STATE OF NEW HAMPSHIRE

BEFORE THE

PUBLIC UTILITIES COMMISSION

Re: Pennichuck Water Works, Inc.

DW 10-091

PREFILED DIRECT TESTIMONY OF THOMAS C. LEONARD

May 2010

Q. Please state your name and business address.

A. My name is Thomas C. Leonard. My business address is 25 Manchester Street, Merrimack, New Hampshire.

Q. What is your position with the Company?

A. I am the Senior Vice President, Treasurer and Chief Financial Officer of Pennichuck Water Works, Inc. ("Company") and of its parent company, Pennichuck Corporation (the "Parent"). I joined the Company in July 2008.

Q. Have you previously testified before this or any other regulatory commission or governmental authority?

A. Yes. I have given live testimony and/or submitted written testimony in the following dockets before the New Hampshire Public Utilities Commission:

<u>Rate Cases</u>

Pennichuck Water Works: DW 08-073 – adopted pre-filed testimony of William D. Patterson, the former CFO

<u>Financings</u>

Pennichuck Water Works –DW 10-105, DW 09-111, DW 09-063

Pennichuck East Utility – DW 09-134

I have also submitted written testimony or given live testimony previously in New Hampshire and Vermont rate proceedings regarding working capital calculations and accounting for deferred income taxes. I have also previously testified in a number of state and federal court cases regarding various other accounting matters.

Q. Please summarize your educational background.

A. I have a Bachelor in Business Administration--Accounting from the University of Wisconsin in Madison, Wisconsin.

Q. Please summarize your professional background.

A. Prior to joining the Company, I was a Vice President with Charles River Associates from June, 2006 to May 2008 and before that a Managing Director with Huron Consulting Group from December 2002 to May 2006. My role at both organizations was to provide expert accounting and financial analysis and testimony in connection with investigations and disputes. Prior to joining Huron, I was the Head of the Audit Division in New England for Arthur Andersen LLP and served as Audit Partner for a wide range of clients including water, gas and electric utilities.

Q. What are your responsibilities as Chief Financial Officer of the Company?

A. As Chief Financial Officer of the Company, I am responsible for the overall financial management of the Company including financing, accounting and budgeting. My responsibilities include issuance and repayment of debt, issuance of common or other forms of equity as well as quarterly and annual financial reporting. I work with the President of PWW to determine the lowest cost alternatives available to fund the capital requirements of PWW that result from PWW's annual capital expenditures and its current debt maturities.

Q. What is the purpose of your testimony?

A. I will address the Company's determination of its capital structure including debt financing plans and the recent equity infusion which, taken together, result in an overall rate of return of 7.86%. I will also address the critical importance to the

Company of receiving adequate rate relief, including a reasonable return on common equity, in order to maintain its financial integrity and to ensure it an opportunity to continue to raise debt and equity capital at reasonable costs and on acceptable terms.

Q. Please comment on the Company's financial integrity.

A. The Company's current request for rate relief is primarily a result of its failure to achieve returns at or near its most recently allowed rate of return. This is demonstrated by comparing the Company's actual rate of return on invested capital (ROI) to the allowed ROI granted in its most recent rate proceeding. ROI is defined as net operating income divided by average rate base. As shown in Section 15, Schedule 10 of the Company's filing, the Company's historical ROI has not reached the level last authorized since December 31, 2006. From December 31, 2006 through December 31, 2009, the Company's historical ROI has ranged from a high of 6.64% to a low of 3.11%. For the test year ended December 31, 2009, the Company's actual ROI was 5.65%. The Commission's order in DW 08-073 established an allowed rate of return of 7.38%. Order No. 25,006. At December 31, 2009, the difference between the Company's actual ROI and its allowed return was 173 basis points. The Company's actual ROI improved slightly to 6.02% for the twelve months ended February 28, 2010 but still misses the most recent allowed ROI by 136 basis points.

Q. Please explain the principal reasons why the Company has been unable to earn its allowed ROI.

A. The Company's historical underperformance in ROI has been largely attributable to the $40 million capital improvement program associated with the Water Treatment Plant that began in 2005 and was completed in the spring of 2009. As described in detail in Mr. Ware and Ms. Hartley's testimony, the Company has invested approximately $10.6 million in non-revenue producing capital Improvements that were not included in the last rate case (DW 08-073). Furthermore, the Company expects to have completed an additional $4.9 million in such capital improvements through December 2010, that will either already be in service or will be in service prior to final adjudication of this proceeding. In addition, in 2008 and 2009, after the Company had filed a rate case based on a 2007 test year, it began to experience declining customer consumption across all its customer classes and also experienced significant increases in property taxes as a result of not only its ongoing construction program but also as a result of changes in the valuation methodology utilized by the Department of Revenue to assess the state utility tax. Specifically, since 2007, overall usage has declined by approximately 766 million gallons or over 17% and since 2008, property taxes have increased by approximately $561 thousand or approximately 30%. The decline in water usage and increase in property taxes are discussed in more detail in Ms. Hartley and Mr. Ware's testimony.

Q. Please explain the Company's proposed capital structure.

A. As shown in Section 15, Schedule 2, the Company's total pro forma capitalization as of December 31, 2009, was $104.4 million. This was comprised of pro forma long-term debt of $51.9 million and actual common equity of $52.6 million. Common equity reflects equity infusions from the Parent derived primarily from the proceeds of an equity offering in December 2009 that raised net proceeds of approximately $7.5 million. Once the transaction closed, the Parent's board of directors formally authorized contribution of the cash proceeds from the transaction to the Company which reduced the Company's debt/equity ratio from 54%/46% at November 30, 2009 to 50%/50% at December 31, 2009 (on a pro forma basis).

Q. How does the Company's proposed capital structure compare with the publicly traded water utility industry?

A. With the most recent equity infusion, the Company's 50%/50% debt/equity ratio is comparable to other publicly traded water utility companies. As shown in the "Water Utility Industry Summary" page 3 published by Edward Jones and dated March 31, 2010 the median publicly traded water utility industry debt/equity ratio was 49/51%at December 31, 2009. A copy of this publication is attached to my testimony as Exhibit TCL-1.

