TESI-SEWER STATEMENT NO. 1
WITNESS: SCOTT D. FOGELSANGER

4-17-08 TES
Ex36

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
Treasure Lake Sewer Division

Docket No. R-00072495

also includes
exhibits
SDF-1
SDF2

DOCUMENT
FOLDER

Direct Testimony

of

Scott D. Fogelsanger, Principal
AUS Consultants

Concerning Total Environmental Solutions, Inc.'s
Revenues, Expenses, Tariff Rate Design,
and Appropriate Ratemaking Adjustments

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Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is Scott D. Fogelsanger. I am employed in the position of Principal with AUS Consultants which specializes in rate filings, various financial studies including valuation, depreciation, and cost of service studies. AUS Consultants is located at 275 Grandview Avenue, Suite 100, Camp Hill, Pennsylvania, 17011.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL QUALIFICATIONS.

A. I have been employed by AUS Consultants since 1987. I am a graduate of Shippensburg University with a Bachelor of Science in Business Administration Degree in Accounting. I have attended Depreciation Programs at Calvin College in Grand Rapids, Michigan and have completed Program A, which emphasized various methods of life analysis and accounting concepts for depreciation studies. Also, I attended and completed the Eastern Utility Rate Seminar sponsored by the University of Utah.

I have served investor-owned and municipal utilities in the chilled water, electric, gas, steam, telephone, water and wastewater industries. I have prepared studies in the disciplines of cost of service, tariff design, bill frequency analysis, rate case preparation, original cost, depreciation, valuation and property inventory. A copy of my professional qualifications, including a partial list of clients served, has been included in **Appendix A** to this testimony.

Q. **HAVE YOU SUBMITTED TESTIMONY PREVIOUSLY BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION?**

A. Yes, I have. A listing of testimony rendered before the Commission is included as **Appendix B** to this testimony.

Q. **WHAT IS THE NATURE OF YOUR TESTIMONY IN THIS PROCEEDING?**

A. AUS Consultants was engaged to prepare supporting data as to the revenues, expenses, rate base, and rate of return claims of Total Environmental Solutions, Inc. (the "Company"). AUS Consultants also prepared a proposed rate design, which will be discussed later in my direct testimony. The supporting data, previously supplied as part of the Company's initial filing, accompanies my direct testimony as

SDF Exhibit No. 1. I will initially be discussing the supporting data that is attached as SDF Exhibit No. 1.

Q. MR. FOGELSANGER, GENERALLY DESCRIBE THE CONTENTS OF SDF EXHIBIT NO. 1.

A. Exhibit No. 1 is divided into two sections. I am sponsoring Sections 1 and 2, although I will note that Mr. Gary Shambaugh will be sponsoring testimony in support of the Company's rate base calculations and Ms. Pauline Ahern will be sponsoring testimony in support of the Company's rate of return calculations.

Section 1 contains general information as to revenues, expenses and rate base in response to the Commission's regulations at 52 Pa. Code §53.52. In addition to historical test year information, the supporting data also is set forth based upon known and measurable changes to the operating revenues and expenses for the twelve months ending December 31, 2007. The Company will rely primarily on the going-level December 31, 2007 data to support its claimed increase.

Section 2 contains Supporting Schedule Nos. 1 through 10, which provide further, detailed information from which the Company's various claims, shown in Section 1, were derived. Section 1 has been appropriately cross-referenced to the Supporting Schedules contained in Section 2. It should be noted that Section 2 contains a proof of revenue (Supporting Schedule No. 10) at proposed rates.

Q. WHAT METHOD WAS UTILIZED TO DETERMINE THE ACCURACY OF THE TEST YEAR OPERATING REVENUES?

A. AUS Consultants obtained copies of the billing records for the twelve months of the test year. These billing records contain bill dates, customer identification numbers, customer classification, meter size, and the billed consumption for each of the customers. This billing information was summarized by customer classification, meter size, and specific consumption levels. The billing summaries were then utilized in preparing a bill frequency analysis. The bill frequency analysis is contained in SDF Exhibit No. 1, Section 2, pages 2-1 and 2-2.

