	192.7	173.7	240.4
Current Liab.	678.9	998.7	962.4
Fix. Chg. Cov.	1028%	1165%	1140%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	13.0%	14.5%	4.5%
"Cash Flow"	11.5%	15.0%	8.5%
Earnings	13.5%	19.0%	9.0%
Dividends	4.5%	5.5%	4.0%
Book Value	9.0%	10.5%	6.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	680.3	520.2	582.9	941.5	2724.9
2006	911.4	596.2	555.1	772.9	2835.6
2007	872.1	556.7	497.4	782.8	2709.0
2008	1045.1	**725**	**650**	**829.9**	**3250**
2009	**1050**	**800**	**725**	**925**	**3500**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.55	.35	.38	.65	1.93
2006	.79	.51	.47	.70	2.47
2007	.82	.66	.61	.77	2.86
2008	1.01	**.75**	**.75**	**.84**	**3.35**
2009	**1.10**	**.85**	**.75**	**.95**	**3.65**

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.103	.108	.108	.108	.43
2005	.108	.113	.113	.113	.45
2006	.113	.118	.118	.118	.47
2007	.118	.123	.123	.123	.49
2008	.123				

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 870,000 customers; Questar Pipeline, owns storage facilities and over 2,500 miles of transmission lines serving Rocky Mountain producing basins; and Exploration & Production ('07 non-utility production: 140.2 bcfe; reserves at 12/31/07: 1867.6 bcfe). Est'd pretax present value of reserves: $4.1 bill. Employs 2,324. Officers & directors own 2.7% of stock (4/08 Proxy). Chairman, President & Chief Executive Officer: Keith O. Rattie. Incorporated: UT. Address: 180 East 100 South Street, P.O. Box 45433, Salt Lake City, UT 84145-0433. Telephone: (801) 324-5699. Internet: www.questar.com

Shares of Questar have performed well in recent times. The company reported impressive results for the first quarter. Revenues and share earnings increased roughly 20% and 23%, respectively. This strength was broad-based. The Exploration and Production (E&P) unit increased earnings 25% in the recent interim, as production grew 13%. Higher prices for natural gas, crude oil, and natural gas liquids more than offset greater production costs. Meantime, the Gas Management business benefited from higher gathering and processing margins. Questar Pipeline also reported strong bottom-line growth, mainly resulting from system expansions in late 2007. Looking forward, the company has raised its guidance for full-year 2008. Questar now expects share net of $3.25 to $3.40. We have adjusted our estimates accordingly.

We look for continued growth in production at the E&P business. The company should complete between 70 and 75 wells at the gas-rich Pinedale Anticline this year. Investments here are important, as this property comprises over 30% of total E&P production. The recent acquisitions of two producing properties in Louisiana will also boost output. In light of improved drilling at Pinedale and additional activity in the Midcontinent region, the company has revised its production forecast upward for 2008. E&P output should range between 166 and 169 billion cubic feet, an advance of 18% to 21% from 2007.

The company has announced plans to develop the Rockies Alliance Pipeline. Questar will develop this project together with Alliance Pipeline. The jointly-owned, 42-inch proposed pipeline would stretch from Wamsutter, Wyoming to the Emerson trading hub on the U.S./Canadian border. It will connect the natural gas producing Rockies region with markets in central Canada and the midwestern United States. The pipeline is expected to become operational in 2011.

This issue is now ranked 1 (Highest) for year-ahead performance. Looking further out, we anticipate moderate bottom-line growth to 2011-2013. Results could be enhanced if Questar were to hedge less extensively than it does and if gas prices remain strong.

Michael Napoli, CPA *June 13, 2008*

(A) Based on average shares outstanding through '96, then diluted. Excludes net nonrecurring items: '92, 6¢; '95, 3¢; '97, 1¢; '98, 13¢; '99, d20¢; '02, 7¢; '05, d6¢; '06, 7¢; '07, 2¢. Excludes gains/losses from sale of investments: '99, 23¢; '00, 10¢; '03, d4¢. Next earnings report due late July.
(B) Dividends historically paid in March, June, September, and December.
■ Dividend reinvestment plan available.
(C) In millions, adjusted for splits.