Q. Before the recent equity infusion, what factors have caused the Company to deviate from the industry median?

A. The Company's significantly more highly leveraged debt/equity ratio was primarily attributable to borrowing the funds required for its capital improvement program. During the 4 years from 2006 through 2009 while the Water Treatment Plant was being rebuilt, the Company needed to raise approximately $60 million in capital improvements (including approximately $40 million invested in the Water Treatment Plant). Pennichuck Corp raised approximately $17.5 million in equity in 2005 of which $15 million was contributed to the Company and available to fund the Company's construction program. However, the overwhelming majority of the funding needed was obtained through a $49.5 million tax exempt borrowing arrangement with the Business Finance Authority of New Hampshire (BFA) under which the Company was able to draw down funds as needed while keeping the remaining amounts in escrow. The use of the BFA financing arrangement to fund the majority of the Company's capital program from 2006 through late 2009 had the benefit of 1) being a very low cost source of capital to the Company and 2) being available during periods when the status of the eminent domain proceeding (DW 04-048) or the state of the stock market prevented the Company from raising equity capital at a fair price per share. However, the addition of approximately $32 million of BFA debt to the Company's capital structure over the four year period from September 30, 2005 when the BFA financing was arranged through September 2009 resulted in a substantial increase in the Company's debt/equity ratio. Schedule 4 shows the increase in the Company's year end debt/equity ratio which was at 49/51 at year end 2005 and increased to 57/43 as of year end 2008. This debt/equity ratio was not only significantly higher than our peer companies but it was trending upwards toward the maximum ratio of 65/35 at which point the Company would be in default of certain lending agreements and its access to capital (both debt and equity) could have been significantly impaired .

Q. What is the implication to the Company of a highly leveraged capital structure?

A. A highly leveraged capital structure introduces a higher level of financial risk in the Company's overall risk profile. Such financial risk, when considered in the light of the Company's substantial business risk (as discussed later in my testimony) would have increased the risk of a downgrade of the Company's debt rating. If that downgrade occurred, the Company would be unable to raise debt or equity as necessary to fund capital expenditures and debt maturities at acceptable interest rates or per share prices. Additionally, as stated above, at a debt level of 65% or more of total capitalization, the Company would be in default of it current borrowing arrangements.

Q. Would you please discuss the overall rate of return that the Company is requesting in this rate proceeding?

A. Yes. Section 15, Schedule 1 summarizes the Company's capital structure as well as the proposed component costs for long-term debt and common equity. The Company is requesting that the Commission authorize the Company to earn an overall rate of return on investment (ROI) of 7.86%. The 7.86% weighted average cost of capital is comprised of two components: (i) 2.95% for the cost of long-term debt, and (ii) 4.91% for the return on common equity. This is based on a cost of debt of 5.94% applied to the pro forma debt ratio of 49.67% and a cost of equity of 9.75% applied to the pro forma equity ratio of 50.33%.

Q. Please describe your methodology in determining the Company's embedded cost of long-term debt.

A. I have used the embedded actual cost methodology. Under this approach, the actual annual interest expense for each debt issue is computed and added to the annual amortization of related issuance costs. The totals for all long-term debt issues are added and then reduced by the respective debt issuance costs. The sum total amount is divided by the total principal balance, net of debt issuance costs, outstanding at the end of the test year, as adjusted. This produces a weighted average cost of long-term debt including both the interest expense and the amortization of the original debt issuance costs. Referring to Section 15, Schedule 5, the weighted average cost of long-term debt is 5.94% based on total annual interest and amortization costs of $3.1 million divided into the total principal balance, net of debt issuance costs, outstanding of $51.9 million.

Q. Are there any other factors to consider in the cost of long-term debt?

Yes. As I discussed above, in October 2005, Pennichuck Water Works ("PWW" or the "Company") borrowed $49.5 million under a Business Finance Authority of New Hampshire tax exempt borrowing arrangement ("BFA" or the "BFA debt") to be used for the construction of the Water Treatment Plant and other capital improvements as detailed in the offering document. The initial offering consisted of $12.125 million of Series A bonds that PWW drew down immediately while the remainder ($37.36 million) was escrowed for a one year period. At this and each subsequent maturity date (approximately every 6 months), the Company would draw down amounts as needed to fund its needs related to the construction contemplated in the Offering Document and re-escrow amounts not yet needed.

In connection with each draw down/re-escrow event, the Company would incur legal, accounting, insurance and other offering costs including favorable or unfavorable interest arbitrage. The Company allocated the costs associated with each borrowing/escrow event first by allocating to each offering the specifically identifiable costs and then by allocating the general costs to each component of the offering based on relative pro-rata dollar amounts. As a result of this allocation process, at December 31, 2009, PWW had $758,210 of net deferred debt expense associated with the $11.36 million of BFA bonds that remain in escrow at year end.

These remaining escrowed bonds mature for borrowing/re-escrow on July 1, 2010 with an ultimate maturity of October 1, 2010. In view of the $7.5 million equity infusion in December, the Company reviewed its cash forecast for 2010/2011 and has concluded that it will not borrow any of the escrowed funds in 2010. As a result, the Company expects to let the escrowed bonds be repaid on July 1, 2010 from the securities held in escrow.

The BFA program provided the Company with assurance of funding a significant portion of its 2006-2009 capital expenditure program which was critical in view of the Company's inability to raise equity for specific periods of time as a result of the Eminent Domain dispute. While a 100% draw down of the BFA financing would have resulted in a very high debt/equity ratio, having a pre-arranged debt funding source allowed the Company to proceed with the $40 million water treatment plant portion of its capital expenditure program with assurance that debt funding was available to pay its contractors. Ultimately, the Company was able to raise $7.5 million in equity in December of 2009. The Company used the majority of the proceeds to repay a $5 million long term note due on March 4, 2010. The remaining funds will be utilized to fund a portion of the 2010 capital expenditure program.

The addition of new equity capital as well as the completion of the water treatment plant on budget has eliminated the Company's need to fully draw down the BFA financing and avoid the negative impact of such a draw down on the Company's debt/equity ratio. As a result, while it did not draw down 100% of the availability over the five year period, it is appropriate to allocate the costs of this funding program to the funds that were actually drawn down. Therefore, the Company has allocated all of the net deferred debt expense of the BFA financing to the outstanding BFA debt in December. Further, we began amortizing those adjusted amounts in January 2010 and therefore, the additional amortization is reflected in the pro forma cost of debt.

Q. What is the return on common equity that the Company is seeking in this rate proceeding?

A. The Company is seeking a return on common equity of 9.75% on its pro forma December 31, 2009 common equity balance of $52.5 million as shown in Section 15, Schedule 1.

Q. Has the Company retained an outside expert witness for the return on (cost of) common equity?

A. No. The Company is attempting to limit its rate case expense by eliminating the need to hire a rate of return expert to determine a fair rate of return. Rate of Return consultants can cost in excess of $40,000 per rate filing. The Company does, however, reserve the right in this proceeding to hire an expert if a settlement cannot be reached on this matter.

