

**Pennsylvania-American Water Company's
Utility Valuation Experts' (UVE) Valuation of
Steelton Borough (Water) Authority
Dauphin County, Pennsylvania**

**Appraisal Work Papers
As of July 2018**

**Cost of Capital / Required Return
Weighted Cost of Capital**

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**Water and Wastewater Cost of Capital
Second Quarter 2018 (7-1-2018)**

As a Investor-Owned Utility

Weighted Cost of Capital (Discount Rate)

(1)	(2)	(2a)	(3)	(3a)	(4)	(4a)	(5)
	Portion of Capital AUS Input	Type of Data	Capital Cost AUS Input	Type of Data	Tax Rate	Tax affect on cost of capital	After-tax Market Capital Cost (2)*(3)*(4a)
Debt	30%	Market	3.60%	Market	28.89%	71.11%	0.77%
Equity	70%	Market	8.98%	Market	0.0%	100.0%	6.29%
Total Capital r	100.0%						7.06%
Growth (g)							1.44%
Rate without Growth: $[(1+r)/(1+g)]-1$							5.54%

Weighted Cost of Capital (Capitlization Rate)

(1)	(2)	(2a)	(3)	(3a)	(4)	(4a)	(5)
	Portion of Capital AUS Input	Type of Data	Capital Cost AUS Input	Type of Data	Tax Rate	Tax affect on cost of capital	After-tax Market Capital Cost (2)*(3)
Debt	30%	Market	3.60%	Market	Not Applicable	Not Applicable	1.08%
Equity	70%	Market	8.98%	Market	Not Applicable	Not Applicable	6.29%
Total Capital r	100.0%						7.37%
Growth (g)							1.44%
Rate without Growth: $[(1+r)/(1+g)]-1$							5.85%

Weighted Cost of Capital (Rate of Return on Rate Base)

(1)	(2)	(2a)	(3)	(3a)	(4)	(4a)	(5)
	Portion of Capital AUS Input	Type of Data	Capital Cost AUS Input	Type of Data	Tax Rate	Tax affect on cost of capital	After-tax Market Capital Cost (2)*(3)
Debt	40%	Embedded	3.84%	Embedded	Not Applicable	Not Applicable	1.54%
Equity	60%	Embedded	8.98%	Market	Not Applicable	Not Applicable	5.39%
Total Capital r	100.0%						6.93%
Growth (g)						Not Applicable	0.00%
Rate without Growth: $[(1+r)/(1+g)]-1$							6.93%

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Cost of Debt**

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Standard and Poor's Bond Guide
Water Industry
As of 2st Qtr 2018 (7-1-2018)

As of Investor-Owned Utility

Standard & Poors Bond Guide Issue	Pricing 12/31/2018	Company	S&P Rating		Outstanding (\$ millions)	Embedded Interest Rate	wtd embedded rate	Price Range 2015			Current Yield	Yield to maturity	wtd current yield
								High	Low	Close			
1/1/20178		American Water Capital											
		American Water Capital Fxd Rt Sr Nt 3.4s 2025	A	5/15	525	3.400	17.850	105.16	101.15	102.71	3.31	2.98	17.38
		American Water Capital Fxd Rt Sr Nt 4.3s 2042	A	5/15	500	4.300	21.500	110.94	102.19	109.13	3.94	3.73	19.70
		Weighted American Water			1,025	3.84%	39.350				3.62%		37.08
		Cost of Debt Summary											
		Debt Rating	A	Input									
		Cost of Debt											
		Embedded	3.84%										
		Use	3.8%	Input									
		Market											
		S&P	3.62%										
		Mergent	3.60%	Input									
		Cost of Debt (use)											
		Market	3.60%	Input									
		Embedded											
		American Water	3.84%										
		Industry	3.80%	Input									
		Embedded Use	3.8%	Input									

As a Municipal Financed Entity

3.80%

Value Line Investment Surveys
Water Industry
As of Second Quarter 2018 (7-1-2018)

S&P Debt Rating	Long Term Debt	Long Term Interest	Long Term Interest Rate (embedde d)
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Input Value Line Input Value Line (4) / (3)

American States Water	281.1	19.6	6.97%
American Water	6,403.0	320.0	5.00%
Aqua American	2,063.1	83.0	4.02%
California Water	515.7	36.0	6.98%
Connecticut Water	252.2	9.0	3.57%
Consolidated Water Company	-	-	-
Middlesex Water	140.1	5.5	3.93%
SJW Corporation	431.2	20.0	4.64%
York Water	78.0	5.3	6.79%
	10,164.4	498.4	4.90%
Minimum			3.57%
wtd Mean			4.90%
Mean			5.24%
Median			4.82%
Maximum			6.98%

Debt Rating and Cost of Debt

Embedded 4.90% wtd mean col 5

Rating (S&P) A Input
Market Cost of Debt @ S&P Rating 4.58% Input

Use 4.58% Input

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Cost of Equity**

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Value Line Investment Surveys
Water Industry
As of Second Quarter 2018 (7-1-2018)

Company	Exchange	Ticker	Valueline No.	Valueline Issue	Beta	Divided	Revenues			Cash Flows			Earnings			Dividends			Book Value		
							Past 10 Yrs	Past 5 Yrs	Est'd 15-17 to 21-23	Past 10 Yrs	Past 5 Yrs	Est'd 15-17 to 21-23	Past 10 Yrs	Past 5 Yrs	Est'd 15-17 to 21-23	Past 10 Yrs	Past 5 Yrs	Est'd 15-17 to 21-23	Past 10 Yrs	Past 5 Yrs	Est'd 15-17 to 21-23
			Input Value Line	Input Value Line	Input Value Line		Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line
American States Water	NYSE	AWR	1784	7/13/2018	0.8	1.9%	4.5%	1.5%	4.0%	6.5%	4.5%	6.0%	9.0%	7.0%	6.0%	7.0%	10.5%	8.0%	8.0%	4.5%	4.0%
American Water	NYSE	AWK	1785	7/13/2018	0.65	2.1%	3.0%	3.5%	4.0%	50.0%	6.0%	7.0%	8.5%	7.5%	10.0%	8.5%	10.0%	10.0%	1.0%	4.0%	6.0%
Aqua American	NYSE	WTR	1786	7/13/2018	0.75	2.5%	3.5%	2.0%	5.5%	7.0%	6.5%	6.0%	8.5%	9.5%	7.5%	7.5%	8.0%	9.0%	6.5%	7.5%	5.5%
California Water	NYSE	CWT	1787	7/13/2018	0.8	1.9%	4.0%	1.5%	2.5%	5.5%	3.5%	4.5%	4.5%	4.0%	9.5%	2.0%	2.5%	2.5%	6.5%	5.0%	3.0%
Connecticut Water	NDQ	CTWS	1788	7/13/2018	0.65	1.0%	3.5%	1.0%	6.5%	7.0%	8.0%	5.5%	8.5%	10.5%	5.5%	5.5%	3.5%	0.0%	13.5%	5.0%	2.0%
Consolidated Water Company	NDQ	CWCO	1789	7/13/2018	0.95	2.8%	5.0%	0.5%	16.5%	2.0%	0.5%	11.5%	-3.0%	-4.5%	22.0%	5.0%	0.0%	0.0%	5.0%	2.0%	4.5%
Middlesex Water	NDQ	MSEX	1790	7/13/2018	0.8	2.1%	2.5%	3.5%	3.0%	4.5%	7.0%	7.0%	5.0%	8.0%	8.0%	2.0%	2.0%	5.5%	3.5%	3.5%	4.0%
SIW Corporation	NYSE	SIW	1791	7/13/2018	0.75	1.7%	5.0%	5.5%	4.0%	11.0%	11.0%	3.5%	8.0%	18.5%	6.0%	4.5%	5.0%	8.5%	5.5%	8.0%	3.0%
York Water	NDQ	YORW	1792	7/13/2018	0.8	2.0%	3.5%	3.5%	6.0%	6.0%	6.0%	7.5%	5.5%	6.5%	9.0%	3.5%	3.5%	8.0%	5.0%	3.5%	5.0%
Minimum					0.65	1.00%	2.50%	0.50%	2.50%	2.00%	0.50%	3.50%	-3.00%	-4.50%	5.50%	2.00%	0.00%	5.50%	1.00%	2.00%	3.00%
wid Mean					0.77	2.00%	3.83%	2.50%	5.78%	10.61%	5.89%	6.50%	5.75%	7.44%	9.28%	4.25%	4.83%	8.28%	4.72%	4.94%	4.28%
Mean					0.80	2.00%	3.50%	2.00%	4.00%	6.50%	6.00%	6.00%	6.75%	7.50%	8.00%	4.00%	3.50%	8.00%	5.00%	4.50%	4.00%
Median					0.95	2.80%	5.00%	5.50%	16.50%	50.00%	11.00%	11.50%	9.00%	18.50%	22.00%	7.50%	10.50%	13.50%	6.50%	8.00%	6.00%
Maximum																					

Cost of Equity Capital Asset Pricing Model (CAPM)

Dividend	2.00%	mean Col 7
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	Past 10 Yrs	Past 5 Yrs	Est'd 13-15 to 19-21	Beta
Growth	3.83%	2.50%	5.78%	
Revenues	6.50%	5.89%	6.50%	
Cash Flow	5.75%	7.44%	9.28%	
Earnings	4.00%	4.83%	8.28%	
Dividends	5.00%	4.94%	4.28%	
Book Value	5.02%	5.12%	6.82%	
Mean	5.50%	Input	0.77	0.65-0.95

Cost of Equity Capital Asset Pricing Model (CAPM)

Growth	5.50%	Input
Cost of Equity Dividend Growth Model	2.00%	
Dividend	5.50%	
Growth	7.50%	
Cost of Equity	4.99%	Input 10 year treasure per PA PUC
	0.77	

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**Cost of Capital / Required Return
Capital Structure**

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Value Line Investment Surveys
Water Industry
As of Second Quarter 2018 (7-1-2018)

Company	Exchange	Ticker	Valueline No.	Valueline Issue	Total Debt	Market Debt	Long Term Debt	Long Term Interest	Long Term Interest Rate (embedded)	Proportion of Debt	Book Debt	Preferred Stock	% Preferred	Shares Outstanding	Price per Share	Market Equity	Portion Market Equity	Capitalization	Total Market Capital	
					(\$/21)	(6/21)	(\$/21)	(\$/21)	(9/18)	(9/18)	(\$/21)	(\$/21)	(14/21)	(\$/21)	(\$/Share)	(\$/21)	(18/21)	(\$/21)	(6+19+18)	
					Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	
					\$/Million	%	\$/Million	\$/Million	%	%	\$/Million	\$/Million	%	Shares	\$ per Share	\$/Million	%	\$/Million	\$/Million	
American States Water	NYSE	AWR	1784	7/13/2018	390.4	15.46%	281.1	19.6	6.97%	35.0%	41.5%	58.5%	0.00%	36,733,416.00	58.12	2,134.9	84.54%	Mid Cap	2,525.3	
American Water	NYSE	AWK	1785	7/13/2018	8,007.0	34.25%	6,403.0	320.0	5.00%	54.0%	56.5%	43.5%	0.03%	178,047,882.00	86.31	15,367.3	65.72%	Large Cap	23,381.3	
Aqua American	NYSE	WTR	1786	7/13/2018	2,186.8	25.75%	2,063.1	83.0	4.02%	51.0%	51.0%	49.0%	0.00%	177,897,654.00	35.44	6,304.7	74.25%	Large Cap	8,491.5	
California Water	NYSE	CWT	1787	7/13/2018	796.7	29.35%	515.7	36.0	6.98%	43.0%	43.0%	57.0%	0.00%	48,074,000.00	39.90	1,918.2	70.65%	Mid Cap	2,714.9	
Connecticut Water	NDQ	CTWS	1788	7/13/2018	258.4	24.39%	252.2	9.0	3.57%	46.0%	46.5%	0.8	0.08%	12,089,125.00	66.20	800.3	75.54%	Small Cap	1,059.5	
Consolidated Water Company	NDQ	CWCO	1789	7/13/2018	0.3	0.16%	-	-	0.0%	0.0%	100.0%	-	0.00%	14,959,900.00	12.75	190.7	99.84%	Small Cap	191.0	
Middlesex Water	NDQ	MSEX	1790	7/13/2018	174.6	20.07%	140.1	5.5	3.93%	38.0%	37.0%	2.4	0.28%	16,359,184.00	42.37	693.1	79.66%	Small Cap	870.1	
SIW Corporation	NYSE	SIW	1791	7/13/2018	431.2	23.85%	431.2	20.0	4.64%	48.0%	48.5%	51.5%	0.00%	20,585,136.00	66.89	1,376.9	76.15%	Mid Cap	1,808.1	
York Water	NDQ	YORW	1792	7/13/2018	90.0	17.57%	78.0	5.3	6.79%	39.0%	35.5%	64.5%	0.00%	12,892,798.00	32.75	422.2	82.43%	Small Cap	512.2	
Total					12,335.4	29.69%	10,164.4	498.4	4.90%			10.2	0.02%			29,208.5	70.29%		41,554.1	
Minimum						0.16%			3.57%	0.00%	0.00%		0.00%				65.72%			
wtd Mean						29.69%			4.90%	0.02%			0.02%				70.29%			
Mean						21.21%			5.24%	39.33%	39.94%		0.04%				78.75%			
Median						23.85%			4.82%	43.00%	43.00%		0.00%				76.15%			
Maximum						34.25%			6.98%	54.00%	56.50%		0.28%				99.84%			
Capital Structure																				
Debt																				
Preferred																				
Equity																				
Total																				
Use																				
Debt																				
Equity																				
Total																				