Q. WERE THERE ANY "PER BOOK" ADJUSTMENTS MADE TO THE OPERATING REVENUES?

A. No.

Q. ARE THERE ANY GOING-LEVEL ADJUSTMENTS AT PRESENT RATES THAT WERE MADE TO THE OPERATING REVENUES?

A. Yes.

Q. WHAT WAS THE NATURE OF THE GOING-LEVEL ADJUSTMENTS AT PRESENT RATES TO THE OPERATING REVENUES?

A. Going-Level Adjustment No. 1 was required to remove the revenue associated with the PennVest Surcharge. Going-Level Adjustment No. 2 was made to reflect the revenues based on the bill frequency analysis. Going-Level Adjustment No. 3 is related to the annualization of customers gained and lost during the historic test year ended December 31, 2006. Going-Level Adjustment No. 4 is related to the projected additional revenues associated with customers gained during the future test year ended December 31, 2007. The Going-Level Adjustments at Present Rates for operating revenues total $146,733, as shown on page 1-9 of SDF Exhibit No. 1.

Q. MR. FOGELSANGER, WHAT IS THE PROPOSED INCREASE IN OPERATING REVENUES?

A. The Company has proposed an increase of $286,615 in the Company's going-level revenues ($971,777) at present rates. The Company's projected operating revenues at proposed rates is $1,258,392, as set forth on Page 1-9 of SDF Exhibit No. 1.

Q. HAS A PROOF OF REVENUES ALSO BEEN PREPARED AT THE COMPANY'S PROPOSED RATES?

A. Yes, as previously explained, a proof of revenues at proposed rates was prepared based on the customer billing determinants. This is shown in Section 2 at page 2-16. The proposed revenue increase by customer class sets forth that the proposed rates will produce $286,615 of additional revenues from providing service to the Company's customers.

Q. PLEASE EXPLAIN THE COMPANY'S CLAIM FOR OPERATING EXPENSES.

A. I analyzed the historical level of operating expenses ($788,902) for the twelve months ended December 31, 2006. No per book adjustments to the operating expenses were required as a result of this analysis.

Based upon that analysis, the per book level of operating expenses of $788,902 was subsequently adjusted for known and measurable changes. These adjustments are set forth by operating account in SDF Exhibit No. 1, page 1-14 in the columns headed "Going-Level Adjustments." Further detail as to each future test year adjustment is shown, by reference number, on page 1-15 and on the noted Supporting Schedules in Section 2 of SDF Exhibit No. 1. The pro forma operating going-level expenses are $833,995, which is $45,093 higher than the per book level expenses.

Q. PLEASE EXPLAIN THE GOING-LEVEL ADJUSTMENTS SHOWN ON PAGE 1-15 OF SDF EXHIBIT NO. 1.

A. There are five going-level adjustments that produce a “net” increase in operating expenses of $45,093 compared to the "per book" level of expense at December 31, 2006. I will explain Adjustment Nos. 1 through 5 separately.

Adjustment No. 1 increases operating expenses by $17,682 to reflect a normalized level of salaries and wages.

Adjustment No. 2 increases operating expenses by $630 to reflect the employer-paid F.I.C.A. tax at the combined rate of 7.65% (6.2% for Old-Age, Survivors and Disability Insurance (OASDI) and 1.45% for Medicare), Pa. Unemployment and Federal Unemployment, as applied to pro forma wage and salary expenses of $116,815, as reflected on Supporting Schedule No. 3, Page 2-4.

Adjustment No. 3 decreases operating expenses by $6,866 to reflect a normalized level for sludge hauling cost.

Adjustment No. 4 increases operating expenses by $53,333 to reflect the projected normalized costs of this sewer rate case. The Company will be providing updates of the rate case expense, as well as all other operating costs as appropriate, through the conclusion of the case. Based upon the ever increasing costs of providing service, combined with stringent regulations, it is not unreasonable to expect that the Company will file for increased rates within a three year period.