Q. How was the 9.75% return on equity determined?

A. The Company has adopted the cost of equity of 9.75% authorized in the Company's last rate case (DW 08-073).

Q. What factors do you believe are most critical in evaluating the Company's ROE?

A. I believe there are three critical factors to consider in evaluating the Company's ROE. The first factor is the ROE must meet long-established standards for a fair rate of return. Second, capital market participants carefully monitor and analyze the regulatory climates and decisions involving utility companies. Market participants' views of regulation and changes in regulation are quickly incorporated into utility security prices, which bear directly on cost of capital. Third, ROE decisions bear directly on costs to consumers and business investment in the State.

As I will discuss below, the Company is subject to both business risks and financial risks. Financial markets have perceived prior decisions by this Commission in the Company's rate cases to be supportive. Continuing support is critical for maintaining Pennichuck Corporation's (the "Parent") common stock price and the Company's borrowing costs, and for preserving access to capital at reasonable costs and terms for the Company. Such support has been important as the Company has conducted its major capital improvement program. Even with the completion of its Water Treatment Plant, the Company's on-going capital expenditure program will require it to continue to access the debt and equity markets to finance the majority of its capital improvements. Given such reliance on external financing, it is especially important that the Company have broad and unfettered access to debt and equity markets.

The Company's ability to borrow funds is limited under virtually all of its outstanding loan agreements to 65% of capitalization, 60% of net property, plant, and equipment, and a 1-1/2 times interest coverage ratio. As a result, the Company's ability to achieve its external financing requirements is directly tied to receipt of adequate rate relief including an adequate ROE

Q. Earlier in your testimony you referred to the principal forms of risk for water utilities, namely business risk and financial risk. Please elaborate on these concepts.

A. Business risk refers to the risks inherent in operating and managing an enterprise. The primary factor in the determination of business risk for water utilities according to Standard and Poor's Rating Service ("S&P") is the assessment of regulatory risk. S&P also considers service area demographics (markets), operations, competitiveness and managerial experience.

Q. What is your opinion of the Company's specific business risk profile in comparison with the overall water utility industry?

A. There are a number of Company specific factors that magnify its business risk profile relative to its peer group. The first factor is the Company's small size. As of December 31, 2009, the Parent company's market capitalization of approximately $109 million ranks last (smallest) among publicly traded water utility companies and is many times smaller than the average for its peer companies. Small size magnifies the impact of certain unavoidable fixed costs, such as compliance with Sarbanes-Oxley compliance costs or directors and officers' liability insurance. Another unique business risk facing the Company is the City of Nashua's eminent domain action. The Parent's financial statements reflect the significant level of expense it incurred to defend against this action. These costs were incurred because of the Company's need to defend its franchise and ensure that both the Company's and its customers' interests are fairly represented. These costs must be expensed for accounting purposes (absent rate treatment) and have reduced the Parent's historical earning per share. As a result of the New Hampshire Supreme Court's decision, additional costs may be incurred in 2010 and thereafter depending upon any subsequent steps taken by the City of Nashua. Another factor magnifying the Company's business risk is its geographically small, single state service territory. Water companies that operate in multiple states across larger geographic areas are generally considered to have less business risk as they are less reliant on a single regulator or on the weather in a specific geography.

Q. Please explain what you mean by financial risk.

A. Financial risk reflects the assessment of the Company's corporate financing policies and practices including: liquidity (i.e. credit lines), debt and equity capitalization, and dividend policy, all in relation to the Company's operating and capital spending plans. More specifically, financial risk considers and seeks to measure the Company's ability to finance its capital additions program while meeting its debt obligations and dividend requirements on a timely and consistent basis. Market investors such as Edward Jones and ratings agencies such as S&P and Moody's Investor Service ("Moody's) have developed a number of key ratios (credit benchmarks) which quantify financial risk by business risk category. Other things being equal, the higher the business risk the higher the credit benchmarks necessary to achieve an overall S&P bond rating.

Q. Does the Company have a credit rating for its debt?

A. Yes. In the fall of 2005 in connection with its $50 million tax-exempt bond issue, the Company sought and obtained a credit rating from Moody's. This rating was re-affirmed in 2009.

Q. What is the credit rating for the Company's debt?

A. Moody's assigned a credit rating of Baa3 to the Company's senior debt obligations. This rating is the lowest gradation in the category known as "investment grade" debt.

A one notch or greater decline in the credit rating would place the Company's debt in the "non-investment grade" category, also known as junk bonds.

Q. What are the primary factors/determinants for Moody's assigned credit rating of Baa3?

A. According to Moody's, the Company's Baa3 credit rating reflects "...reasonably supportive regulatory treatment by the Commission, which is expected to continue..." and the Company's use of "...equity funding for a portion of its large capital spending program that will increase its regulated rate base..."

Q. Does the rating take into consideration particular challenges facing the Company?

A. Yes. The rating considers several challenges including the Company's capital additions program, the need for adequate rate relief to maintain financial ratios, the small size of the Company, and the costs and uncertainties associated with the eminent domain proceedings.

Q. What are the primary factors that could result in a downgrading?

A. The primary factors that could result in a downgrade include "...unsupportive regulation..." that results in deterioration in cash flow ratios and coverages as well as "...higher legal costs or potentially adverse outcomes for the eminent domain proceeding..."

Q. What are the likely consequences should the Company's credit rating slip?

A. Should the Company's rating slip to "non-investment grade" status, its cost of capital would rise considerably and its access to capital at reasonable costs and terms would be severely curtailed.

Q. In addition to the debt credit rating agencies, do equity analysts cite the importance of supportive regulatory treatment?

A. Yes. One of the most prolific firms specializing in water utility equity securities is Janney Montgomery Scott. In its report on the water utility sector in February 2009, Janney noted "Investors often ask about the most important factor for comparing and valuing regulated water utilities. Unequivocally, the answer is REGULATION. ...We view ratemaking as the most important interaction that a utility has with the commission, and the main driver of its ability to generate sustainable earnings. Commissions that work with the company to minimize rate shock to customers while stimulating infrastructure investments in their jurisdictions are viewed most favorably; by the investment community."

Q. Do you have any other factors to highlight?

A. Yes. The Company is seeking authorization from the Commission to implement a Water Infrastructure and Conservation Adjustment Surcharge (WICA). Its purpose, as discussed in more detail in Mr. Ware's testimony, is to systematically replace aging infrastructure in a timely and cost effective manner. In this area, Janney has also noted "Equally important is a company's ability to earn its allowed ROE. Timely rate relief to cover allowed costs and surcharge mechanisms that allow utilities to "catch up" between regular rate cases are critical factors in helping a utility to earn its allowed return". The Company believes that WICA is an appropriate and important surcharge mechanism to achieve the "catch up" necessary between rate cases.