Water Industry Capital Structure

Market Reference	Proportion	Embedded Reference
wtd mean col 7	29.69%	mean col 11
wtd mean col 15	0.02%	mean col 15
wtd mean col 19	70.29%	mean col 13
100.00%	100.00%	99.38%
30% Input	40%	Input
70% Input	60%	Input
100%	100%	Input

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**Cost of Capital / Required Return
Income Tax Rate**

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Value Line Investment Surveys
 Water Industry
 As of Second Quarter 2018 (7-1-2018)

Company	Exchange	Ticker	Valueline No.	Valueline Issue	Tax Rate		
					2016	2017	2018
Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line	Input Value Line
American States Water	NYSE	AWR	1784	7/13/2018	36.8%	36.0%	23.0%
American Water	NYSE	AWK	1785	7/13/2018	39.2%	43.3%	21.0%
Aqua American	NYSE	WTR	1786	7/13/2018	8.2%	6.6%	9.0%
California Water	NYSE	CWT	1787	7/13/2018	35.5%	30.1%	21.0%
Connecticut Water	NDQ	CTWS	1788	7/13/2018	9.9%	19.0%	21.0%
Consolidated Water Company	NDQ	CWCO	1789	7/13/2018			
Middlesex Water	NDQ	MSEX	1790	7/13/2018	34.0%	32.7%	21.0%
SJW Corporation	NYSE	SIW	1791	7/13/2018	38.8%	36.7%	21.0%
York Water	NDQ	YORW	1792	7/13/2018	31.3%	25.9%	21.0%
Minimum					8.20%	6.60%	9.00%
wtd Mean							
Mean					29.21%	28.79%	19.75%
Median					34.75%	31.40%	21.00%
Maximum					39.20%	43.30%	23.00%
Historical	34.00%	Median					
Marginal	35.00%	AUS Input	21.00%	AUS Input			
US 50-state average	4.91%	AUS Input	4.91%	AUS Input			
Pennsylvania	9.99%	AUS Input	9.99%	AUS Input			
Tax Rate	41.49%	Calculated	28.89%	Calculated			

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Utility Valuation Experts' (UVE) Valuation of
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**Cost of Capital / Required Return
2018 Stocks, Bonds, Bills, & Inflation
Duff & Phelps**

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Source: Ibbotson S&P 500 2018 Stock, Bonds, Bills, and Inflation Yearbook

Year	A-1	A-2	A-3	A-4	A-5	A-6	A-7	A-8	A-9	A-10	A-11	A-12	A-13	A-14	A-15	A-16
	Large Company Stocks	Large Company Stocks	Large Company Stocks	Small Company Stocks	Long-Term Corporate Bonds	Long-Term Government Bonds	Long-Term Government Bonds	Long-Term Government Bonds	Long-Term Government Bonds	Intermediate-Term Government Bonds	Intermediate-Term Government Bonds	Intermediate-Term Government Bonds	Intermediate-Term Government Bonds	U.S. Treasury Bills	Inflation	Risk Premia
	Total Returns	Income Returns	Appreciation Returns	Total Returns	Total Returns	Total Returns	Income Returns	Appreciation Returns	Yields	Total Returns	Income Returns	Appreciation Returns	Yields	Total Returns	Total Returns	(A-1)-(A-7)
	Jan-Dec *	Jan-Dec *	Jan-Dec *	Jan-Dec *	Jan-Dec *	Jan-Dec *	Jan-Dec *	Jan-Dec *	Jan-Dec *	Jan-Dec *	Jan-Dec *	Jan-Dec *	Jan-Dec *	Jan-Dec *	Jan-Dec *	Jan-Dec *
2012	0.1600	0.0250	0.1341	0.1824	0.1068	0.0331	0.0240	0.0088	0.0241	0.0207	0.0058	0.0148	0.0046	0.0006	0.0174	0.1360
2013	0.3239	0.0248	0.2960	0.4507	-0.0707	-0.1278	0.0288	-0.1570	0.0378	-0.0368	0.0102	-0.0468	0.0149	0.0002	0.0151	0.2951
2014	0.1369	0.0216	0.1139	0.0292	0.1728	0.2478	0.0341	0.2093	0.0246	0.0300	0.0163	0.0135	0.0155	0.0002	0.0076	0.1028
2015	0.0138	0.0210	-0.0073	-0.0360	-0.0102	-0.0065	0.0247	-0.0311	0.0268	0.0179	0.0151	0.0029	0.0169	0.0002	0.0073	-0.0109
2016	0.1196	0.0226	0.0954	0.2565	0.0670	0.0175	0.0230	-0.0040	0.0272	0.0192	0.0136	0.0058	0.0185	0.0020	0.0207	0.0966
2017	0.2183	0.0221	0.1942	0.1119	0.1225	0.0624	0.0267	0.0351	0.0254	0.0164	0.0193	-0.0029	0.0211	0.0080	0.0211	0.1916
Average	0.1186	0.0397	0.0785	0.1681	0.0637	0.0599	0.0499	0.0077	0.0504	0.0514	0.0441	0.0067	0.0437	0.0340	0.0297	0.0687
Median	0.1307	0.0383	0.1053	0.1832	0.0480	0.0368	0.0417	0.0033	0.0420	0.0336	0.0376	0.0032	0.0372	0.0297	0.0270	0.0797
High	0.5399	0.0877	0.4659	1.4287	0.4256	0.4036	0.1350	0.2395	0.1334	0.2910	0.1297	0.1423	0.1396	0.1471	0.1816	0.5087
Low	-0.4334	0.0110	-0.4707	-0.5801	-0.0809	-0.1490	0.0194	-0.1825	0.0194	-0.0601	0.0058	-0.1114	0.0046	-0.0002	-0.1030	-0.4667
Last 5 year (60 months)																
Average	0.1625	0.0224	0.1384	0.1625	0.0563	0.0387	0.0275	0.0105	0.0284	0.0093	0.0149	-0.0055	0.0174	0.0021	0.0144	0.1350
Median	0.1369	0.0221	0.1139	0.1119	0.0670	0.0175	0.0267	-0.0040	0.0268	0.0179	0.0151	0.0029	0.0169	0.0002	0.0151	0.1028
High	0.3239	0.0248	0.2960	0.4507	0.1728	0.2478	0.0341	0.2093	0.0378	0.0300	0.0193	0.0135	0.0211	0.0080	0.0211	0.2951
Low	0.0138	0.0210	-0.0073	-0.0360	-0.0707	-0.1278	0.0230	-0.1570	0.0246	-0.0368	0.0102	-0.0468	0.0149	0.0002	0.0073	-0.0109

* Compound Annual Return

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Value Line's estimates of sales and earnings growth for individual companies are derived by correlating sales, earnings, and dividends to appropriate components or subcomponents of the Gross Domestic Product, presented below. A more detailed forecast appears periodically in *Selection & Opinion*.

HYPOTHESIZED ECONOMIC ENVIRONMENT 3 TO 5 YEARS HENCE

The hypothesized 2021-2023 economic environment into which earnings are forecast is as follows: Unemployment will average about 4% of the national labor force. There will be no major war in progress at that time. Industrial production will be expanding by 2.0%-2.5% per year. Inflation will continue to be relatively modest. Prices as measured by

the broad-based GDP deflator will advance by roughly 2.5% per year, on average. Long-term interest rates on AAA corporate bonds are projected to average just under 5% in the years 2021-2023. We expect the Federal Reserve to pursue moderately tighter monetary policies except in years in which the economy is slowing or there is a recession. Based on these assumptions, the Gross Domestic Product will average just under \$24.740 billion in the years 2021-2023, a level that is just over 27% above the 2017 total of \$19.502 billion.

Things may turn out differently. But in the absence of knowledge of the future, we use the above assumptions, which appear to be most plausible. Thus we are able to apply a common economic environment to all stocks for the purpose of measuring relative growth potential.

THESE ARE THE NATIONAL INCOME SERIES TO WHICH VALUE LINE SALES, EARNINGS, AND DIVIDEND ESTIMATES ARE CORRELATED

ANNUAL STATISTICS	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018*	2019*	2021-23*
Gross Domestic Product (\$Bil.)	14480	14720	14418	14958	15818	16155	16832	17029	18121	19025	19892	20380	21424	24737
Real GDP (2009 Chained \$Bil.)	14877	14834	14418	14779	15021	15355	15612	15923	16297	16716	17007	17325	18213	19325
Total Consumption (\$Bil.)	10036	9999	9843	10036	10264	10413	10565	10863	11294	11673	11891	12120	12525	13471
Nonresidential Fixed Investment (\$Bil.)	1948	1934	1633	1674	1803	1904	2033	2173	2224	2211	2315	2465	2627	2932
Industrial Prod. (% Change, Annualized)	2.6	-3.4	-11.3	5.7	3.3	2.8	1.8	3.7	2.7	3.1	3.1	2.7	2.7	2.2
Housing Starts (Mill. Units)	1.34	0.90	0.55	0.59	0.61	0.75	0.93	1.00	1.11	1.19	1.21	1.31	1.37	1.49
Total Light Vehicle Sales (Mill. Units)	16.1	13.2	10.4	11.6	12.7	14.4	15.5	16.4	17.4	17.3	17.3	17.4	18.0	18.5
Personal Savings Rate (%)	9.0	5.0	6.1	5.5	5.7	7.6	4.8	4.3	6.1	6.8	7.4	6.1	5.5	5.8
National Unemployment Rate (%)	4.6	5.8	9.3	9.6	8.9	8.1	7.4	8.2	5.9	4.9	4.4	3.9	3.7	4.0
AAA Corp Bond Rate (%)	5.6	5.6	5.3	4.9	4.9	3.7	4.2	4.2	3.9	3.7	3.5	3.4	3.4	3.3
10-Year Treasury Note Rate (%)	4.3	3.7	3.3	3.2	2.8	1.8	2.4	2.5	2.2	1.8	2.3	2.1	2.1	2.1
9-Month Treasury Bill Rate (%)	4.4	1.4	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
ANNUAL RATES OF CHANGE														
Real GDP	1.8	-0.3	-2.6	2.5	1.8	2.2	1.7	2.4	2.0	1.9	2.3	2.9	2.9	2.6
GDP Deflator	2.7	1.9	0.8	1.2	2.0	1.8	1.8	1.8	1.3	1.5	1.3	2.4	2.9	2.8
Consumer Price Index	2.9	3.6	-0.3	1.6	3.1	2.1	1.5	1.9	0.5	1.9	1.1	2.8	2.4	2.5
QUARTERLY ANNUALIZED RATES		2017				2018				2019				
	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd
Gross Domestic Product (\$Bil.)	19057	19250	19504	19750	19957	20229	20401	20729	21057	21330	21604	21877	22205	22532
Real GDP (2009 Chained \$Bil.)	16901	17031	17165	17289	17387	17530	17667	17807	17949	18093	18239	18387	18536	18687
Total Consumption (\$Bil.)	11757	11853	11918	12035	12103	12184	12262	12337	12419	12500	12580	12659	12737	12814
Nonresidential Fixed Investment (\$Bil.)	2264	2301	2328	2365	2401	2442	2479	2514	2552	2592	2634	2679	2725	2772
Industrial Production (% Change, Annualized)	1.0	5.0	-1.5	7.8	4.5	3.3	3.3	3.3	3.0	3.3	3.4	3.4	3.4	3.3
Housing Starts (Mill. Units)	1.24	1.17	1.17	1.26	1.32	1.32	1.34	1.35	1.36	1.37	1.38	1.39	1.40	1.41
Total Light Vehicle Sales (Mill. Units)	17.1	16.8	17.1	17.7	17.2	16.5	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3

*Estimated

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The Water Utility Industry carries one of the lowest Timeliness ranks of any industry under review by *Value Line*.