Adjustment No. 5 decreases operating expenses by $19,056 to reflect a normalized level of bad debt expense.

Q. WHAT IS THE COMPANY'S CLAIMED ANNUAL ACCRUAL FOR DEPRECIATION?

A. The Company's claimed annual accrual for depreciation is $102,130 associated with utility plant in service as of December 31, 2007. It must be noted that this amount excludes the annual accrual for depreciation associated with the contributions in aid of construction associated with developer-funded assets. Details of the annual depreciation expense calculations are contained in Supporting Schedule No. 6.

Q. DOES SDF EXHIBIT NO. 1 CONTAIN AN INCOME STATEMENT SUMMARIZING THE COMPANY'S CLAIMS FOR REVENUES, EXPENSES, ANNUAL DEPRECIATION EXPENSES AND NET INCOME?

A. Yes, that information is provided on page 1-13. As shown, the Company's proposed rates would produce total pro forma revenues of $1,258,392. Claimed operating and maintenance expenses and annual accrual for depreciation are $833,995 and $102,130, respectively. Various taxes and assessments amount to $27,235. Net income under proposed rates is $295,032.

Q. MR. FOGELSANGER, HOW WAS THE PROPOSED REVENUE REQUIREMENT ALLOCATED AMONG CUSTOMER CLASSES AT DECEMBER 31, 2007?

A. The proposed increase in revenues of $286,615 was allocated on an "across-the-board" basis to all customers with the exception of the availability customers. It is proposed to keep the availability rates at the current level.

Q. DOES THIS CONCLUDE YOUR DISCUSSION OF THE SUPPORTING DATA AND TARIFF RATE DESIGN AS ORIGINALLY FILED?

A. Yes, it does.

Q. ARE ANY REVISIONS NECESSARY AT THIS TIME TO THE SUPPORTING DATA THAT WAS ORIGINALLY FILED?

A. Yes. Several revisions are necessary to address changes/updates that have occurred since the initial filing. I will address the revisions by category (rate base, rate of return and revenue).

Q. WHAT IS THE RATE BASE REVISION?

A. At the time of the initial filing, the Company had claimed materials and supplies of $42,268. This amount was based on 1% of the depreciated utility plant in service. The revised level of materials and supplies is $9,309. Mr. Shambaugh addresses this revision in his direct testimony. This results in a total rate base claim of $3,040,291.

Q. **WHAT IS THE RATE OF RETURN REVISION?**

A. At the time of the initial filing, the Company had claimed an overall rate of return of $295,032 or 9.60%. Ms. Ahern addresses the rate of return revision in her direct testimony. The Company's revised overall rate of return is $278,187 or 9.15%.

Q. **WHAT IS THE REVENUE INCREASE BASED ON THE REVISIONS DISCUSSED ABOVE?**

A. The revised revenue increase is $269,666 or 27.7%.

Q. **DID YOU RECALCULATE THE PROPOSED RATES BASED ON THE REVISED REVENUE INCREASE OF $269,666?**

A. Yes, I did.

Q. **HAVE YOU INCLUDED REVISED SCHEDULES IN YOUR TESTIMONY?**

A. Yes. The revised schedules are contained in SDF Exhibit No. 2.

Q. **DOES THIS CONCLUDE YOUR DIRECT TESTIMONY AT THIS TIME?**

A. Yes, it does.

APPENDIX A

PROFESSIONAL QUALIFICATIONS

OF

SCOTT D. FOGELSANGER, PRINCIPAL
AUS CONSULTANTS

PROFESSIONAL QUALIFICATIONS
OF
SCOTT D. FOGELSANGER
AUS CONSULTANTS

EXPERIENCE

1987 to Present

Has been employed as a Principal by AUS Consultants. He has served investor-owned and municipal utilities in the chilled water, electric, gas, steam heat, telephone, water and wastewater industries. Has prepared studies in the disciplines of cost of service, tariff design, bill frequency analysis, rate case filing, original cost, depreciation, and valuation.