Q. Would you please summarize your rate of return testimony?

A. The Company is seeking an overall rate of return of 7.86%, comprised of an embedded cost of long-term debt of 5.94% and a 9.75% return on common equity. Given its modest levels of internal cash flow relative to its capital improvements, the Company has relied heavily on its ability to raise debt and equity capital. It is equally critical that the Company achieve access to capital at reasonable costs and terms. Regulatory support, consistent with prior decisions and with investor's current expectations, in the form of reasonable rate relief including a fair return on common equity, is absolutely necessary. .

Q. Does this complete your direct testimony?

A. Yes.

Exhibit TL-1

WATER UTILITY INDUSTRY SUMMARY

Quarterly Financial and Common Stock Information

March 31, 2010

www.edwardjones.com

Edward Jones

MAKING SENSE OF INVESTING

INV-1639H-A JAN 2009

TABLE OF CONTENTS

Common Stock Information	2
Quarterly Financial Statistics	3
Ranking by Market Capitalization	4
Ranking by % 52-Week High	5
Ranking by 5-Year Total Return	6
Ranking by Dividend Yield	7
Ranking by P/E	8
Ranking by Total Capitalization	9
Ranking by Short Term & Current Maturities of Long Term Debt	10
Ranking by Common Equity to Total Capitalization	11
Ranking by EPS Growth	12
Ranking by Return on Capital	13
Ranking by 1-Year Dividend Growth	14
Ranking by 5-Year Dividend Growth	15
Ranking by Dividend Payout	16
Ranking by Interest Coverage	17
Definitions	18

Edward Jones
Investment Banking Department
12555 Manchester Road
St. Louis, MO 63131-3729
314-515-2648
www.edwardjones.com

Bret D. Kimes
314-515-2651
bret.kimes@edwardjones.com

T. William Hizar, Jr.
314-515-2676
bill.hizar@edwardjones.com

Thomas E. Lally
314-515-2679
tom.lally@edwardjones.com

Andrew J. Waltke
314-515-2869
andrew.waltke@edwardjones.com

Source: Bloomberg

Edward Jones

COMMON STOCK INFORMATION ON 03/31/10

Company	Ticker	Market Cap (0,000)	Total Shares (0,000)	Daily Volume (0,000)	Closing Price	52-Week Range	% 52-Week High	5-Yr Total Return	Dividend Yield	P/E	Market to Book
American States Water Co	AWR	643,824	18,554	94	34.70	31.09 - 37.07	94%	58.8%	3.00%	18.5	179
American Water Works Co Inc	AWK	3,801,320	174,693	441	21.76	16.80 - 23.23	94%	NA	3.86%	15.8	95
Aqua America Inc	WTR	2,406,036	136,940	483	17.57	15.45 - 19.91	88%	9.1%	3.30%	20.0	216
Artesian Resources Corp	ARTNA	117,174	6,635	7	17.66	13.90 - 18.62	95%	21.7%	4.24%	16.5	146
California Water Service Group	CWT	780,972	20,765	130	37.61	33.54 - 40.87	92%	33.5%	3.16%	18.8	186
Connecticut Water Service Inc	CTWS	200,238	8,605	3	23.27	19.31 - 25.61	91%	13.7%	3.91%	22.4	184
Middlesex Water Co	MSEX	231,147	13,557	9	17.05	12.72 - 17.91	95%	16.9%	4.22%	18.7	165
Pennichuck Corp	PNNW	109,463	4,656	24	23.51	19.48 - 23.90	98%	43.2%	3.06%	30.1	198
SJW Corp	SJW	470,982	18,528	36	25.42	19.70 - 26.80	95%	62.3%	2.68%	20.0	186
York Water Co	YORW	172,948	12,578	14	13.75	12.25 - 17.80	77%	28.7%	3.72%	21.0	199
Mean		893,410	41,551	124	23.23		92%	32.0%	3.52%	20.2	175
Median		351,065	16,042	30	22.52		94%	28.7%	3.51%	19.4	185
Max		3,801,320	174,693	483	37.61		98%	62.3%	4.24%	30.1	216
Min		109,463	4,656	3	13.75		77%	9.1%	2.68%	15.8	95

Source: Bloomberg

QUARTERLY FINANCIAL STATISTICS

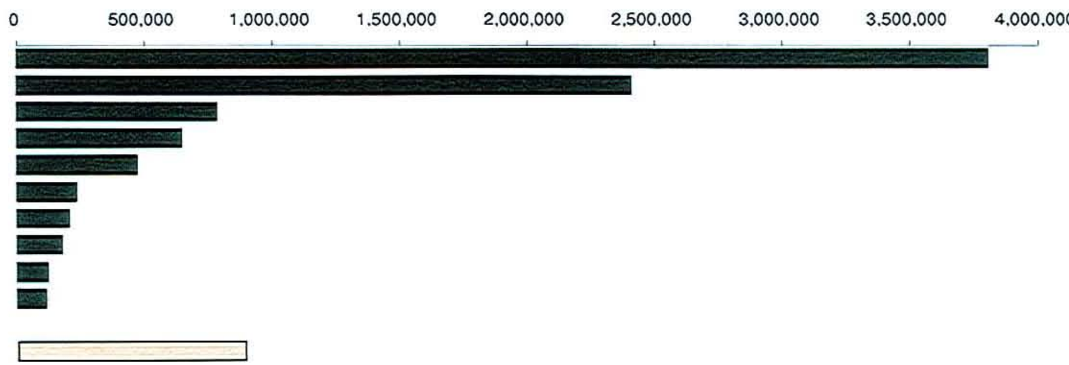
Company	12 Months Ending	Total Cap (0,000)	ST + Curr LT Debt (0,000)	Common Equity / Total Cap	EPS	% EPS Change	Return on Common Equity	Annualized Dividend as of 03/31/10	1-Yr Div Growth Rate	5-Yr Div Growth Rate	Dividend Payout	Interest Coverage
American States Water Co	12/31/2009	665,296	18,095	54	1.62	29.6%	8.82	1.04	4.0%	3.3%	63	2.02
American Water Works Co Inc	12/31/2009	9,317,542	173,565	43	-1.53	NA	-5.75	0.84	5.0%	NA	NA	1.80
Aqua America Inc	12/31/2009	2,496,021	87,064	44	0.78	6.9%	9.63	0.58	7.4%	8.3%	72	3.37
Artesian Resources Corp	12/31/2009	197,199	27,679	46	0.97	12.8%	8.12	0.75	5.0%	5.7%	75	1.83
California Water Service Group	12/31/2009	794,903	24,953	53	1.95	2.6%	9.85	1.19	0.8%	0.9%	61	2.49
Connecticut Water Service Inc	12/31/2009	221,296	25,000	49	1.19	7.2%	9.59	0.91	2.2%	1.6%	76	2.32
Middlesex Water Co	12/31/2009	267,914	46,560	53	0.72	-19.1%	7.04	0.72	1.4%	1.4%	99	2.38
Pennichuck Corp	12/31/2009	109,500	5,900	50	0.55	-50.0%	4.63	0.72	2.9%	2.2%	128	NA
SJW Corp	12/31/2009	499,635	6,881	51	0.81	-30.2%	5.98	0.68	3.0%	4.9%	82	2.13
York Water Co	12/31/2009	160,149	9,341	54	0.64	14.3%	9.59	0.51	1.6%	4.2%	79	3.62
Mean		1,472,946	42,504	50	0.77	-2.9%	6.75	0.79	3.3%	3.6%	82	2.44
Median		383,775	24,977	51	0.80	6.9%	8.47	0.73	2.9%	3.3%	76	2.32
Max		9,317,542	173,565	54	1.95	29.6%	9.85	1.19	7.4%	8.3%	128	3.62
Min		109,500	5,900	43	-1.53	-50.0%	-5.75	0.51	0.8%	0.9%	61	1.80