Prospects for higher short-term interest rates seem likely as the Federal Reserve once again raised the Fed Funds rate and indicated that more hikes are on the way. With yields on Treasury notes maturing by 2021 carrying a higher yield than that of most water utilities stocks, investors could be tempted to switch into fixed-income securities.

In general, the Tax Cuts and Jobs Act will not have a major impact on water utilities' bottom lines. All of the savings will be passed through to customers.

The fundamentals of the industry remain unchanged. Following years of low capital investments, most water utilities are spending heavily to modernized existing pipelines and other facilities.

Regulators continue to play a constructive, non-adversarial role in working with the utilities to improve the nation's water systems.

Short-Term Interest Rates Are Rising

The Federal Reserve increased the key federal funds rate by 25 basis points last month. Moreover, citing historically low unemployment, the Fed stated that it planned on increasing rates in a gradual manner through 2020. How does this impact water utilities? For starters, dividend paying stocks and fixed-income vehicles have always been in competition for income-oriented investors. Over the past decade, the extraordinary easy monetary policy (along with quantitative easing), had made dividend stocks much more appealing. This is no longer the case, however. The median yield on all dividend paying stocks in the *Value Line* universe is just about 2.0%. Individuals can now purchase an extremely secure three-month Treasury bill and get almost 2%, with as close to zero risk as possible. Moreover, should an investor be willing to extend slightly further out on the yield curve to one- or two-year Treasury notes, yields of 2.31% and 2.54% can be had. As the front end of the curve continues to rise over the next several years, utility stocks may continue to lose much of their former luster.

The Tax Cuts And Jobs Act

For most U.S.-based companies, the recent TCJA provided a nice boost to the bottom line. Water utilities were not among them, however. Knowing that regulatory commissions would mandate that the tax savings be passed on to customers, water companies simply set up reserve accounts. The surplus funds generated by the tax cut will go straight towards reducing ratepayers bills. Still, we would suggest that the TCJA is not a neutral event. That's because state regulatory commissions are given a little more flexibility when it comes to the next time a water utility in their state seeks rate relief. For example, even if a utility has a very sound reason for higher rates, but water users are already paying high prices, politicians will get push back from their constituents (i.e. voters) to keep their bills down. So, with the consumer benefiting from the tax cut, regulators will have a little more breathing room the next time a petition for higher rates is filed.

INDUSTRY TIMELINESS: 94 (of 97)

Industry Fundamentals Remain Unchanged

Following a period in which both water utilities and regulators allowed the condition of the nation's water infrastructure to deteriorate significantly, utilities have been playing catchup over the past decade or so. Thousands of miles of aging pipelines, as well as waste-water projects, are being replaced or refurbished. As a result, capital expenditures are relatively large for most members of this group. This also means that many of the balance sheets are only average, as they have had to rely upon the issuance of new debt to fund their construction projects.

Another trend that continues, (particularly for two of the biggest publicly traded water utilities, *American Water Works* and *Aqua American*) is consolidation. Larger companies are acquiring smaller water districts as a means of expanding the customer base. This strategy has proven profitable to date and we expect it possibly to accelerate. Indeed, there are over 50,000 small, inefficient water districts that could be combined to extract huge cost savings.

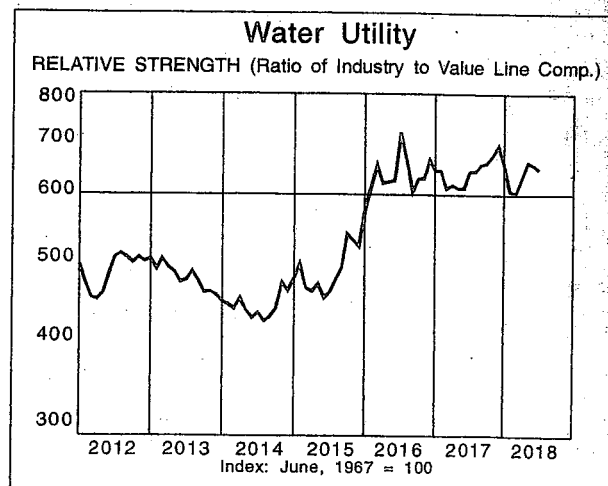
Regulation

Perhaps the best thing that water utilities have going for them is constructive regulation, as authorities realize that the nation's water systems are in a terrible state and much has to be done to fix the problem. Relations between regulators and utilities can sometimes be hostile as was the case in the electric utility industry in the 1980's and 1990's. Accounts should always keep a close eye on any change in this relationship as state commissions determine the rate of return that a regulated company can earn.

Conclusion

In general, water utility companies have done pretty well over the past few year. However, the premium that these stocks trade at is starting to seem expensive. While part of this will always be due to the scarcity value (there are only a handful of large-cap stocks in this group), the recent flattening of the front end of treasury yield curve could prove to provide investors with a better alternative.

James A. Flood



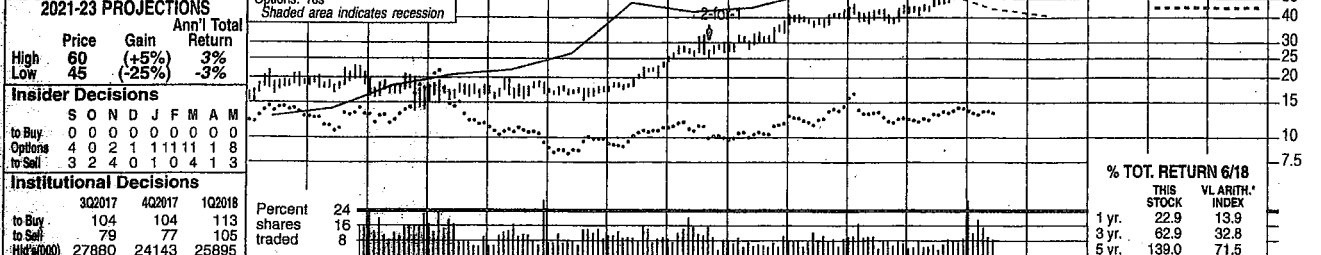
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AMER. STATES WATER NYSE-AWR

RECENT PRICE **58.12** P/E RATIO **33.2** (Trailing: 31.8 Median: 20.0) RELATIVE P/E RATIO **1.80** DIV'D YLD **1.9%** VALUE LINE **1784**

TIMELINESS 4 Lowered 5/18/18	High: 23.1 21.0 19.4 19.8 18.2 24.1 33.1 38.7 44.1 47.2 58.4 60.0	Low: 16.8 13.5 14.9 15.6 15.3 17.0 24.0 27.0 35.8 37.3 41.1 50.1	Target Price Range 2021 2022 2023
-------------------------------------	---	--	--------------------------------------



2021-23 PROJECTIONS	Price High 60 Low 45	Gain (+5%) (-25%)	Ann'l Total Return 3% (-3%)
Insider Decisions	S O N D J F M A M	to Buy 0 0 0 0 0 0 0 0 0	Options to Buy 4 0 2 1 1 1 1 1 1 1 8
Institutional Decisions	3Q2017 4Q2017 1Q2018	to Buy 104 104 113	to Sell 79 77 105
	27880 24143 25895	Mid's(000)	
	2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019	Percent shares traded 24 16 8	% TOT. RETURN 6/18 THIS STOCK VL ARITH' INDEX

CAPITAL STRUCTURE as of 3/31/18	318.7 361.0 398.9 419.3 466.9 472.1 465.8 458.6 436.1 440.6 440 450	Total Debt \$390.4 mill. Due in 5 Yrs \$100.7 mill.	26.8 29.5 41.4 42.0 54.1 62.7 61.1 60.5 59.7 69.4 68.0 74.0	Revenues per sh 15.35
Leases, Uncapitalized: Annual rentals \$2.3 mill.	37.8% 38.9% 43.2% 41.7% 39.9% 36.3% 38.4% 38.4% 36.8% 36.0% 23.0% 23.0%	LT Debt \$281.1 mill. LT Interest \$19.6 mill. (35% of Cap'l)	6.9% 3.2% 5.8% 2.0% 2.5% -- -- 2.5% -- Nil 1.0%	"Cash Flow" per sh 4.00
Pension Assets-12/17 \$173.6 mill. Oblig. \$207.7 mill.	46.2% 45.9% 44.3% 45.4% 42.2% 39.8% 39.1% 41.1% 39.4% 38.0% 41.5% 42.0%		53.8% 54.1% 55.7% 54.6% 57.8% 60.2% 60.9% 58.9% 60.6% 62.0% 58.5% 58.0%	Earnings per sh 2.45
Pfd Stock None	577.0 665.0 677.4 749.1 787.0 818.4 832.6 791.5 815.3 854.9 1010 1125		825.3 866.4 855.0 896.5 917.8 981.5 1003.5 1060.8 1150.9 1205.0 1250 1310	Div'd Decl'd per sh 1.45
Common Stock 36,733,416 shs. as of 5/1/18	6.4% 5.9% 7.6% 7.1% 8.3% 8.9% 8.8% 9.0% 8.6% 9.3% 8.5% 9.0%		8.6% 8.2% 11.0% 10.3% 11.9% 12.7% 12.0% 13.0% 12.1% 13.1% 12.0% 12.5%	Cap'l Spending per sh 3.25
	8.6% 8.2% 11.0% 10.3% 11.9% 12.7% 12.0% 13.0% 12.1% 13.1% 12.0% 13.0%		3.1% 3.2% 5.8% 5.3% 6.6% 6.8% 5.7% 6.0% 5.3% 6.2% 5.5% 5.5%	Book Value per sh 17.35
	64% 61% 47% 49% 45% 47% 53% 54%		64% 61% 47% 49% 45% 47% 53% 54%	Common Shs Outst'g 37.50
MARKET CAP: \$2.1 billion (Mid Cap)				Avg Ann'l P/E Ratio 22.0
CURRENT POSITION 2016 2017 3/31/18				Relative P/E Ratio 1.20
Cash Assets 4 2 6.0				Avg Ann'l Div'd Yield 2.8%
Accts Receivable 20.0 26.1 19.2				
Other 146.5 129.2 120.5				
Current Assets 166.9 155.5 145.7				
Accts Payable 43.7 51.0 38.8				
Debt Due 90.3 59.3 109.3				
Other 43.9 46.4 48.4				
Current Liab. 177.9 156.7 196.5				

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Co., it supplies water to 258,949 customers in 70 cities in 10 counties. Service areas include the metropolitan areas of Los Angeles and Orange Counties. The company also provides electricity to 24,274 customers in Big Bear Lake and San Bernardino Cnty. Provides water & wastewater services to U.S. military bases through its ASUS sub. Sold Chaparral City Wtr. of AZ. (6/11). Employs 758. BlackRock, Inc. owns 11.7% of out. shares; Vanguard, 9.5%; off. & dir. 1.5%. (4/18 Proxy). Chairman: Lloyd Ross. Pres. & CEO: Robert Sprowls. Inc. CA. Addr.: 630 East Foothill Blvd., San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com