Education:

Shippensburg University - B.S.B.A. in Accounting; completed the Eastern Utility Rate Seminar; completed Depreciation Programs, Inc., which emphasized various methods of life analysis and accounting concepts for depreciation studies.

List of Clients Served:

CHILLED WATER

NRG Energy Center - Pittsburgh
NRG Thermal - San Francisco

ELECTRIC

Consolidated Hydro, Inc.
General Electric Company
Pennsylvania Power Company
Phelps Dodge
Philadelphia Electric Company
Potomac Electric Power Company
Wellsboro Electric Company

GAS

Bay State Gas Company
GASCO
IGS Utilities Corp.
Mountaineer Gas Co.
National Fuel Gas Supply
North East Heat & Light Company
Northern Utilities, Inc.
Pennsylvania and Southern Gas Company
Pennsylvania Gas & Water Company
Valley Energy, Inc. - PA & NY

STEAM HEAT

NRG Energy Center - Pittsburgh
NRG Thermal - San Francisco

TELECOMMUNICATIONS

ALLTEL Pennsylvania, Inc.
Buffalo Valley Telephone Company
Commonwealth Telephone Company
Hickory Telephone Company
MCI Telecommunications Corporation
Motorola, Inc.
RCA Global Communications
Telecommunications d'Haiti
Virgin Islands Telephone Corp.

PROFESSIONAL QUALIFICATIONS
OF
SCOTT D. FOGELSANGER
AUS CONSULTANTS

WATER

Appalachian Utilities, Inc.
Audubon Water Company
Back Mountain Water Company, Inc.
Bald Eagle Water Company
Bensalem Township
Blairsville Municipal Authority
Borough of Akron
Borough of Bellefonte
Borough of Hanover
Borough of Lodi
Borough of Media
Borough of Quakertown
Borough of Sewickley Water Authority
Borough of Williamsburg
Buck Hill Water Company
CS Water & Sewer Associates - Water Division
Capitol Cement Corporation
Castle Creek Water Company
Central Indiana County Water Authority
Chesterfield County, VA
Citizens Water Company of Confluence
City of Creston
City of DuBois
City of Lower Burrell
City of Port Richey, FL
City of Trenton, NJ
Clearfield County Municipal Services
and Recreation Authority
Columbia Water Company, The
Community Association of Pocono
Farms Water Company
Consumers-Penna. Water Company
Cooperstown Water Company
Country Club Gardens Water Co., Inc.
Country Place Water Company, Inc.
Cranberry Township
Emlenton Water Company
Emporium Water Company
Fawn Lake Forest Water Company
Four Seasons Water Company, Inc.
Fox Chapel Authority

Hackensack Water Company
Hampton Township Municipal Authority
Hawley Water Company
Honesdale Consolidated Water Company
Imperial Point Water Services Company
LP Water & Sewer Co. - Water Division
Lakeside Water Systems, Inc.
Lemont Water Company
Lower Indiana County Municipal Authority
Lycoming County Water & Sewer Authority
Lynn Water Company
Manufacturers Water Company
Mercer Water Company
Mercersburg Borough Authority
Middlesex Water Company
Monroe Manor Water Company
Municipal Authority of the
Borough of Oakmont
Municipal Authority of the
Borough of West View
Municipal Authority of the
Township of Robinson
National American Corporation
National Utilities, Inc.
New Jersey American Water Company
Newtown Artesian Water Company
Oakland Beach Water Company
Ohio-American Water Coompany
Pennichuck Water Works, Inc.
Pennsylvania-American Water Company, Inc.
Pennsylvania Gas and Water Company
Philadelphia Suburban Water Company
Plumer Water Company
Portsmouth Water and Fire District
Presque Isle Harbor Water Company, MI
Redstone Water Company, Inc.
Reynolds Water Company
Reynoldsville Water and Sewer Authority
RHV Utility, Inc.
Riviera Utilities Water Company of PA
Riviera Utilities of North Carolina, Inc.