Source: Bloomberg

Edward Jones

RANKING BY MARKET CAPITALIZATION

Company	Market Cap (0,000)
American Water Works Co Inc	3,801,320
Aqua America Inc	2,406,036
California Water Service Group	780,972
American States Water Co	643,824
SJW Corp	470,982
Middlesex Water Co	231,147
Connecticut Water Service Inc	200,238
York Water Co	172,948
Artesian Resources Corp	117,174
Pennichuck Corp	109,463
Mean	893,410

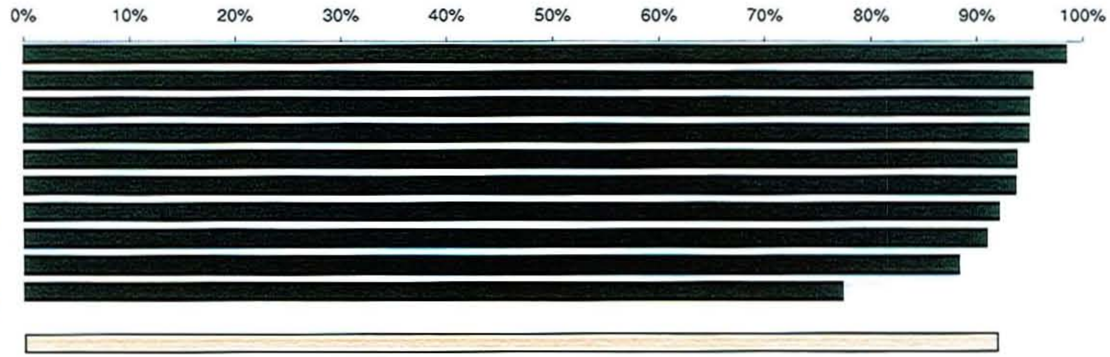


Source: Bloomberg

Edward Jones

RANKING BY PERCENT OF 52-WEEK HIGH

Company	% 52-Week High
Pennichuck Corp	98%
Middlesex Water Co	95%
SJW Corp	95%
Artesian Resources Corp	95%
American Water Works Co Inc	94%
American States Water Co	94%
California Water Service Group	92%
Connecticut Water Service Inc	91%
Aqua America Inc	88%
York Water Co	77%
Mean	92%

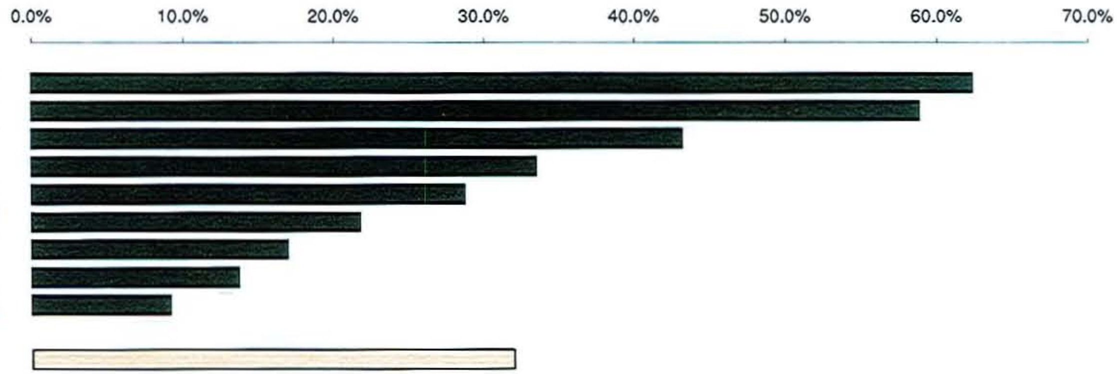


Source: Bloomberg

Edward Jones

RANKING BY 5-YEAR TOTAL RETURN

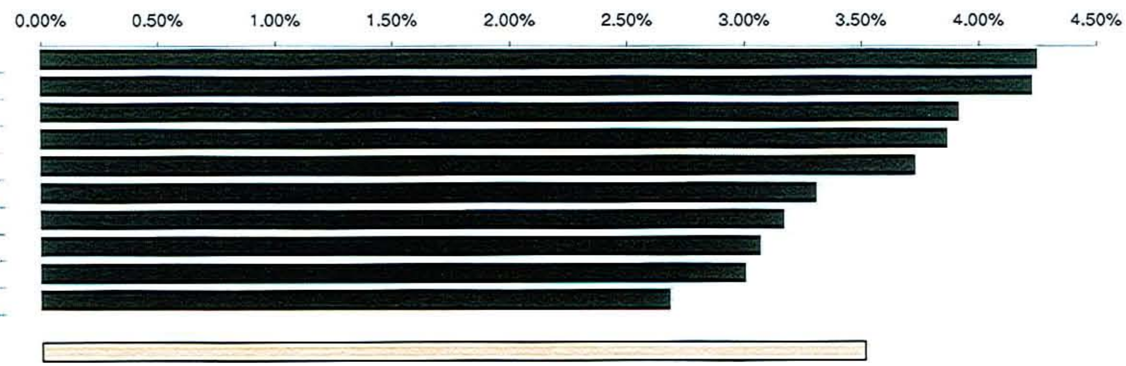
Company	5-Yr Total Return
American Water Works Co Inc	NA
SJW Corp	62.3%
American States Water Co	58.8%
Pennichuck Corp	43.2%
California Water Service Group	33.5%
York Water Co	28.7%
Artesian Resources Corp	21.7%
Middlesex Water Co	16.9%
Connecticut Water Service Inc	13.7%
Aqua America Inc	9.1%
Mean	32.0%