A recent ruling is hurting American States Water's utility operations. Earlier this year, California regulators made a decision on Golden States Water's petition for higher rates. Despite being granted a higher return on equity, the permitted return on rate base was lowered. This has had a more meaningful impact on the utility than was expected, and was the main reason for first-quarter results falling short of the consensus. **We are lowering our near-term earnings estimates.** Management believes that the California authorities' decree will shave \$3.6 million off the top line and reduce share earnings \$0.07 this year. As a result, we have deducted \$0.10 a share from both our 2018 and 2019 earnings expectations. **Nonregulated activities should do pretty well.** Through its ASUS subsidiary, American States provides water services to 11 U.S. Army bases. As more of these installations are privatized in the coming years, we think ASUS will win its fair share of competitive bids for these 50-year contracts. Responsible for 25% of first-quarter earnings, this percentage ought to

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '15-'17 to '21-'23	Revenues 4.5% 1.5% 4.0%	"Cash Flow" 6.5% 4.5% 6.0%	Earnings 9.0% 7.0% 6.0%	Dividends 7.0% 10.5% 8.0%	Book Value 5.0% 4.5% 4.0%
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Cal-endar	QUARTERLY REVENUES (\$ mill.)	Full Year
2015	100.9 114.6 133.0 110.1	458.6
2016	93.5 112.0 123.8 106.8	436.1
2017	98.8 113.2 124.4 104.2	440.6
2018	94.7 114.3 126 105 440	
2019	97.0 118 128 107 450	
Cal-endar	EARNINGS PER SHARE A	Full Year
2015	.32 .41 .56 .31	1.60
2016	.28 .45 .59 .30	1.62
2017	.34 .62 .57 .35	1.88
2018	.20 .50 .60 .40	1.75
2019	.30 .55 .63 .42	1.90
Cal-endar	QUARTERLY DIVIDENDS PAID B	Full Year
2014	.2025 .2025 .213 .213	.83
2015	.213 .213 .224 .224	.87
2016	.224 .224 .224 .242	.91
2017	.242 .242 .255 .255	.99
2018	.255 .255	

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 7c; '05, 13c; '06, 3c; '08, (14c); '10, (23c); '11, 10c. Next earnings report due early August. (B) Dividends historically paid in early March, June, September, and December. = Div'd reinvestment plan available. (C) In millions, adjusted for split. (D) Includes intangibles. As of 12/31/17; \$7.9 million/\$0.22 a share.

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

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AQUA AMERICA NYSE-WTR										RECENT PRICE	P/E RATIO	Trailing: 26.1 Median: 22.1	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE	1786					
TIMELINESS	4	Lowered 5/18/18	High: 21.3	17.6	17.2	18.4	19.0	21.5	28.1	28.2	31.1	35.8	39.6	39.4	Target Price Range						
SAFETY	2	Raised 4/20/12	Low: 15.1	9.8	12.3	13.2	15.4	16.8	20.6	22.4	24.4	28.0	29.4	32.4	2021	2022	2023				
TECHNICAL	3	Lowered 6/29/18															80				
BETA	.75	(1.00 = Market)	LEGENDS - - - 1.60 x Dividends p sh divided by Interest Rate Relative Price Strength 4-for-3 split 12/05 5-for-4 split 9/13 Options: Yes Shaded area indicates recession														60				
2021-23 PROJECTIONS Ann'l Total High Price 50 (+40%) Low Price 40 (+15%) Gain 12% Return 6%																					
Insider Decisions S O N D J F M A M to Buy 0 0 0 0 0 0 0 0 0 to Sell 1 8 0 0 7 6 6 7 0 Options 1 0 1 0 0 0 0 0 0																					
Institutional Decisions 3Q2017 4Q2017 1Q2018 to Buy 187 187 192 to Sell 120 134 191 Held(000) 105796 95401 96914 Percent shares 15 traded 10 5																					
© VALUE LINE PUB. LLC 21-23																					
2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Revenues per sh	6.35		
2.28	2.38	2.78	3.08	3.23	3.61	3.71	3.93	4.21	4.10	4.32	4.32	4.37	4.61	4.62	4.56	4.75	5.00	"Cash Flow" per sh	2.90		
.76	.77	.87	.97	1.01	1.10	1.14	1.29	1.42	1.45	1.51	1.82	1.89	1.87	2.07	2.12	2.20	2.40	Earnings per sh ^A	1.95		
.43	.46	.51	.57	.56	.57	.58	.62	.72	.83	.87	1.16	1.20	1.14	1.32	1.35	1.40	1.50	Div'd Decl'd per sh ^B	1.25		
.26	.28	.29	.32	.35	.38	.41	.44	.47	.50	.54	.58	.63	.69	.74	.79	.85	.91	Cap'l Spending per sh	2.70		
.96	1.06	1.23	1.47	1.64	1.43	1.58	1.66	1.89	1.90	1.98	1.73	1.84	2.07	2.16	2.69	2.65	2.65	Book Value per sh	14.50		
3.49	4.27	4.71	5.04	5.57	5.85	6.26	6.50	6.81	7.21	7.90	8.63	9.27	9.78	10.43	11.02	11.00	12.00	Common Shs Outst'g ^C	180.00		
141.49	154.31	158.97	161.21	165.41	166.75	169.21	170.61	172.46	173.60	175.43	177.93	178.59	176.54	177.39	177.71	178.25	178.75	Avg Ann'l P/E Ratio	23.0		
23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	21.3	21.9	21.2	20.8	23.5	23.9	24.7	24.7	24.7	Relative P/E Ratio	1.25		
1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.34	1.34	1.39	1.19	1.09	1.18	1.25	1.24	1.24	1.24	Avg Ann'l Div'd Yield	2.8%		
2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	3.1%	2.8%	2.8%	2.4%	2.5%	2.6%	2.3%	2.4%	2.4%	2.4%	<i>Bold figures are Value Line estimates</i>			
CAPITAL STRUCTURE as of 3/31/18 Total Debt \$2186.8 mill. Due in 5 Yrs \$368.4 mill. LT Debt \$2063.1 mill. LT Interest \$83.0 mill. (51% of Cap'l)																					
Pension Assets-12/17 \$270.4 mill. Oblig. \$321.0 mill.																					
Pfd Stock None Common Stock 177,897,654 shares as of 4/30/18																					
MARKET CAP: \$6.3 billion (Large Cap)																					
CURRENT POSITION																					
	2016	2017	3/31/18																		
				2.8%	2.7%	3.7%	4.6%	4.3%	6.7%	6.1%	4.7%	5.6%	5.1%	5.0%	5.0%	5.0%	5.0%	Retained to Com Eq	4.5%		
				70%	72%	65%	60%	61%	50%	52%	60%	58%	59%	59%	61%	61%	61%	All Div'ds to Net Prof	62%		
				3.7	4.2	3.2															
				97.4	98.6	91.8															
				13.0	14.4	15.3															
				14.6	14.0	13.8															
				128.7	131.2	124.1															
				59.9	59.2	40.2															
				157.2	117.4	123.7															
				84.4	107.9	95.2															
				301.5	284.5	259.1															
ANNUAL RATES																					
	Past 10 Yrs.	Past 5 Yrs.	Est'd '15-'17 to '21-'23																		
	3.5%	2.0%	5.5%																		
	7.0%	6.5%	6.0%																		
	8.5%	9.5%	7.5%																		
	7.5%	8.0%	9.0%																		
	6.5%	7.5%	5.5%																		
QUARTERLY REVENUES (\$ mill.)																					
Cal-ender	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																
2015	190.3	205.8	221.0	197.1	814.2																
2016	192.6	203.9	226.6	196.8	819.9																
2017	187.8	203.4	215.0	203.3	809.5																
2018	194.3	215.7	225	215	850																
2019	205	225	235	225	890																
EARNINGS PER SHARE ^A																					
Cal-ender	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																
2015	.27	.32	.38	.17	1.14																
2016	.29	.34	.41	.28	1.32																
2017	.28	.34	.43	.30	1.35																
2018	.29	.36	.44	.31	1.40																
2019	.31	.38	.48	.33	1.50																
QUARTERLY DIVIDENDS PAID ^B																					
Cal-ender	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																
2014	.152	.152	.165	.165	.63																
2015	.165	.165	.178	.178	.69																
2016	.178	.178	.1913	.1913	.74																
2017	.1913	.1913	.2047	.2047	.79																
2018	.2047	.2047																			

(A) Diluted eps. Excl. nonrec. gains: '02, 4¢; '03, 3¢; '12, 18¢. Excl. gain from disc. operations: '12, 7¢; '13, 9¢; '14, 11¢. May not sum due to rounding. Next earnings report due August 1st.

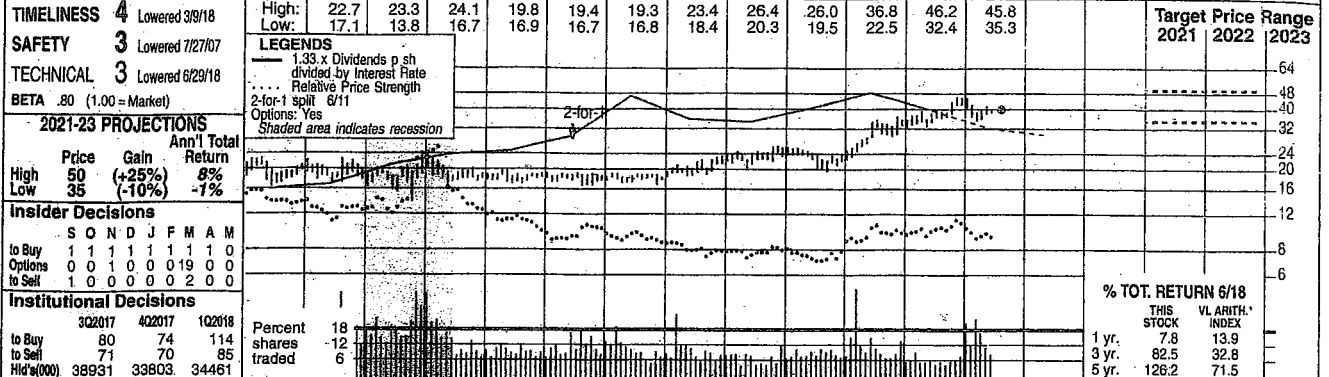
(B) Dividends historically paid in early March, June, Sept. & Dec. = Div'd. reinvestment plan available (5% discount).

(C) In millions, adjusted for stock splits.

Company's Financial Strength A
 Stock's Price Stability 95
 Price Growth Persistence 65
 Earnings Predictability 90