PROFESSIONAL QUALIFICATIONS
OF
SCOTT D. FOGELSANGER
AUS CONSULTANTS

Franklin County General Authority
Franklin Manor Utilities, Ltd.
Robin Hood Lakes Water Company
Rockwood Water Company

WATER (continued)

Roulet Water Company
Shangri-La Water Company
Southern Iowa Rural Water Association
Southwestern Penna. Water Authority
Sugarcreek Water Company
Tidewater Utilities, Inc., DE
Total Environmental Solutions, Inc.
Tri-Valley Water Supply, Inc.
United Water – PA
United Water – Delaware
United Water Resources
Upland Water Company
Utilities, Inc. - Florida
Utilities, Inc. - New Jersey
Utilities, Inc. – North Carolina
Venango Water Company
Washington Run Water Works, Inc.
Waymart Water Company
Western Utilities, Inc.
Windemere Utility Company
Wynnewood Water Company

WASTEWATER

Allied Utility Services, Inc.
American Anglian
CS Water & Sewer Associates - Sewer Division
Country Place Waste Treatment Co., Inc.
Charleston Township Municipal Authority
Chesterfield County, VA
City of Port Richey, FL
Edwin, Inc.
Fairland Sewer Company, Inc.
Fawn Lake Forest Water Co. - Sewer Division
Fawn Township Sewer Authority
Four Seasons Sewer Company, Inc.
Franklin County General Authority
Glendale Yearound Sewer Company
LP Water and Sewer Co. - Sewer Division
Lycoming County Water and Sewer Authority
National American Corporation
North & South Shenango Joint Authority
Pine Creek Municipal Authority
Plum Borough
Reynolds Disposal Company
Riviera Utilities Sewer Company of PA
Shangri-La Sewer Company
Reynoldsville Water & Sewer Authority
Riviera Utilities of North Carolina, Inc.
Total Environmental Solutions, Inc.
University Area Joint Authority
Utilities, Inc. - Florida
Utilities, Inc. of Pennsylvania
Utilities, Inc – North Carolina
Westvaco Corporation
Williamsport Municipal Sanitary
Wynnewood Sewer Company

TESTIMONY

Mr. Fogelsanger has testified before the Pennsylvania Public Utility Commission and the Delaware Public Commission concerning current and going-level operating revenues, current and going-level operating expenses, bill frequency analysis, rate base, tariff rate design.

PROFESSIONAL QUALIFICATIONS
OF
SCOTT D. FOGELSANGER
AUS CONSULTANTS - UTILITY SERVICES
WEBER FICK & WILSON DIVISION

PROFESSIONAL AFFILIATIONS

National Association of Water Companies
Pennsylvania Municipal Authorities Association

SPEECHES

"Designing Rate Structures", New York Rural Water Association, Rochester, NY, May 23, 1995

"Pricing of Water, Generating Revenue and Satisfying Customers", Florida Rural Water Association, Orlando, FL, October 9, 1996

APPENDIX B

SUMMARY OF TESTIMONY

OF

SCOTT D. FOGELSANGER, PRINCIPAL
AUS CONSULTANTS

SCOTT D. FOGELSANGER
SUMMARY OF TESTIMONY

Client	Docket	Subject
Appalachian Utilities, Inc.	R-00963557	A,CBFA,RV
Borough of Media - Water Works	R-912150	A
Borough of Hanover	R-00027522	A,CBFA,RB
Citizens Water Company of Confluence	R-00932746	A,CBFA,RV
City of DuBois - Bureau of Water	R-00050671	A,CBFA,RV,T
Columbia Water Company	R-00061496	A,CBFA,D,RB,RR,RV,T
Country Place Waste Treatment Company, Inc.	R-00932568	A,CBFA,RV
Emporium Water Company	R-00932567	A,CBFA,RV
	R-00005050	A,CBFA,RV,RB,T
	R-00061297	A,CBFA,RV,RB,T
Mercer Water Company	R-901689	A,CBFA,RV
National Utilities, Inc.	R-00932828	A,CBFA,RV
	R-00953416	A,CBFA,RV
Pittsburgh Thermal, L.P.	R-00994641	A,RB,D,CBFA,RV
Redstone Water Company, Inc.	R-00974227	A,CBFA,D,RB,RR,RV,T
Rockwood Water Company	R-00932771	A,CBFA,RV
Tri-Valley Water Supply, Inc.	R-00963806	A,CBFA,RV
United Water Delaware	04-121	T
Valley Energy, Inc.	R-00049345	A,CBFA,RB,T
Wellsboro Electric Company	R-00016356	A,CBFA,T
	R-00049313	A,CBFA,RB,T