Source: Bloomberg

RANKING BY DIVIDEND YIELD

Company	Dividend Yield
Artesian Resources Corp	4.24%
Middlesex Water Co	4.22%
Connecticut Water Service Inc	3.91%
American Water Works Co Inc	3.86%
York Water Co	3.72%
Aqua America Inc	3.30%
California Water Service Group	3.16%
Pennichuck Corp	3.06%
American States Water Co	3.00%
SJW Corp	2.68%
Mean	3.52%

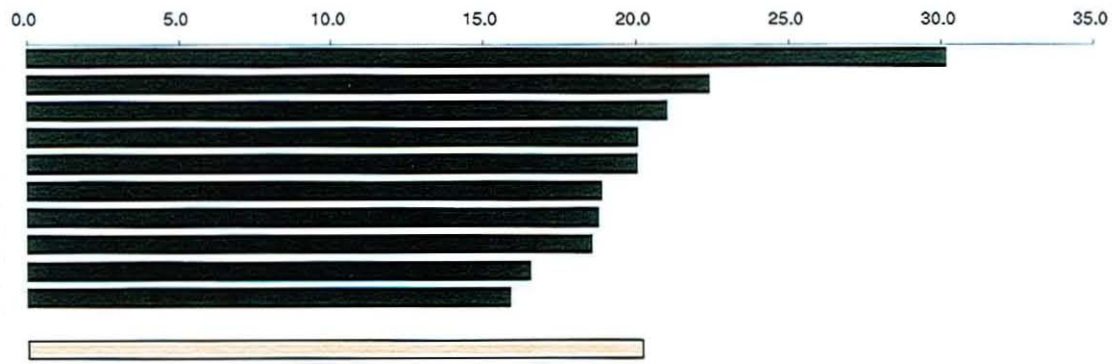


Source: Bloomberg

Exhibit TL-1

RANKING BY P/E

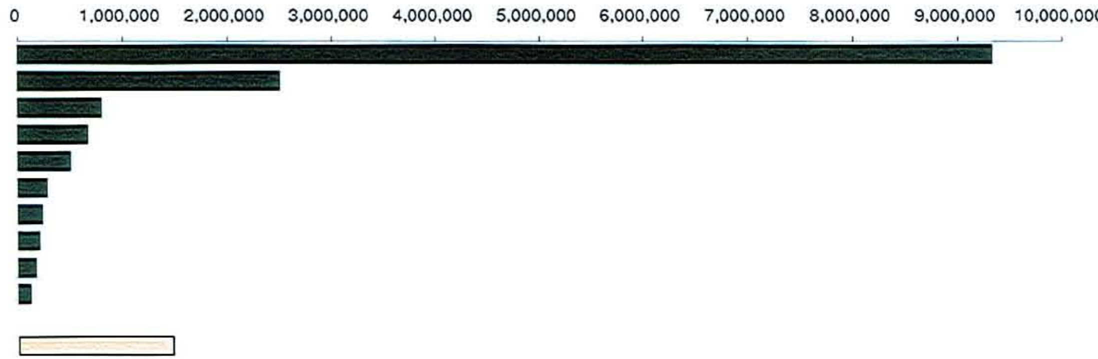
Company	P/E
Pennichuck Corp	30.1
Connecticut Water Service Inc	22.4
York Water Co	21.0
SJW Corp	20.0
Aqua America Inc	20.0
California Water Service Group	18.8
Middlesex Water Co	18.7
American States Water Co	18.5
Artesian Resources Corp	16.5
American Water Works Co Inc	15.8
Mean	20.2



Source: Bloomberg

RANKING BY TOTAL CAPITALIZATION

Company	Total Cap (0,000)
American Water Works Co Inc	9,317,542
Aqua America Inc	2,496,021
California Water Service Group	794,903
American States Water Co	665,296
SJW Corp	499,635
Middlesex Water Co	267,914
Connecticut Water Service Inc	221,296
Artesian Resources Corp	197,199
York Water Co	160,149
Pennichuck Corp	109,500
Mean	1,472,946

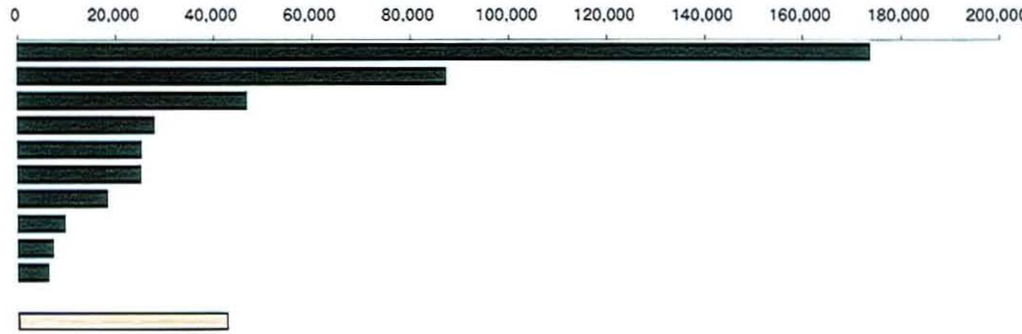


Source: Bloomberg

Edward Jones

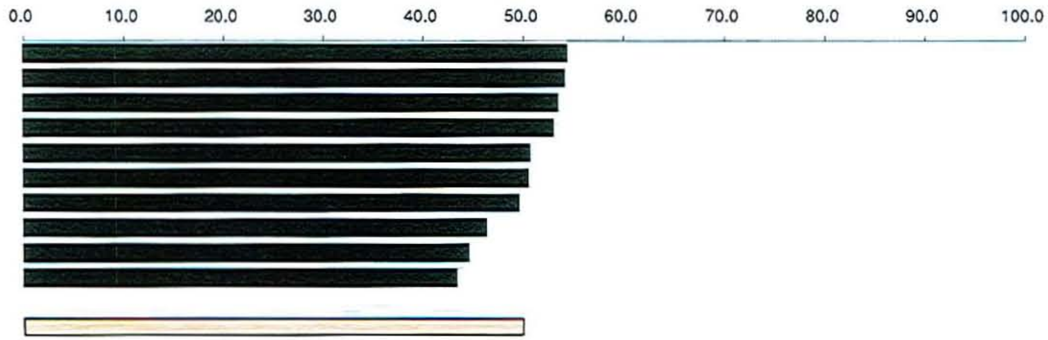
RANKING BY SHORT TERM & CURRENT MATURITIES OF LONG TERM DEBT