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2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023																																	
8.67	8.18	8.59	8.72	8.10	8.88	9.90	10.82	11.05	12.00	13.34	12.23	12.50	12.29	12.70	13.89	14.10	14.40	14.40	14.40	14.40	14.40																																	
1.32	1.26	1.42	1.52	1.36	1.56	1.86	1.93	1.93	2.07	2.32	2.21	2.47	2.22	2.34	3.00	2.80	3.00	3.00	3.00	3.00	3.00																																	
.63	.61	.73	.74	.67	.75	.95	.98	.91	.86	1.02	1.02	1.19	.94	1.01	1.40	1.45	1.65	1.65	1.65	1.65	1.65																																	
.56	.56	.57	.57	.58	.58	.59	.59	.60	.62	.63	.64	.65	.67	.69	.72	.75	.78	.78	.78	.78	.78																																	
2.91	2.19	1.87	2.01	2.14	1.84	2.41	2.66	2.97	2.83	3.04	2.58	2.76	3.69	4.77	5.40	4.35	3.95	3.95	3.95	3.95	3.95																																	
6.56	7.22	7.83	7.90	9.07	9.25	9.72	10.13	10.45	10.76	11.28	12.54	13.11	13.41	13.75	14.44	14.45	15.00	15.00	15.00	15.00	15.00																																	
30.36	33.86	36.73	36.78	41.31	41.33	41.45	41.53	41.67	41.82	41.98	47.74	47.81	47.88	47.97	48.01	48.50	49.00	49.00	49.00	49.00	49.00																																	
19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	20.3	21.3	17.9	20.1	19.7	24.8	29.6	26.9	26.9	26.9	26.9	26.9	26.9	26.9																																	
1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.31	1.29	1.34	1.14	1.13	1.04	1.25	1.55	1.34	1.34	1.34	1.34	1.34	1.34	1.34																																	
4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%	3.4%	3.5%	3.1%	2.8%	2.9%	2.3%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%																																	
CAPITAL STRUCTURE as of 3/31/18 Total Debt \$796.7 mill. Due in 5 Yrs \$291.0 mill. LT Debt \$515.7 mill. LT Interest \$36.0 mill. (43% of Cap'l) Pension Assets-12/17 \$460.9 mill. Oblig. \$671.3 mill. Pfd Stock None Common Stock 48,074,000 shs. MARKET CAP: \$1.9 billion (Mid Cap)																																																						
CURRENT POSITION 2016 2017 3/31/18 (\$MILL.) Cash Assets 25.5 94.8 34.7 Other 116.6 133.1 131.1 Current Assets 142.1 227.9 165.8 Accts Payable 77.8 94.0 73.6 Debt Due 123.3 291.0 281.0 Other 49.1 106.0 109.7 Current Liab. 250.2 491.0 464.3																																																						
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '15-'17 of change (per sh) 10 Yrs. 5 Yrs. to '21-'23 Revenues 4.0% 1.5% 2.5% "Cash Flow" 5.5% 3.5% 4.5% Earnings 4.5% 4.0% 9.5% Dividends 2.0% 2.5% 6.5% Book Value 4.5% 5.0% 3.0%																																																						
California Water Service Group's profits should rebound in the second quarter. The regulated and nonregulated water provider posted a net loss of \$0.05 in the March interim. Several factors, including higher wages and benefit costs, general operating expenses (water production), as well as an unforeseen water main break in the San Francisco area weighed on results. Nevertheless, we expect that earnings recovered nicely in the recently ended second quarter, to \$0.42 a share. That said, the miss has spurred us to shave a dime from our current-year bottom-line estimate, to \$1.45 a share. Revenues are still on track to rise. Indeed, recent rate increases for customers and recoverable production costs played a role in the first quarter's 8% year-over-year advance. This was able to offset a \$1.2 million revenue reduction associated with cost of capital adjustment. On balance, our call for modest top-line improvement in this year and next remains unaltered. The company made an attempt to acquire SJW Group. Subsequent to the merger announcement of SJW Group and																																																						
Quarterly Revenues (\$ mill.) <table border="1"> <thead> <tr> <th>Cal-endar</th><th>Mar.31</th><th>Jun.30</th><th>Sep.30</th><th>Dec.31</th><th>Full Year</th> </tr> </thead> <tbody> <tr> <td>2015</td><td>122.0</td><td>144.4</td><td>183.5</td><td>138.5</td><td>588.4</td> </tr> <tr> <td>2016</td><td>121.7</td><td>152.4</td><td>184.3</td><td>151.0</td><td>609.4</td> </tr> <tr> <td>2017</td><td>122.1</td><td>171.1</td><td>211.7</td><td>162.0</td><td>666.9</td> </tr> <tr> <td>2018</td><td>132.2</td><td>173</td><td>215</td><td>164.8</td><td>685</td> </tr> <tr> <td>2019</td><td>135</td><td>180</td><td>220</td><td>170</td><td>705</td> </tr> </tbody> </table>																			Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2015	122.0	144.4	183.5	138.5	588.4	2016	121.7	152.4	184.3	151.0	609.4	2017	122.1	171.1	211.7	162.0	666.9	2018	132.2	173	215	164.8	685	2019	135	180	220	170	705
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Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																																																	
2015	.03	.21	.52	.18	.94																																																	
2016	d.02	.24	.48	.31	1.01																																																	
2017	.02	.39	.70	.29	1.40																																																	
2018	d.05	.42	.73	.35	1.45																																																	
2019	.1	.45	.74	.35	1.65																																																	
Quarterly Dividends Paid <table border="1"> <thead> <tr> <th>Cal-endar</th><th>Mar.31</th><th>Jun.30</th><th>Sep.30</th><th>Dec.31</th><th>Full Year</th> </tr> </thead> <tbody> <tr> <td>2014</td><td>.1625</td><td>.1625</td><td>.1625</td><td>.1625</td><td>.65</td> </tr> <tr> <td>2015</td><td>.1675</td><td>.1675</td><td>.1675</td><td>.1675</td><td>.67</td> </tr> <tr> <td>2016</td><td>.1725</td><td>.1725</td><td>.1725</td><td>.1725</td><td>.69</td> </tr> <tr> <td>2017</td><td>.18</td><td>.18</td><td>.18</td><td>.18</td><td>.72</td> </tr> <tr> <td>2018</td><td>.1875</td><td>.1875</td><td></td><td></td><td></td> </tr> </tbody> </table>																			Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2014	.1625	.1625	.1625	.1625	.65	2015	.1675	.1675	.1675	.1675	.67	2016	.1725	.1725	.1725	.1725	.69	2017	.18	.18	.18	.18	.72	2018	.1875	.1875			
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																																																	
2014	.1625	.1625	.1625	.1625	.65																																																	
2015	.1675	.1675	.1675	.1675	.67																																																	
2016	.1725	.1725	.1725	.1725	.69																																																	
2017	.18	.18	.18	.18	.72																																																	
2018	.1875	.1875																																																				

quired Rio Grande Corp., West Hawaii Utilities (9/08). Revenue breakdown, '17: residential, 72%; business, 19%; industrial, 4%; public authorities, 4%; other 1%. Off. and dir. own 1% of common stock (4/18 proxy). Has 1,163 employees. Pres. and CEO: Martin A. Kropelnicki Inc. DE. Addr.: 1720 North First St., San Jose, CA 95112-4598. Tel.: 408-367-8200. Internet: www.calwatergroup.com.

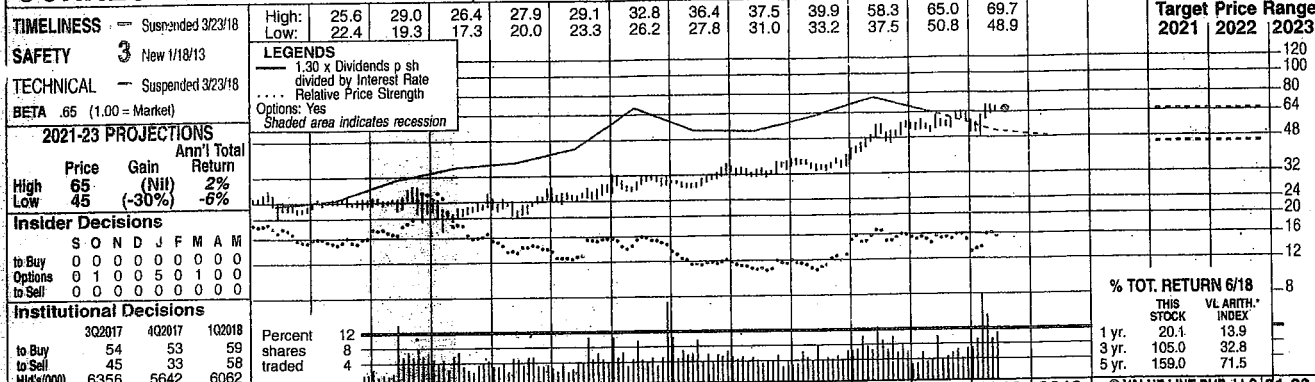
Connecticut Water, CWT stepped in with an unsolicited all-cash tender offer for the former, worth \$68.25 a share. However, the bid was immediately rejected, despite the lofty premium at the time of the proposal. Connecticut Water's go-shop period has come to an end, and both sides have reiterated their desires for a deal, thus shutting the door on California's efforts. Looking forward, we do not think there is any acquisition activity on the horizon. But abundant capital investments are likely on tap over the long haul. California ought to stick to its plan to heavily invest in its aging infrastructure. Old water mains and pipes, as well as inefficient treatment plants, need to be brought up to speed. This should help reduce operating costs and prevent future uninsured losses from water main breaks. This equity lacks investment appeal at this juncture. CWT shares are pegged to underperform the year-ahead broader market (Timeliness: 4). Moreover, total return potential over the three- to five-year stretch is nothing to write home about at the recent quotation.

Nicholas P. Patrikis July 13, 2018

(A) Basic EPS. Excl. nonrecurring gain (loss): '02, 4¢; '11, 4¢. Next earnings report due late August.
 (B) Dividends historically paid in late Feb., May, Aug., and Nov. □ Div'd reinvestment plan available.
 (C) Incl. intangible assets. In '17: \$24.8 mill., \$0.52/sh.
 (D) In millions, adjusted for splits.
 (E) Excludes non-reg. rev.
 Company's Financial Strength B++
 Stock's Price Stability 75
 Price Growth Persistence 35
 Earnings Predictability 65

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2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
5.77	5.91	6.04	5.81	5.68	7.05	7.24	6.93	7.65	7.93	9.47	8.29	8.45	8.58	8.77	8.87	9.45	9.95	Revenues per sh	12.80
1.78	1.89	1.91	1.62	1.52	1.90	1.95	1.93	2.04	2.11	2.64	2.63	2.97	3.18	3.31	3.39	3.35	3.85	"Cash Flow" per sh	4.50
1.12	1.15	1.16	.88	.81	1.05	1.11	1.19	1.13	1.13	1.53	1.66	1.92	2.04	2.08	2.13	1.85	2.40	Earnings per sh A	2.90
.81	.83	.84	.85	.86	.87	.88	.90	.92	.94	.96	.98	1.01	1.05	1.12	1.18	1.24	1.30	Div'd Decl'd per sh B	1.52
1.98	1.49	1.58	1.96	1.96	2.24	2.44	3.28	3.06	2.61	2.79	3.02	4.11	4.29	5.93	4.39	4.44	4.00	Cap'l Spending per sh	3.35
10.06	10.46	10.94	11.52	11.60	11.95	12.23	12.67	13.05	13.50	20.95	17.92	18.83	20.01	20.98	24.34	24.70	25.70	Book Value per sh D	26.80
7.94	7.97	8.04	8.17	8.27	8.38	8.46	8.57	8.68	8.76	8.85	11.04	11.12	11.19	11.25	12.07	12.15	12.25	Common Shs Outst'g C	12.50
24.3	23.5	22.9	28.6	29.0	23.0	22.2	18.4	20.7	23.0	19.4	18.4	17.5	17.6	23.3	26.5	26.5	26.5	Avg Ann'l P/E Ratio	19.0
1.33	1.34	1.21	1.52	1.57	1.22	1.34	1.23	1.32	1.44	1.23	1.03	.92	.89	1.22	1.33	1.33	1.33	Relative P/E Ratio	1.05
3.0%	3.0%	3.1%	3.4%	3.6%	3.6%	3.6%	4.1%	3.9%	3.6%	3.2%	3.2%	3.0%	2.9%	2.3%	2.1%	2.1%	2.1%	Avg Ann'l Div'd Yield	2.9%

CAPITAL STRUCTURE as of 3/31/18
 Total Debt \$258.4 mill. Due in 5 Yrs \$6.2 mill.
 LT Debt \$252.2 mill. LT Interest \$9.0 mill. (46% of Cap'l)

Leases, Uncapitalized: Annual rentals \$3 mill.
Pension Assets-12/17 \$73.1 mill. Oblig. \$88.6 mill.

Pfd Stock \$0.8 mill. **Pfd Divd** NMF

Common Stock 12,089,125 shs.

MARKET CAP: \$800 million (Small Cap)

CURRENT POSITION

	2016	2017	3/31/18
Cash Assets	1.6	3.6	4.0
Accounts Receivable	13.0	15.0	12.8
Other	14.8	17.1	19.4
Current Assets	29.4	35.7	36.2
Accts Payable	13.1	11.3	6.9
Debt Due	4.9	6.2	6.2
Other	37.1	24.0	34.0
Current Liab.	55.1	41.5	47.1

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '15-'17 to '21-'23
Revenues	3.5%	1.0%	6.5%
"Cash Flow"	7.0%	8.0%	5.5%
Earnings	8.5%	10.5%	5.5%
Dividends	2.5%	3.5%	5.5%
Book Value	6.5%	6.5%	3.5%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2015	20.0	26.6	28.4	21.0	96.0
2016	21.6	26.1	29.5	21.5	98.7
2017	22.5	27.9	31.8	24.9	107.1
2018	24.9	30.0	33.5	26.6	115
2019	27.0	32.0	35.0	28.0	122

Cal-endar	EARNINGS PER SHARE A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2015	.28	.77	.79	.20	2.04
2016	.28	.89	.84	.07	2.08
2017	.36	.73	.90	.14	2.13
2018	d.10	.77	.93	.25	1.85
2019	.38	.80	.95	.27	2.40

Cal-endar	QUARTERLY DIVIDENDS PAID B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	2475	2475	2575	2575	1.01
2015	2575	2575	2675	2675	1.05
2016	2675	2825	2825	2825	1.12
2017	2825	2975	2975	2975	1.18
2018	2975	3125			

BUSINESS: Connecticut Water Service, Inc. is a non-operating holding company, whose income is derived from earnings of its wholly-owned subsidiary companies (regulated water utilities). In 2017, 95% of net income was derived from these activities. Provides water services to 450,000 people in 80 municipalities throughout Connecticut and Maine. Acquired The Maine Water Company, January, 2012; Biddeford and Saco Water, December, 2012; Heritage Village, February, 2017. Inc.: Conn. Has 294 employees. Chairman/President/Chief Executive Officer: Eric W. Thornburg. Officers and directors own 1.2% of the common stock; BlackRock, Inc., 7.0% (4/18 proxy). Address: 93 West Main Street, Clinton, CT 06413. Telephone: (860) 669-8636. Internet: www.ctwater.com.