Company's Financial Strength	B++
Stock's Price Stability	70
Price Growth Persistence	100
Earnings Predictability	80

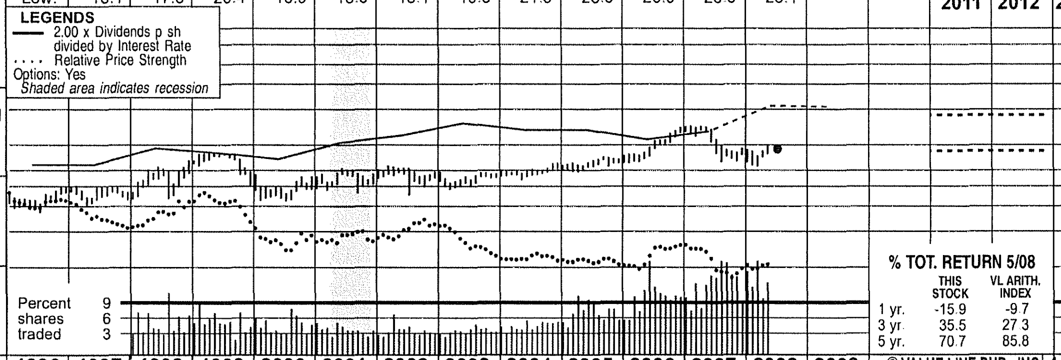
SOUTHWEST GAS NYSE-SWX

RECENT PRICE **30.58** | P/E RATIO **15.3** (Trailing: 16.0 Median: 18.0) | RELATIVE P/E RATIO **0.93** | DIV'D YLD **3.0%** | VALUE LINE

TIMELINESS **3** Raised 5/23/08
SAFETY **3** Lowered 1/4/91
TECHNICAL **2** Lowered 5/30/08
BETA .90 (1.00 = Market)

High:	20.3	26.9	29.5	23.0	24.7	25.3	23.6	26.2	28.1	39.4	39.9	31.7
Low:	16.1	17.3	20.4	16.9	18.6	18.1	19.3	21.5	23.5	26.0	26.5	25.1

Target Price Range 2011 | 2012 | 2013



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+45%)	12%
Low	30	(Nil)	3%

Insider Decisions

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

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	85	82	80
to Sell	95	84	88
Hld's(000)	32940	34975	34496

% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-15.9	-9.7
3 yr.	35.5	27.3
5 yr.	70.7	85.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
25.93	25.68	28.16	23.03	24.09	26.73	30.17	30.24	32.61	42.98	39.68	35.96	40.14	43.59	48.47	50.27	*52.25*	*54.45*	Revenues per sh A	60.40
3.34	3.24	5.09	2.65	3.00	3.85	4.48	4.45	4.57	4.79	5.07	5.11	5.57	5.20	5.97	6.21	*6.30*	*6.55*	"Cash Flow" per sh	7.40
.81	.63	1.22	.10	.25	.77	1.65	1.27	1.21	1.15	1.16	1.13	1.66	1.25	1.98	1.95	*2.00*	*2.15*	Earnings per sh A B	2.60
.70	.74	.80	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.86	*.90*	*.94*	Div'ds Decl'd per sh C■	1.06
5.02	5.43	6.64	6.79	8.19	6.19	6.40	7.41	7.04	8.17	8.50	7.03	8.23	7.49	8.27	7.96	*6.50*	*7.80*	Cap'l Spending per sh	9.40
15.99	15.96	16.38	14.55	14.20	14.09	15.67	16.31	16.82	17.27	17.91	18.42	19.18	19.10	21.58	22.98	*23.85*	*24.45*	Book Value per sh	26.05
20.60	21.00	21.28	24.47	26.73	27.39	30.41	30.99	31.71	32.49	33.29	34.23	36.79	39.33	41.77	42.81	*44.00*	*45.00*	Common Shs Outst'g D	48.00
16.6	26.5	14.0	NMF	69.3	24.1	13.2	21.1	16.0	19.0	19.9	19.2	14.3	20.6	15.9	18.4	*Bold figures are*		Avg Ann'l P/E Ratio	15.0
1.01	1.57	.92	NMF	4.34	1.39	.69	1.20	1.04	.97	1.09	1.09	.76	1.10	.86	.98	*Value Line*		Relative P/E Ratio	1.00
5.2%	4.4%	4.7%	5.4%	4.7%	4.4%	3.8%	3.1%	4.2%	3.8%	3.6%	3.8%	3.5%	3.2%	2.6%	2.4%	*estimates*		Avg Ann'l Div'd Yield	2.7%

CAPITAL STRUCTURE as of 3/31/08

Total Debt $1301.0 mill. **Due in 5 Yrs** $606.3 mill.
LT Debt $1263.6 mill. **LT Interest** $93.0 mill.
(Total interest coverage: 2.4x)

Pension Assets-12/07 $441.7 mill. **Oblig.** $546.4 mill.