Company	ST + Curr LT Debt (0,000)
American Water Works Co Inc	173,565
Aqua America Inc	87,064
Middlesex Water Co	46,560
Artesian Resources Corp	27,679
Connecticut Water Service Inc	25,000
California Water Service Group	24,953
American States Water Co	18,095
York Water Co	9,341
SJW Corp	6,881
Pennichuck Corp	5,900
Mean	42,504



RANKING BY COMMON EQUITY TO TOTAL CAPITALIZATION

Company	Common Equity / Total Cap
York Water Co	54.3
American States Water Co	54.0
Middlesex Water Co	53.4
California Water Service Group	52.9
SJW Corp	50.6
Pennichuck Corp	50.4
Connecticut Water Service Inc	49.4
Artesian Resources Corp	46.2
Aqua America Inc	44.5
American Water Works Co Inc	43.3
Mean	49.9

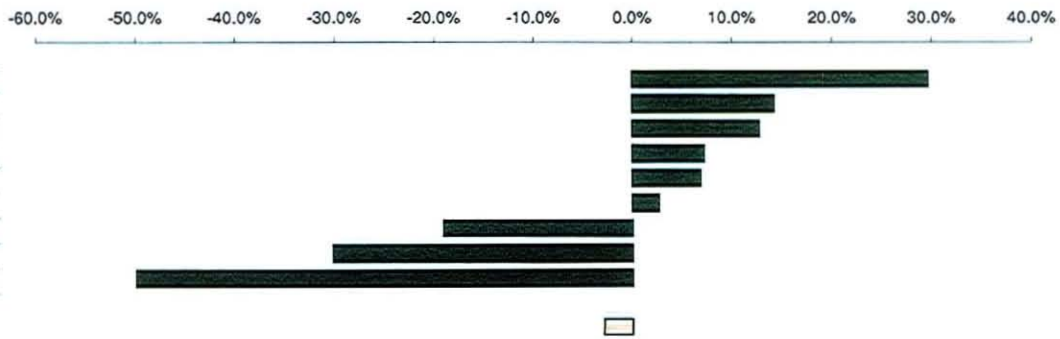


Source: Bloomberg

Edward Jones

RANKING BY EPS GROWTH

Company	% EPS Change
American Water Works Co Inc	NA
American States Water Co	29.6%
York Water Co	14.3%
Artesian Resources Corp	12.8%
Connecticut Water Service Inc	7.2%
Aqua America Inc	6.9%
California Water Service Group	2.6%
Middlesex Water Co	-19.1%
SJW Corp	-30.2%
Pennichuck Corp	-50.0%
Mean	-2.9%

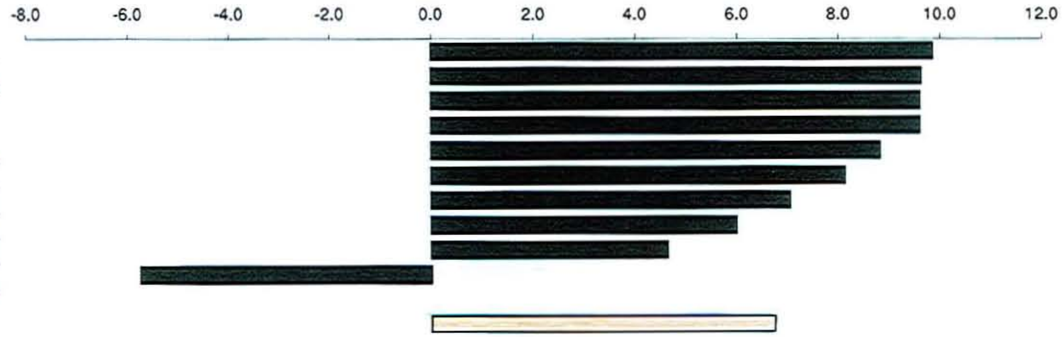


Source: Bloomberg

Edward Jones

RANKING BY RETURN ON COMMON EQUITY

Company	Return on Common Equity
California Water Service Group	9.8
Aqua America Inc	9.6
Connecticut Water Service Inc	9.6
York Water Co	9.6
American States Water Co	8.8
Artesian Resources Corp	8.1
Middlesex Water Co	7.0
SJW Corp	6.0
Pennichuck Corp	4.6
American Water Works Co Inc	-5.8
Mean	6.7

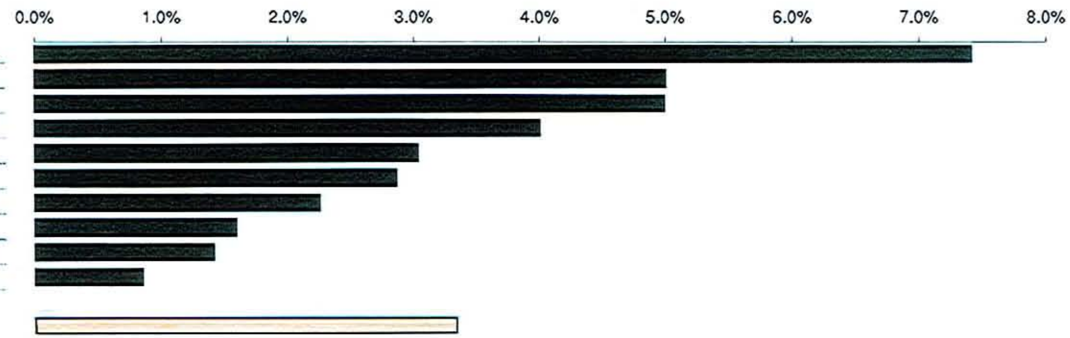


Source: Bloomberg

Edward Jones

RANKING BY 1-YEAR DIVIDEND GROWTH

Company	1-Yr Div Growth Rate
Aqua America Inc	7.4%
American Water Works Co Inc	5.0%
Artesian Resources Corp	5.0%
American States Water Co	4.0%
SJW Corp	3.0%
Pennichuck Corp	2.9%
Connecticut Water Service Inc	2.2%
York Water Co	1.6%
Middlesex Water Co	1.4%
California Water Service Group	0.8%
Mean	3.3%