Connecticut Water's all-stock merger with SJW Group, announced early this year, appears to be back on track. There has been a bit of noise surrounding the transaction, specifically an amended 45-day go-shop provision in which Connecticut could have solicited offers from other parties. This period has since ended, and no proposals of interest have been officially received. However, prior to the abovementioned go-shop process, news broke that California Water Service made a sizable cash offer for SJW Group (\$68.25 per share), which subsequently sent SJW stock markedly higher. On a similar note, Eversource Energy attempted to enter the race with a bid (which was promptly rejected) for Connecticut Water. To reiterate the deal points, CTWS shareholders would receive 1.1375 shares of SJW Group common stock (merger is currently valued at \$77.20) for each share of CTWS stock held. Overall, the board of directors from both entities are now fully behind the merger, and are presently moving forward to secure shareholder and regulatory approval. The transaction is expected to close by the end of 2018.

The deal with SJW ought to create significant value on several fronts. The combined company would be the third-largest investor-owned water utility in the U.S., spanning Connecticut, Texas, Maine, and California. Indeed, the total geographic customer base would expand noticeably, with operational efficiency and customer service likely to improve from scale. Moreover, capital investments are poised to continue over the long haul, as both companies already have strategic plans in motion to boost spending on water mains, treatment plants, and other aging infrastructure. Connecticut is on track to spend nearly \$70 million this year on upgrades.

At the recent quotation, there is still some near-term upside to Connecticut Water's stock price. This issue is unranked for Timeliness due to the pending merger but, based on SJW's recent price, shares of CTWS are trading at roughly a 15% discount to the deal's valuation. We think it would be wise for investors, both short and long term, to hold on to their shares, for now.

Nicholas P. Patrikis July 13, 2018

(A) Diluted earnings. Next earnings report due late August.
 (B) Dividends historically paid in mid-March, June, September, and December. Div'd reinvestment plan available.
 (C) In millions
 (D) Includes intangibles. In 2017: \$67.0 million/\$5.55 a share.

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Company's Financial Strength	B+
Stock's Price Stability	B5
Price Growth Persistence	50
Earnings Predictability	B5

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CONSOLIDATED WATER CO. NDQ-CWCO

RECENT PRICE **12.75** P/E RATIO **21.3** (Trailing: 34.5; Median: 25.0) RELATIVE P/E RATIO **1.16** DIVY YLD **2.8%** VALUE LINE **1789**

TIMELINESS 4 Raised 6/29/18
SAFETY 3 New 1/17/14
TECHNICAL 2 Lowered 7/6/18
 BETA .95 (1.00 = Market)

High:	37.5	29.8	21.3	15.1	11.7	9.2	16.9	14.5	13.8	14.7	14.0	15.4						
Low:	23.3	7.6	6.4	8.1	7.3	6.7	7.5	8.4	9.6	9.8	10.0	12.0						

LEGENDS
 2.00 x Dividends p sh divided by Interest Rate
 Relative Price Strength
 2-for-1 split 9/05
 Options: Yes
 Shaded area indicates recession

2021-23 PROJECTIONS

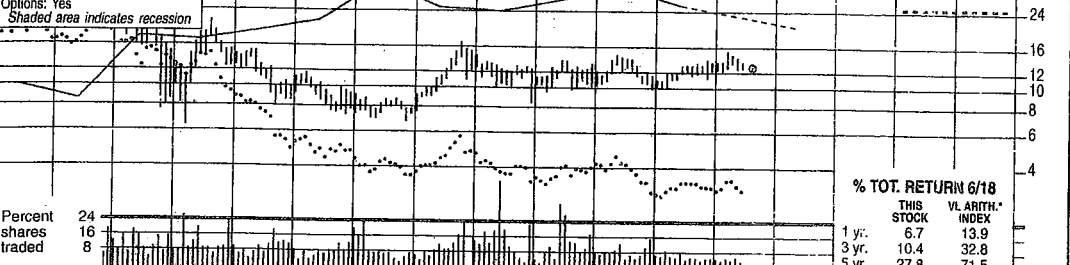
Price	Gain	Ann'l Total Return
High 35	(+175%)	30%
Low 25	(+95%)	20%

Insider Decisions

S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0
to Sell	0	0	0	7	0	8	0	0

Institutional Decisions

3Q2017	4Q2017	1Q2018	Percent shares traded
to Buy 39	42	40	24
to Sell 32	21	38	16
Hld's(000)	7940	7715	8203



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC 21-23	
1.52	1.68	2.02	1.12	2.71	3.41	4.52	3.99	3.49	3.79	4.49	4.35	4.46	3.86	3.89	4.18	4.05	4.20	Revenues per sh	10.00
.50	.63	.77	.37	.87	1.20	.95	1.18	.86	.83	1.17	.96	.80	.89	.95	1.12	1.05	1.15	"Cash Flow" per sh	1.90
.32	.42	.49	.23	.59	.79	.50	.74	.43	.42	.64	.58	.42	.51	.27	.41	.60	.70	Earnings per sh A	1.30
.21	.21	.23	.12	.24	.20	.33	.28	.30	.30	.30	.30	.30	.30	.30	.31	.35	.40	Div'd Decl'd per sh B	.65
.39	.19	.24	.77	1.83	.54	.46	.18	.09	.96	.31	.29	.32	.21	.23	.31	.20	.20	Cap'l Spending per sh	1.90
2.64	3.89	4.20	2.54	7.49	8.21	8.36	8.53	8.69	8.83	9.20	9.44	9.58	9.81	9.79	9.91	10.45	11.15	Book Value per sh D	12.50
7.99	11.37	11.51	23.46	14.13	14.40	14.53	14.54	14.55	14.57	14.59	14.69	14.72	14.78	14.87	14.92	15.00	15.25	Common Shs Outst'g C	16.00
21.6	19.3	23.1	80.0	43.0	35.4	37.8	19.0	26.9	22.4	12.4	20.0	28.3	22.7	44.8	29.0	29.0	29.0	Avg Ann'l P/E Ratio	22.5
1.18	1.10	1.22	4.26	2.32	1.88	2.27	1.27	1.71	1.41	.79	1.12	1.49	1.14	2.35	1.41	1.41	1.41	Relative P/E Ratio	1.25
3.1%	2.6%	2.0%	.7%	.9%	.7%	1.7%	2.0%	2.6%	3.2%	3.8%	2.6%	2.5%	2.6%	2.5%	2.6%	2.5%	2.5%	Avg Ann'l Div'd Yield	2.2%

CAPITAL STRUCTURE as of 3/31/18
 Total Debt \$3.3 mill. Due in 5 Yrs \$0.3 mill.
 LT Debt None LT Interest None

Leases, Uncapitalized: Annual rentals \$6 mill.

No Defined Benefit Pension Plan

Pfd Stock NMF (33,488 shares out.)
 Div'd NMF

Common Stock 14,959,309 shs.
 as of 5/4/18

MARKET CAP: \$200 million (Small Cap)

CURRENT POSITION (\$ MILL.)	2016	2017	3/31/18
Cash Assets	39.3	47.2	43.7
Accts Receivable	16.5	15.0	14.8
Other	5.1	4.5	7.3
Current Assets	60.9	66.7	65.8
Accts Payable	4.9	5.7	5.6
Debt Due	.5	.7	.3
Other	1.3	1.2	1.3
Current Liab.	6.7	7.6	7.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '15-'17 to '21-'23
Revenues	5.0%	.5%	16.5%
"Cash Flow"	2.0%	.5%	11.5%
Earnings	-3.0%	-4.5%	22.0%
Dividends	5.0%	.-	13.5%
Book Value	5.0%	2.0%	4.5%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2015	14.7	14.4	14.6	13.4	57.1
2016	14.0	15.4	14.4	14.1	57.9
2017	15.6	15.3	16.6	14.8	62.3
2018	14.3	15.5	15.5	15.7	61.0
2019	16.0	16.0	16.0	16.0	64.0

Cal-endar	EARNINGS PER SHARE A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2015	.13	.15	.12	.11	.51
2016	.15	.15	d.13	.10	.27
2017	.18	.11	.08	.04	.41
2018	.14	.17	.16	.13	.60
2019	.19	.18	.17	.16	.70

Cal-endar	QUARTERLY DIVIDENDS PAID B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	.075	.075	.075	.075	.30
2015	.075	.075	.075	.075	.30
2016	.075	.075	.075	.075	.30
2017	.075	.075	.075	.075	.30
2018	.085	.085			

BUSINESS: Consolidated Water Co. Ltd. develops and operates seawater desalination plants and water distribution systems in areas where naturally occurring supplies of potable water are scarce or nonexistent. Its desalination process involves reverse osmosis tech. It provides water in the Cayman Islands, Belize, the Bahamas, the British Virgin Islands, and Bail. At 12/31/17, it opera-

Consolidated Water's Aerex subsidiary isn't doing well. CWCO owns 51% of this business, which manufactures custom and specialty products, as well as provides designing and engineering services, for municipal systems. The fundamentals of this market are excellent as many water utilities, after deferring capital improvement for decades, are now spending heavily to upgrade and refurbish existing pipelines. Since becoming involved in Aerex, results have not matched expectations, however. Sales have been declining, forcing a recent writedown (noncash) in the value of the company.

The news out of Mexico remains encouraging. Consolidated has been working for some time on planning a large desalination plant to provide water mostly to Tijuana. The city's population has been expanding, and there is a need for more potable water. In March, the company found two partners, including Suez International, a global leader in water treatment, to form a joint venture. Having such a credible associate has greatly reduced the risk related to the construction of the Rosarito plant.

ted 13 plants with a capacity of 25.8 million gallons per day. Inc.: Cayman Islands. Has 120 employees. President & CEO: Frederick McTaggart. Off./Dir. own 2.5% of stock; First Manhattan, 5.1% (4/18 proxy). Address: Regatta Office Park Windward Three, 4th Floor, West Bay Road P.O. Box 1114 Grand Cayman, KYI-1102, Cayman Islands. Tel.: (345) 945-4277. Internet: www.cwco.com.

Operations in the Caribbean remain the heart of the business. Through subsidiaries, Consolidated uses desalination plants to provide water to several countries in this region. In the first quarter, the Cayman Islands represented 42% of the company's total revenues, and 51% of its operating profit. Relations with regulators here have not always been smooth. A new agency named "OFReg" was established two years ago, and it is yet to be seen if a long-term deal can be reached between the two parties.

The company has a small, but pristine, balance sheet. At the end of the first quarter, all debt outstanding totaled only \$0.3 million. Moreover, the company had almost \$44 million in cash on hand, or close to \$3 a share.

These shares offer the highest potential total returns in the group, but also the greatest downside. CWCO builds projects in which it is not guaranteed a return on the assets, as is the case with the other members in this industry. Therefore, this stock may carry too much uncertainty for a typical utility investor.

James A. Flood July 13, 2018

(A) Fully diluted earnings. Excludes losses from discontinued operations: '17, \$0.08 a share. Next earnings report due mid-August. (B) Dividends historically paid in late January. (C) In millions adjusted for stock split. (D) Includes intangibles. As of 12/31/17, \$12.1 million/\$0.81 a share.