Pfd Stock None

Common Stock 43,276,994 shs. as of 5/1/08

MARKET CAP: $1.3 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
917.3	936.9	1034.1	1396.7	1320.9	1231.0	1477.1	1714.3	2024.7	2152.1	*2300*	*2450*	Revenues ($mill) A	2900
47.5	39.3	38.3	37.2	38.6	38.5	58.9	48.1	80.5	83.3	*88.0*	*95.0*	Net Profit ($mill)	125
43.4%	35.5%	26.2%	34.5%	32.8%	30.5%	34.8%	29.7%	37.3%	36.5%	*38.0%*	*36.0%*	Income Tax Rate	36.0%
5.2%	4.2%	3.7%	2.7%	2.9%	3.1%	4.0%	2.8%	4.0%	3.9%	*3.8%*	*3.9%*	Net Profit Margin	4.3%
60.2%	60.3%	60.2%	56.2%	62.5%	66.0%	64.2%	63.8%	60.6%	58.1%	*55.5%*	*55.0%*	Long-Term Debt Ratio	52.0%
35.3%	35.5%	35.8%	39.6%	34.1%	34.0%	35.8%	36.2%	39.4%	41.9%	*44.5%*	*45.0%*	Common Equity Ratio	48.0%
1349.3	1424.7	1489.9	1417.6	1748.3	1851.6	1968.6	2076.0	2287.8	2349.8	*2350*	*2450*	Total Capital ($mill)	2600
1459.4	1581.1	1686.1	1825.6	1979.5	2175.7	2336.0	2489.1	2668.1	2845.3	*2950*	*3100*	Net Plant ($mill)	3600
5.8%	4.8%	4.6%	5.1%	4.3%	4.2%	5.0%	4.3%	5.5%	5.5%	*5.5%*	*6.0%*	Return on Total Cap'l	6.5%
8.9%	7.0%	6.5%	6.0%	5.9%	6.1%	8.3%	6.4%	8.9%	8.5%	*8.5%*	*8.5%*	Return on Shr. Equity	10.0%
10.0%	7.8%	7.2%	6.6%	6.5%	6.1%	8.3%	6.4%	8.9%	8.5%	*8.5%*	*8.5%*	Return on Com Equity	10.0%
5.0%	2.8%	2.4%	1.9%	1.9%	1.7%	4.3%	2.2%	5.2%	4.8%	*4.5%*	*5.0%*	Retained to Com Eq	6.0%
50%	64%	67%	71%	70%	72%	49%	65%	42%	44%	*44%*	*44%*	All Div'ds to Net Prof	41%

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Cash Assets	18.8	32.0	17.4
Other	482.8	470.5	383.8
Current Assets	501.6	502.5	401.2
Accts Payable	265.7	220.7	150.7
Debt Due	27.5	47.1	37.3
Other	202.9	260.1	283.3
Current Liab.	496.1	527.9	471.3
Fix. Chg. Cov.	220%	229%	232%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	6.0%	4.5%	4.0%
"Cash Flow"	4.5%	4.0%	4.0%
Earnings	12.0%	6.0%	7.0%
Dividends	--	--	4.0%
Book Value	3.0%	3.5%	3.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	542.9	361.1	313.3	497.0	1714.3
2006	676.9	430.9	351.8	565.1	2024.7
2007	793.7	426.6	371.5	560.3	2152.1
2008	813.6	*460*	*400*	*626.4*	*2300*
2009	*850*	*500*	*440*	*660*	*2450*