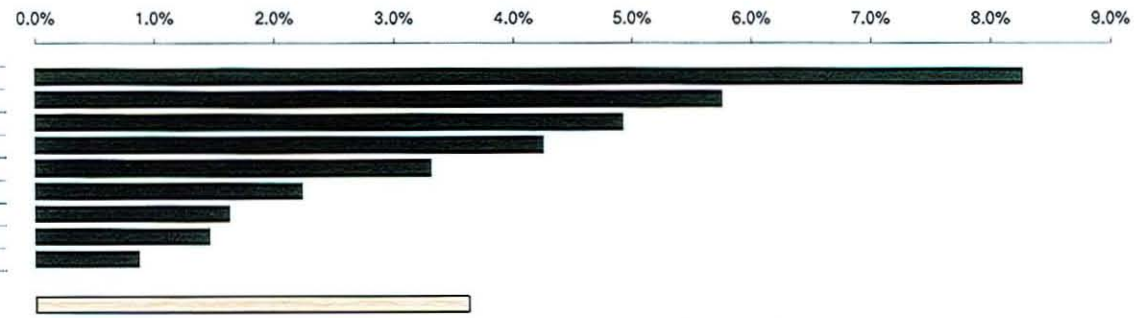


Source: Bloomberg

Edward Jones

RANKING BY 5-YEAR DIVIDEND GROWTH

Company	5-Yr Div Growth Rate
American Water Works Co Inc	NA
Aqua America Inc	8.3%
Artesian Resources Corp	5.7%
SJW Corp	4.9%
York Water Co	4.2%
American States Water Co	3.3%
Pennichuck Corp	2.2%
Connecticut Water Service Inc	1.6%
Middlesex Water Co	1.4%
California Water Service Group	0.9%
Mean	3.6%

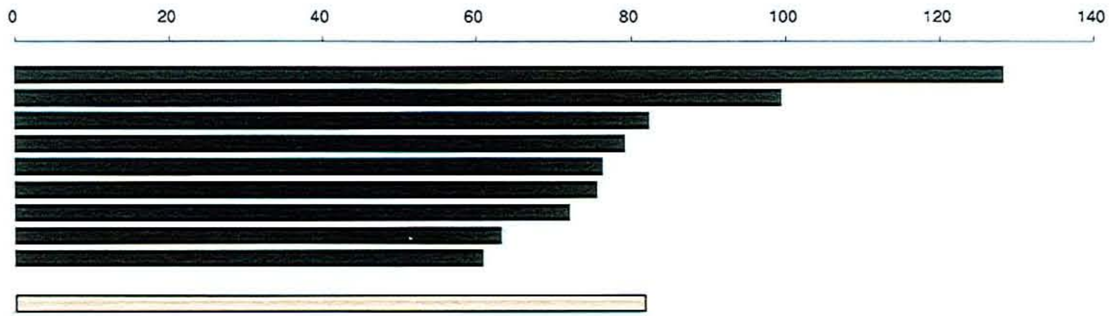


Source: Bloomberg

Edward Jones

RANKING BY DIVIDEND PAYOUT

Company	Dividend Payout
American Water Works Co Inc	NA
Pennichuck Corp	128
Middlesex Water Co	99
SJW Corp	82
York Water Co	79
Connecticut Water Service Inc	76
Artesian Resources Corp	75
Aqua America Inc	72
American States Water Co	63
California Water Service Group	61
Mean	82

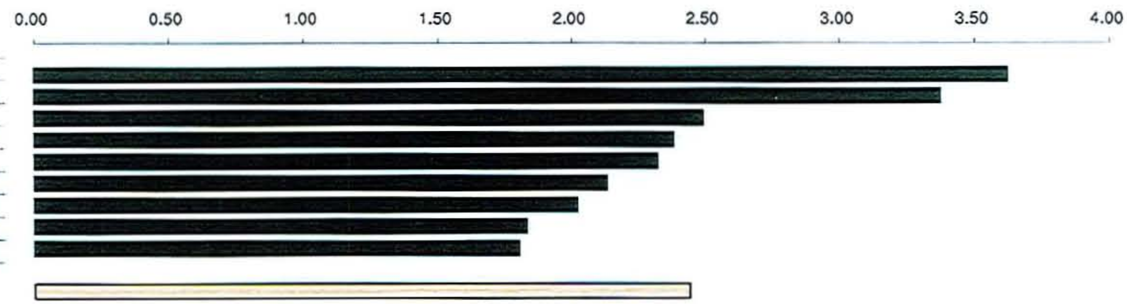


Source: Bloomberg

Edward Jones

RANKING BY INTEREST COVERAGE

Company	Interest Coverage
Pennichuck Corp	NA
York Water Co	3.62
Aqua America Inc	3.37
California Water Service Group	2.49
Middlesex Water Co	2.38
Connecticut Water Service Inc	2.32
SJW Corp	2.13
American States Water Co	2.02
Artesian Resources Corp	1.83
American Water Works Co Inc	1.80
Mean	2.44



Source: Bloomberg

DEFINITIONS

Common Stock Information

Daily Volume	Average number of shares traded per day.
52-Week Range	High and Low closing prices during the previous 12 months.
% 52-Week High	End of period closing stock price divided by the high closing price during the most recent 12 months.
5-Yr Total Return	Total return with dividends reinvested during the previous 5 years.
P/E	Current stock price divided by estimated EPS (if unavailbale trailing 12 month EPS) for the current year.
Dividend Yield	Dividend rate as a percent of current stock price.
Market to Book	Current stock price as a percent of book value.

Financial Information

12 Months Ended	Twelve month period on which financial information is based.
Total Capitalization	Company's complete capital structure, composed of long-term debt and all forms of equity.
ST Debt & Current Maturities of LT Debt	Includes short-term debt and borrowings, short-term portion of long-term borrowings and current obligations under capital leases, bank overdrafts, repurchase agreements, reverse repos and LT debt maturing within 12 months.
Common Equity / Total Capitalization	Common stockholders' equity as a percent of total capitalization.
EPS	Present trailing 12-month diluted earnings per share from continuing operations. Excludes the effects of all one-time and extraordinary gains and losses.
% EPS Change	Increase or decrease in last 12 months' EPS versus the prior 12-month period.
Return on Common Equity	Net income as a percent of common stockholders' equity.
Annualized Dividend	Annualized dividend declared as of 03/31/10
1-Yr Dividend Growth Rate	Change in the annualized dividend declared as of 03/31/10 versus 03/31/09
5-Yr Dividend Growth Rate	Compounded annual increase in the annualized dividend declared as of 03/31/10 versus 03/31/05
Dividend Payout	Dividends paid as a percent of EPS.
Interest Coverage	Net Operating income divided by total interest expense for most recent 3-month period.

Notes

Southwest Water has been temporarily removed from inclusion in the Water books until they file restated financial statements.

Source: Bloomberg