A = Rate Case Accounting
RB = Rate Base Elements
D = Depreciation
CBFA = Customer Bill Frequency Analysis
RV = Revenues
RR = Rate of Return
T = Tariff Design

TESI –SEWER STATEMENT NO. 1
WITNESS: SCOTT D. FOGELSANGER

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
Treasure Lake Sewer Division

Docket No. R-00072495

Direct Testimony

of

Scott D. Fogelsanger, Principal
AUS Consultants

EXHIBITS SDF NO. 1 AND SDF NO. 2

SDF EXHIBIT NO. 1 (Sewer ~~[illegible]~~)

4/17/08 JES

HBG

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
Treasure Lake Water Division

Supporting Data
for
Supplement No. 1 to
Tariff Water - Pa. P.U.C. No. 4
Docket No. R-00072493

By

Scott D. Fogelsanger
Principal

and

Gary D. Shambaugh
Director & Principal

AUS CONSULTANTS
275 Grandview Avenue, Suite 100
Camp Hill, PA 17011

October 2007

October 26, 2007

Mr. William Schoening, CEO
TOTAL ENVIRONMENTAL SOLUTIONS, INC.
1824 Ryder Drive
Baton Rouge, LA 70898

Dear Mr. Schoening:

In accordance with your instructions, we have prepared the following report containing responses to Tariff Regulations of the Pennsylvania Public Utility Commission related to the proposed Supplement No. 1 to Tariff Water - Pa. P.U.C. No. 4 of Total Environmental Solutions, Inc. - Treasure Lake Water Division, to be issued October 31, 2007.

Supplement No. 1 to Tariff Water - Pa. P.U.C. No. 4 increases the existing rate schedule. The proposed rate schedule increases existing revenue requirements by approximately 45.7%. The Supporting Data for the operating revenues and expenses were obtained from the operating books and records of the company. The adjustments to the operating revenues and expenses as of December 31, 2006 and December 31, 2007 were made to normalize or amortize the operating expenses for the historic and future test year periods.

The proposed increase in annual operating revenues will produce an additional $272,121. The proposed increase will provide a pro forma return of $164,115 or approximately 9.66% on the measures of value of Total Environmental Solutions, Inc. - Treasure Lake Water Division as of December 31, 2007.

The above conclusions are supported by detailed schedules contained in this report.

Respectfully submitted,

AUS Consultants

By: Scott D. Fogelsanger

Total Environmental Solutions, Inc.
Treasure Lake Water Division

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Total Environmental Solutions, Inc.
Treasure Lake Water Division

Table of Contents

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
Treasure Lake Water Division

Information to Accompany
Supplement No. 1 to
Tariff Water - Pa. P.U.C. No. 4

PURSUANT TO 52 PA. CODE § 53.52 OF THE
COMMISSION'S TARIFF REGULATIONS

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
Treasure Lake Water Division

Statement of Reasons for Rate Increase
Answer to 52 Pa. Code § 53.52 (b) (1)

Total Environmental Solutions, Inc. is filing Supplement No. 1 to Tariff Water - Pa. P.U.C. No. 4 on October 31, 2007 with a requested effective date of December 30, 2007 for the purpose of increasing water service revenue by $272,121 per annum, based upon future test year operations ended December 31, 2007.