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.88	d.07	d.43	.87	1.25
2006	1.11	.02	d.26	1.11	1.98
2007	1.17	d.01	d.22	1.00	1.95
2008	1.14	*Nil*	*d.20*	*1.06*	*2.00*
2009	*1.20*	*.05*	*d.20*	*1.10*	*2.15*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.205	.205	.205	.205	.82
2005	.205	.205	.205	.205	.82
2006	.205	.205	.205	.205	.82
2007	.205	.215	.215	.215	.85
2008	.215	.225			

BUSINESS: Southwest Gas Corporation is a regulated gas distributor serving approximately 1.8 million customers in sections of Arizona, Nevada, and California. Comprised of two business segments: natural gas operations and construction services. 2007 margin mix: residential and small commercial, 86%; large commercial and industrial, 5%; transportation, 9%. Total throughput: 2.4 billion therms. Sold PriMerit Bank, 7/96. Has 5,073 employees. Off. & Dir. own 1.8% of common stock; T. Rowe Price Associates, Inc., 6.7%; GAMCO Investors, Inc., 5.8% (3/08 Proxy). Chairman: James J. Kropid. Chief Executive Officer: Jeffrey W. Shaw. Inc.: California. Address: 5241 Spring Mountain Road, Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.swgas.com.

Southwest Gas reported a modest top-line improvement and a slight share-earnings decline to start off the year. Colder-than-usual temperatures helped some. Performance also benefited from rate relief and a larger customer base. That said, customer growth has slowed dramatically in recent times. The inventory of unoccupied homes remained fairly high in the company's service territories, owing to weakness in the housing market. Greater operating costs and a higher share count also hurt. Looking forward, we anticipate unimpressive bottom-line results at Southwest for the second and third quarters. This is not unusual, considering the seasonal nature of the business. Overall, we have lowered our share-net call for full-year 2008 by a nickel, to $2.00. The bottom line may advance at a faster clip in 2009, assuming customer growth picks up, although that is by no means assured.

The company has rate case proceedings in Arizona and California. Hearings in each jurisdiction are scheduled for the summer months. Southwest is seeking a rate increase of $50.2 million (almost 5%) in Arizona, and has included several proposed rate design changes that would address weather-related volatility. In California, SWX is seeking a $9.1 million increase in operating revenues. The company anticipates the resolution of these cases later in the year. These requests seem reasonable, but it's not clear what pressures the rate boards will be under, if any.

Investors should be aware of several caveats. Warmer-than-normal temperatures during the winter months hurt results at Southwest Gas. In addition, as the company continues to expand, it will likely incur higher operating costs. Moreover, insufficient, or lagging, rate relief could also hurt profits. Economic weakness could mean tougher bill collection, as well.

These shares have improved a notch in Timeliness, and are now ranked 3 (Average) for year-ahead performance. We project solid bottom-line growth at Southwest Gas over the pull to 2011-2013. At the current quotation, this issue has decent total return potential for a utility. Nevertheless, conservative investors would be wise not to overweight this stock, given the reliance on debt to fund growth.

Michael Napoli, CPA *June 13, 2008*

(A) Incl. income for PriMerit Bank on the equity basis through 1994. (B) Based on avg. shares outstand. thru. '96, then diluted. Excl. nonrec. gains (losses): '93, 8¢; '97, 16¢; '02, (10¢); '05, (11¢); '06, 7¢. Incl. asset writedown: '93, 44¢. Excl. loss from disc. ops.: '95, 75¢. Totals may not sum due to rounding. Next egs. report due in August. (C) Dividends historically paid early March, June, September, December. ■ Div'd reinvest. plan avail. (D) In millions.

Company's Financial Strength	B
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	65

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Dr. James H. Vander Weide

5. Refer to the Direct Testimony of Dr. Vander Weide at 34.

   a. Provide evidence supporting the statement that Kentucky-American is "currently more risky than an investment in the average utility in the S&P Utilities Index over the entire period 1936 to the present."

   b. Provide a side-by-side comparison of the company with the average utility in the index.

Response:

a. The referenced statement is based on Dr. Vander Weide's judgment as an expert on the cost of capital for public utilities. Since the companies in the S&P Utilities Index change over time, it would not be possible to provide numerical evidence supporting the statement that Kentucky-American Water Company is "currently more risky than an investment in the average utility in the S&P Utilities Index over the entire period 1936 to the present."

b. It is not possible to provide a side-by-side comparison of Kentucky-American Water Company with "the average utility in the index" because the utilities in the index have changed over the period 1936 to the present.