Company's Financial Strength	B+
Stock's Price Stability	30
Price Growth Persistence	20
Earnings Predictability	45

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TIMELINESS 3 Raised 3/23/18
SAFETY 2 New 10/21/11
TECHNICAL 3 Lowered 6/29/18
 BETA .80 (1.00 = Market)

High: 20.2 19.8 17.9 19.3 19.4 19.6 22.5 23.7 28.0 44.5 46.7 45.2
 Low: 16.9 12.0 11.6 14.7 16.5 17.5 18.6 19.1 21.2 25.0 32.2 34.0

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

2021-23 PROJECTIONS

Price	Gain	Ann'l Total Return
High 50	(+20%)	7%
Low 35	(-15%)	-2%

Insider Decisions

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

Institutional Decisions

3Q2017	4Q2017	1Q2018
to Buy	46	49
to Sell	41	36
Net's (000)	9500	8418

Percent shares traded: 12, 8, 4

% TOT. RETURN 6/18

THIS STOCK	VL ARITH. INDEX
1 yr. 8.9	13.9
3 yr. 101.3	32.8
5 yr. 144.9	71.5

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
5.98	6.12	6.25	6.44	6.16	6.50	6.79	6.75	6.60	6.50	6.98	7.19	7.26	7.77	8.16	8.00	8.20	8.50	Revenues per sh	9.40
1.20	1.15	1.28	1.33	1.33	1.49	1.53	1.40	1.55	1.46	1.56	1.72	1.84	1.97	2.17	2.24	2.40	2.55	"Cash Flow" per sh	3.15
.73	.61	.73	.71	.82	.87	.89	.72	.96	.84	.90	1.03	1.13	1.22	1.38	1.38	1.50	1.65	Earnings per sh A	2.10
.63	.65	.66	.67	.68	.69	.70	.71	.72	.73	.74	.75	.76	.78	.81	.86	.91	.96	Div'd Decl'd per sh B	1.11
1.59	1.87	2.54	2.18	2.31	1.66	2.12	1.49	1.90	1.50	1.36	1.26	1.40	1.59	2.91	3.08	3.05	3.00	Cap'l Spending per sh	2.50
7.39	7.60	8.02	8.26	9.52	10.05	10.03	10.33	11.13	11.27	11.48	11.82	12.24	12.74	13.40	14.02	14.85	15.15	Book Value per sh	16.75
10.36	10.48	11.36	11.58	13.17	13.25	13.40	13.52	15.57	15.70	15.82	15.96	16.12	16.23	16.30	16.35	16.50	16.75	Common Shs Outst'g C	17.00
23.5	30.0	26.4	27.4	22.7	21.6	19.8	21.0	17.8	21.7	20.8	19.7	18.5	19.1	25.6	28.4	28.4	28.4	Avg Ann'l P/E Ratio	21.0
1.28	1.71	1.39	1.46	1.23	1.15	1.19	1.40	1.13	1.36	1.32	1.11	.97	.96	1.34	1.43	1.43	1.43	Relative P/E Ratio	1.15
8.7%	3.5%	3.4%	3.5%	3.7%	3.7%	4.0%	4.7%	4.2%	4.0%	4.0%	3.7%	3.7%	3.3%	2.3%	2.2%	2.2%	2.2%	Avg Ann'l Div'd Yield	2.6%

CAPITAL STRUCTURE as of 3/31/18
 Total Debt \$174.6 mill. Due in 5 Yrs \$34.9 mill.
 LT Debt \$140.1 mill. LT Interest \$5.5 mill.
 (Total interest coverage 9.5x)
 (38% of Cap'l)

91.0	91.2	102.7	102.1	110.4	114.8	117.1	126.0	132.9	130.8	135	142	Revenues (\$mill)	160
12.2	10.0	14.3	13.4	14.4	16.6	18.4	20.0	22.7	22.8	25.0	27.5	Net Profit (\$mill)	35.5
33.2%	34.1%	32.1%	32.7%	33.9%	34.1%	35.0%	34.5%	34.0%	32.7%	21.0%	21.0%	Income Tax Rate	21.0%
--	--	6.8%	6.1%	3.4%	1.9%	1.7%	1.9%	2.7%	3.1%	2.5%	2.0%	AFUDC % to Net Profit	2.5%
45.6%	46.6%	43.1%	42.3%	41.5%	40.4%	40.5%	39.4%	37.9%	37.5%	37.0%	37.0%	Long-Term Debt Ratio	37.0%
51.0%	52.1%	55.8%	56.6%	57.4%	58.7%	58.8%	59.8%	61.5%	61.8%	62.5%	62.5%	Common Equity Ratio	62.5%
259.4	267.9	310.5	312.5	316.5	321.4	335.8	345.4	355.4	370.7	390	410	Total Capital (\$mill)	460
366.3	376.5	405.9	422.2	435.2	446.5	465.4	481.9	517.8	557.2	565	575	Net Plant (\$mill)	600
5.8%	5.0%	5.7%	5.2%	5.4%	5.9%	6.3%	6.6%	7.1%	6.9%	7.0%	7.5%	Return on Total Cap'l	8.5%
8.6%	7.0%	8.1%	7.5%	7.8%	8.7%	9.2%	9.6%	10.3%	9.8%	10.0%	11.0%	Return on Shr. Equity	12.5%
8.9%	7.0%	8.2%	7.5%	7.8%	8.7%	9.3%	9.6%	10.3%	9.9%	10.0%	11.0%	Return on Com Equity	12.5%
2.0%	.1%	2.1%	1.0%	1.4%	2.4%	3.1%	3.5%	4.3%	3.8%	4.0%	4.5%	Retained to Com Eq	6.0%
78%	96%	75%	87%	83%	73%	67%	63%	58%	62%	61%	58%	All Div'ds to-Net Prof	53%

Pension Assets-12/17 \$69.2 mill.
 Oblig. \$88.0 mill.
Pfd Stock \$2.4 mill. Pfd Div'd: \$.1 mill.

Common Stock 16,359,184 shs.
 as of 4/30/18

MARKET CAP: \$700 million (Small Cap)

CURRENT POSITION

2016	2017	3/31/18	
Cash Assets	3.9	4.9	2.0
Other	22.8	24.3	23.2
Current Assets	26.7	29.2	25.2
Accts Payable	12.3	13.9	11.0
Debt Due	18.2	34.9	34.5
Other	16.6	15.7	18.5
Current Liab.	47.1	64.5	64.0

BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey, Delaware, and Pennsylvania. It also operates water and wastewater systems under contract on behalf of municipal and private clients in NJ and DE. Its Middlesex System provides water services to 61,000 retail customers, primarily in Middlesex County, New Jersey. In 2017, the Middlesex System accounted for 58% of operating revenues. At 12/31/17, the company had 315 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers & directors own 3.5% of the common stock; BlackRock Institutional Trust Co., 6.4% (4/18 proxy). Add: 1500 Ronson Road, Iselin, NJ 08830. Tel: 732-634-1500. Internet: www.middlesexwater.com.

ANNUAL RATES

Past 10 Yrs	Past 5 Yrs	Est'd '15-'17	
Revenues	2.5%	3.5%	3.0%
"Cash Flow"	4.5%	7.0%	7.0%
Earnings	5.0%	8.0%	8.0%
Dividends	2.0%	2.0%	5.5%
Book Value	3.5%	3.5%	4.0%

QUARTERLY REVENUES (\$mill.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2015	28.8	31.7	34.7	30.8	126.0
2016	30.6	32.7	37.9	31.8	132.9
2017	30.1	33.0	36.2	31.5	130.8
2018	31.2	34.0	37.5	32.3	135
2019	33.0	36.0	39.0	34.0	142

EARNINGS PER SHARE A

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2015	.22	.31	.41	.28	1.22
2016	.29	.36	.54	.19	1.38
2017	.27	.33	.46	.32	1.38
2018	.27	.35	.55	.33	1.50
2019	.32	.39	.59	.35	1.65

QUARTERLY DIVIDENDS PAID B

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2014	.19	.19	.19	.1925	.76
2015	.1925	.1925	.1925	.19875	.78
2016	.19875	.19875	.19875	.21125	.81
2017	.21125	.21125	.21125	.22375	.86
2018	.22375	.22375			

(A) Diluted earnings. Next earnings report due early August. (B) Dividends historically paid in mid-Feb., May, Aug., and November. Div'd reinvestment plan available. (C) In millions.

Company's Financial Strength B++
Stock's Price Stability 65
Price Growth Persistence 40
Earnings Predictability 80

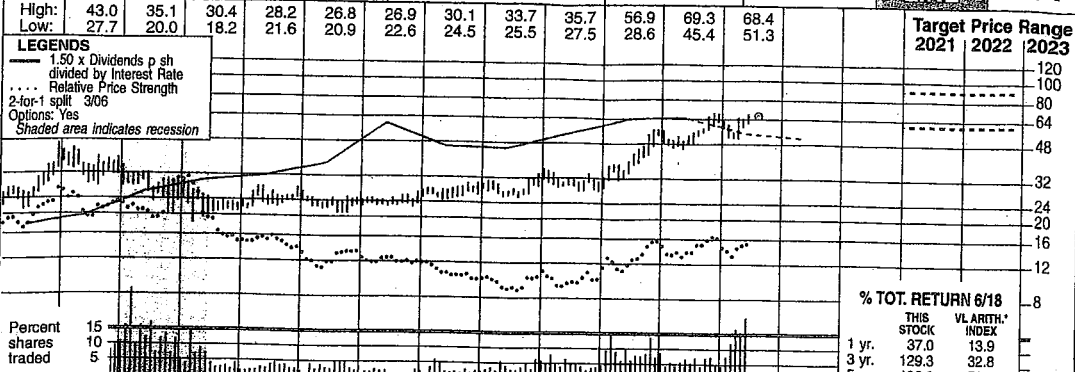
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SJW GROUP NYSE-SJW

RECENT PRICE **66.89** P/E RATIO **25.7** (Trailing: 24.4 Median: 21.0) RELATIVE P/E RATIO **1.40** D/V D YLD **1.7%** VALUE LINE **1791**

TIMELINESS -- Suspended 5/4/18
SAFETY 3 New 4/22/11
TECHNICAL -- Suspended 5/4/18
 BETA .75 (1.00 = Market)
2021-23 PROJECTIONS
 Price Gain Ann'l Total
 High 90 (+35%) 9%
 Low 60 (-10%) Nil



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC 21-23	
7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	12.85	14.01	13.73	15.76	14.97	16.61	18.97	19.05	18.85	Revenues per sh	21.10
1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.38	2.80	2.97	2.90	4.42	3.86	4.76	5.24	5.00	5.25	"Cash Flow" per sh	5.65
.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	1.11	1.18	1.12	2.54	1.85	2.57	2.86	2.60	3.00	Earnings per sh ^A	3.45
.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	.71	.73	.75	.78	.81	1.04	1.12	1.20	Div'd Decl'd per sh ^B	1.45
2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	3.75	5.67	4.68	5.02	5.24	6.95	7.26	5.50	5.25	Cap'l Spending per sh	5.00
8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	14.20	14.71	15.92	17.75	18.83	20.61	22.57	22.65	23.40	Book Value per sh	24.55
18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	18.59	18.67	20.17	20.29	20.38	20.46	20.52	21.00	22.00	Common Shs Outst ^g ^C	23.00
17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.1	21.2	20.4	24.3	11.2	16.6	15.7	18.8	Bold figures are Value Line estimates	.93	Avg Ann'l P/E Ratio	22.0
.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.85	1.33	1.30	1.37	.59	.84	.82	.93	1.00	1.05	Relative P/E Ratio	1.20
3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%	2.9%	3.0%	2.7%	2.6%	2.5%	2.0%	1.9%	1.9%	1.9%	Avg Ann'l Div'd Yield	1.9%

CAPITAL STRUCTURE as of 3/31/18
 Total Debt \$431.2 mill. Due in 5 Yrs \$14.3 mill.
 LT Debt \$431.2 mill. LT Interest \$20.0 mill.
 (LT Interest Coverage: 3.6x)
 (48% of Cap'l)

Leases, Uncapitalized: Annual rentals \$6.7 mill.

Pension Assets-12/17 \$133.4 mill.
 Oblig. \$196.2 mill.