For the electronic version, refer to KAW_R_PSCDR2#5_010809.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Dr. James H. Vander Weide

6. Refer to the Direct Testimony of Dr. Vander Weide at Exhibit_JVW-1 Schedule 7-1.

   a. Provide an explanation as to why using the yield on 30-year treasury bonds would not be more appropriate than that of 20-year bonds for the risk-free rate.

   b. Provide an explanation as to why a Capital Asset Pricing Model calculation using electric companies is relevant in this case.

   c. Provide the pages from the SBBI 2007 Yearbook from which the use of the risk premium and from which both the historical and long horizon risk premium may be found.

Response:

a. The CAPM requires that the same maturity Treasury bond be used to estimate the risk-free rate in the CAPM as is used to estimate the risk premium on the market portfolio. Since the Ibbotson Associates historical risk premium data uses the 20-year Treasury bond to measure the risk premium on the market portfolio, to be consistent, one must use the yield on a 20-year Treasury bond to estimate the risk-free rate in the CAPM.

b. There is a typographical error in Schedule 7, page 1. As shown on Schedule 7, page 2, the 0.96 beta in the CAPM is the average beta for the proxy group of water companies.

c. The requested data are supplied.

For the electronic version, refer to KAW_R_PSCDR2#6_010809.pdf.

Ibbotson® SBBI®
2008 Valuation Yearbook

Market Results for
Stocks, Bonds, Bills, and Inflation
1926–2007

MORNINGSTAR®

	Value
Yields (Riskless Rates)[1]	
Long-term (20-year) U.S. Treasury Coupon Bond Yield	4.5%
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	6.2

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	$2,413.583	–	$9,206.713	0.92%
Low-Cap, 6-8	$725.267	–	$2,411.794	1.65%
Micro-Cap, 9-10	$1.922	–	$723.258	3.65%
Breakdown of Deciles 1-10				
1-Largest	$20,386.369	–	$472,518.672	–0.34%
2	$9,274.049	–	$20,234.526	0.68%
3	$5,025.807	–	$9,206.713	0.76%
4	$3,426.586	–	$5,012.577	0.93%
5	$2,413.583	–	$3,422.743	1.47%
6	$1,633.668	–	$2,411.794	1.60%
7	$1,129.192	–	$1,633.320	1.50%
8	$725.267	–	$1,128.765	2.20%
9	$363.549	–	$723.258	2.56%
10-Smallest	$1.922	–	$363.479	5.82%
Breakdown of the 10th Decile				
10a	$211.628	–	$363.479	3.99%
10b	$1.922	–	$211.590	9.73%

[1] As of December 31, 2007. 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. 2008-00427
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Dr. James H. Vander Weide

7. Refer to the Direct Testimony of Dr. Vander Weide at 40-42 and Exhibit_JVW-1 Schedules 7-8.

   a. Explain the differences between the Ibbotson SBBI risk premium and the DCF S&P 500 derived risk premium.

   b. Explain why using the DCF S&P 500 derived risk premium is appropriate in this case.

Response:

   a. As described on pp. 39 – 40 of Dr. Vander Weide's direct testimony (Q. and A. 77), the Ibbotson SBBI risk premium is calculated as the difference between the arithmetic mean return on the S&P 500 and the income return on 20-year Treasury bonds over the period 1926 to the present. The DCF S&P 500 derived risk premium is calculated by applying the DCF model to each company in the S&P 500 using data as of the time of the testimony and subtracting the yield to maturity on 20-year Treasury bonds at that time from the DCF result.

   b. Using the DCF S&P 500 derived risk premium is appropriate in this case because it is a forward-looking estimate of the required risk premium on the market portfolio.

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KENTUCKY-AMERICAN WATER COMPANY
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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Michael A. Miller/Keith L. Cartier

8. List all Kentucky-American facilities and contract operations that are not subject to the Commission's regulation.

Response:

The facilities and contract operations not subject to Commission regulations are limited to the operating income generated through the Company's contract with the Bluegrass Station. While subject to Commission jurisdiction, the Company has not included any cost of service elements associated with the Boonesboro and Owenton sewer operation in the cost of service/revenue requirement in this case.

For the electronic version, refer to KAW_R_PSCDR2#8_010809.pdf.