Pfd Stock None.
 Common Stock 20,585,136 shs.

MARKET CAP: \$1.4 billion (Mtd Cap)

2016	2017	3/31/18
25.3	7.8	7.0
16.4	17.3	18.3
57.9	41.8	35.8
99.6	66.9	61.1
18.7	23.0	22.5
14.3	-	-
30.6	62.1	72.9
63.6	85.1	95.4

Quarter	2015	2016	2017	2018	2019	Full Year
Mar.31	62.1	72.4	83.0	87.6	305.1	305.1
Jun.30	61.1	86.9	112.3	79.4	339.7	339.7
Sep.30	69.0	102.1	124.6	93.5	389.2	389.2
Dec.31	75.0	105	125	95.0	400	400
2019	78.0	110	130	97.0	415	415

Quarter	2015	2016	2017	2018	2019	Full Year
Mar.31	.23	.36	.46	.80	1.85	1.85
Jun.30	.16	.82	.92	.67	2.57	2.57
Sep.30	.18	.90	.94	.84	2.86	2.86
Dec.31	.06	.86	1.00	.68	2.60	2.60
2019	.30	.95	1.05	.70	3.00	3.00

Quarter	2014	2015	2016	2017	2018	2019	Full Year
Mar.31	.1875	.1875	.1875	.1875	.75	.75	.75
Jun.30	.1950	.1950	.1950	.1950	.78	.78	.78
Sep.30	.2025	.2025	.2025	.2025	.81	.81	.81
Dec.31	.2175	.2175	.2175	.3875	1.04	1.04	1.04
2018	.28	.28					

BUSINESS: SJW Group engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 230,000 connections with a total population of roughly one million people in the San Jose area and 14,000 connections that reach about 42,000 residents in the region between San Antonio and Austin, Texas. The company also offers nonregulated water-related services and owns and operates commercial real estate investments. Has about 411 employees. Officers and directors (including Nancy O. Moss) own 22.9% of outstanding shares (3/18 proxy). Chairman & CEO: Richard Roth. Incorporated: California. Address: 110 West Taylor Street, San Jose, CA 95110. Telephone: (408) 279-7800. Internet: www.sjwater.com.

Shares of SJW Group have risen significantly in value over the past three months. The surge in price (+30% since our April review) has much to do with outside interest from California Water Service and its recent attempt to hijack SJW's merger with Connecticut Water (more below). After the agreement was announced, California tossed its hat into the ring with a \$68.25 per share all-cash proposal. The purchase price may have been somewhat attractive, but offered considerably less long-term operational upside. Promptly, SJW's board rejected the offer, solidifying its first-choice deal with CTWS. The previously announced merger agreement with Connecticut Water is on track. Initial terms of the all-stock transaction state that CTWS shareholders will receive 1.1375 shares of SJW stock for each share of CTWS held. Following several interjections from third parties and a 45-day go-shop amendment, the deal's value has skyrocketed in conjunction with SJW's share price. Both boards of directors are now fully behind the merger, and the deal is awaiting shareholder and regulatory approval. All things

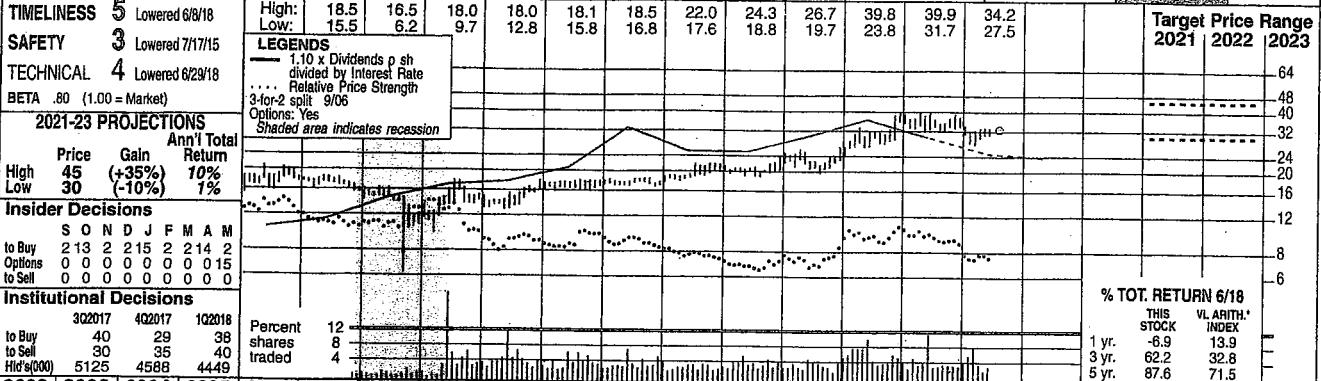
considered, a closing date within 2018 remains the target. We think the merger ought to bear fruit over the pull to 2021-2023. A wider geographic footprint (California, Connecticut, Maine, and Texas) and increased scale should undoubtedly drive operational synergies and improve customer service. The latter will be pleased to hear that an immediate rate hike is probably not in the cards. Once completed, the third-largest water and waste water utility anticipates annual revenues of \$500 million, with the deal being accretive to the bottom line from the get-go. Moreover, investments in water mains, treatment facilities, and other aging infrastructure should further boost efficiencies. SJW Group shares are unranked for Timeliness due to the pending merger. In light of the recent price advance, this may be an opportune time to take some profits off the table. Meanwhile, business prospects appear bright over the pull to 2021-2023, but we suggest long-term investors hold off until there is more postmerger clarity.

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(A) Diluted earnings. Excludes nonrecurring losses: '03, \$1.97; '04, \$3.78; '05, \$1.09; '06, \$18.36; '08, \$1.22; '10, \$0.46. GAAP accounting as of 2013. Next earnings report due late August. Quarterly earnings may not add due to rounding.
 (B) Dividends historically paid in early March, June, September, and December. ^a Div'd reinvestment plan available.
 (C) In millions, adjusted for stock splits.
 (D) Paid special dividend of \$0.17 per share on 11/17

Company's Financial Strength B+
 Stock's Price Stability 65
 Price Growth Persistence 30
 Earnings Predictability 45

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2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2.05	2.17	2.18	2.58	2.56	2.79	2.89	2.95	3.07	3.18	3.21	3.27	3.58	3.68	3.70	3.77	3.85	4.00	4.00	4.00	4.00	4.00
.57	.65	.65	.79	.77	.86	.88	.95	1.07	1.09	1.12	1.19	1.36	1.45	1.42	1.53	1.65	1.75	1.75	1.75	1.75	1.75
.40	.47	.49	.56	.58	.57	.57	.64	.71	.71	.72	.75	.89	.97	.92	1.01	1.05	1.15	1.15	1.15	1.15	1.15
.35	.37	.39	.42	.45	.48	.49	.51	.52	.53	.54	.55	.57	.60	.63	.65	.70	.75	.75	.75	.75	.75
.66	1.07	2.50	1.69	1.85	1.69	2.17	1.18	.83	.74	.94	.76	1.10	1.11	1.03	1.95	1.50	1.25	1.25	1.25	1.25	1.25
3.90	4.06	4.65	4.85	5.84	5.97	6.14	6.92	7.19	7.45	7.73	7.98	8.15	8.51	8.88	9.28	9.35	10.55	10.55	10.55	10.55	10.55
9.55	9.63	10.33	10.40	11.20	11.27	11.37	12.56	12.69	12.79	12.92	12.98	12.83	12.81	12.85	12.87	12.80	12.75	12.75	12.75	12.75	12.75
26.9	24.5	25.7	26.3	31.2	30.3	24.6	21.9	20.7	23.9	24.4	26.3	23.1	23.5	32.8	34.6	34.6	34.6	34.6	34.6	34.6	34.6
1.47	1.40	1.36	1.40	1.68	1.61	1.48	1.46	1.32	1.50	1.55	1.48	1.22	1.18	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72
3.3%	3.2%	3.1%	2.9%	2.5%	2.8%	3.5%	3.6%	3.5%	3.1%	3.1%	2.8%	2.8%	2.6%	2.1%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%

CAPITAL STRUCTURE as of 3/31/18

Total Debt \$90.0 mill. Due in 5 Yrs \$42.5 mill.
 LT Debt \$78.0 mill. LT Interest \$5.3 mill.

(39% of Cap'l)

Pension Assets 12/17 \$41.4 mill.
 Obl'g. \$44.6 mill.

Pfd Stock None

Common Stock 12,892,798 shs.

MARKET CAP: \$425 million (Small Cap)

CURRENT POSITION (\$MILL.)	2016	2017	3/31/18
Cash Assets	4.2	--	--
Accounts Receivable	4.3	4.5	4.2
Inventory (Avg. Cost)	.7	.9	.9
Other	3.4	3.2	3.3
Current Assets	12.6	8.6	8.4
Accts Payable	3.7	3.1	3.2
Debt Due	--	--	12.0
Other	4.5	6.0	5.6
Current Liab.	8.2	9.1	20.8

BUSINESS: The York Water Company is the oldest investor-owned regulated water utility in the United States. It has operated continuously since 1816. As of December 31, 2017, the company's average daily availability was 35.4 million gallons and its service territory had an estimated population of 198,000. Has more than 69,000 customers. Residential customers accounted for 64% of 2017 revenues; commercial and industrial (28%); other (8%). It also provides sewer billing services. Incorporated: PA. York had 102 full-time employees at 12/31/17. President/CEO: Jeffrey R. Hines. Officers/directors own 1.1% of the common stock (3/18 proxy). Address: 130 East Market Street, York, Pennsylvania 17401. Telephone: (717) 845-3601. Internet: www.yorkwater.com.

York Water's first-quarter bottom line was unchanged compared to the previous-year figure. The regulated utility posted earnings of \$0.20 a share for the March period, missing our mark by \$0.02. Nevertheless, we are retaining our current-year profit forecast of \$1.05 per share, as we think a lower effective tax rate, combined with higher asset improvement deductions, should help offset rising expenses in the back half of 2018. Meantime, first-quarter revenues of \$11.6 million were fractionally above our call, though the beat was not significant enough to spur an upward revision. As we expected, the company has inquired about a rate increase. In May, York asked the Pennsylvania Public Utility Commission for more than \$6 million (annual revenues) in customer rate hikes to recover replacement costs associated with water pipeline improvements, other infrastructure upgrades, as well as personnel and operational cost increases. York hopes to recover expenses incurred since its last rate case filing in 2013, and help balance future capital investments. A time frame for the decision has not yet been established.

Capital spending ought to continue through 2018 and beyond. Year to date, York Water has invested only about \$3.0 million, specifically to complete a raw water pumping station and some modest infrastructure upgrades. An additional \$20 million is likely to be spent by year's end. Going forward, we expect further infrastructure upgrades and improvements to its waste water treatment plants. This spending is necessary not only as a response to its aging pipes and delivery methods, but also to handle its expanding customer base.

This equity lacks investment appeal at this juncture. Shares of York Water have been lowered two spots on our Timeliness ranking scale, to 5 (Lowest). Thus, short-term accounts should turn the page. Similarly, those with a buy-and-hold mantra should take a pass, as the shares offer limited price upside 3- to 5-years out. Lastly, as a stand-alone dividend play (2.0% current yield), we think investors can find more-attractive options elsewhere.

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Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2015	11.2	11.9	12.4	11.6	47.1
2016	11.3	11.8	12.6	11.9	47.6
2017	11.3	12.3	12.7	12.3	48.6
2018	11.6	12.5	12.9	12.5	49.5
2019	12.0	12.8	13.3	12.9	51.0

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2015	.20	.22	.28	.27	.97
2016	.19	.23	.27	.23	.92
2017	.20	.23	.31	.27	1.01
2018	.20	.25	.32	.28	1.05
2019	.24	.27	.33	.31	1.15

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2014	1.431	1.431	1.431	1.431	.572
2015	1.495	1.495	1.495	1.555	.604
2016	1.555	1.555	1.555	1.602	.627
2017	1.602	1.602	1.602	1.666	.647
2018	1.666	1.666			

(A) Diluted earnings. Next earnings report due late August. (C) In millions, adjusted for split.

(B) Dividends historically paid in late February, June, September, and December.

Company's Financial Strength B+
 Stock's Price Stability 60
 Price Growth Persistence 55
 Earnings Predictability 90

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