For the twelve months ended December 31, 2006 and December 31, 2007, the future test year period in this filing, utility operations produced a net operating income (loss) as follows:

Operations	Net Operating Income	Reference
Per Books	($52,592)	Section 1, Page 1-13
Per Books (Going-level Present Rates)	($106,340)	Section 1, Page 1-13

The current rate filing is necessary to realize a reasonable rate of return on the company's fixed capital investment and to recover increased operating expenses. Numerous factors were given consideration in establishing the proposed increase, which are categorized and set forth in the following narrative.

Operating Revenues

The operating revenues per books at December 31, 2006 amounted to $591,312. An audit of the number of customers by classification was performed as of December 31, 2006. Per the latest audit and for the purpose of this rate filing, the following number of projected customers at December 31, 2007 by classification will be utilized:

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
Treasure Lake Water Division

Statement of Reasons for Rate Increase
Answer to 52 Pa. Code § 53.52 (b) (1)

Type	Number
Residential	1.946
Commercial	40
Availability	3,454
TOTAL	5,440

As a result of the customer audit and the customer bill frequency analysis, adjustments were required to the book level of operating revenue as set forth in response to Tariff Regulation b(4), Sheet No. 1a to reflect the proper level of annual revenue based upon the number of customers gained or lost during the test year periods at December 31, 2006 and December 31, 2007. These adjustments result in an overall increase of $4,669 in operating revenue producing a going-level operating revenue at present rates of $595,981.

Operating Expenses

An extensive review of the company's current and projected operating expenses was performed. For the twelve months ended December 31, 2006 and December 31, 2007, pro forma utility operations produced operating expense levels as follows:

Operating Expenses	Amount	Reference
Per books	$471,627	Section 1, Page 1-14
Going-level at present rates	$560,653	Section 1, Page 1-14

The company has projected operating costs as reflected in the going-level adjustments contained in response to Tariff Regulation c(1), Sheets No. 1b and 1c.

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
Treasure Lake Water Division

Statement of Reasons for Rate Increase
Answer to 52 Pa. Code § 53.52 (b) (1)

Original Cost - Plant in Service

The original costs of the plant in service at December 31, 2006 were obtained through Pennsylvania Public Utility Commission ("Pa. P.U.C.") Annual Reports and company records which included invoices and tax records. The adjusted total plant in service per books at December 31, 2006 is $4,775,608.

During 2007, the Company anticipates completing construction projects that total $79,484. The detail for these amounts are contained in Supporting Schedule No. 5.

The original cost of the utility plant in service at December 31, 2007 is $4,855,092 and is contained in Supporting Schedule No. 6 by fixed capital plant account.

Accrued Depreciation

The calculations of annual and accrued depreciation in this report are based upon the Straight Line/Average Remaining Life Method and applied to the original costs at December 31, 2006 and December 31, 2007. The accrued depreciation at December 31, 2006 (adjusted) and December 31, 2007 amounted to $2,861,100 and $2,995,180.

Annual Depreciation Expense

The annual depreciation expense of $121,710 shown on Supporting Schedule No. 6, Section 2, is based upon the depreciable original cost base at December 31, 2007 excluding the advances for construction and contributions in aid of construction. The book annual depreciation expense as of December 31, 2006 amounted to $154,307. A going-level adjustment of ($32,597) to the booked operating expenses [Tariff Regulation c(1) - Sheet 1a] at December

31, 2007 was made to reflect the proper level of annual depreciation expense for the future test year.

Measures of Value

Six (6) elements of rate base were utilized to determine a fair measure of value of the company for the purpose of base rate revenue as follows:

I. Depreciated Utility Plant in Service
II. Materials and Supplies
III. Cash Working Capital
IV. Advances for Construction (Net)
V. Contributions in Aid of Construction (Net)

I. Depreciated Utility Plant in Service

The depreciated utility plant in service was determined by deducting calculated accrued depreciation from the original cost of the plant in service at December 31, 2007 as follows:

	Original Cost	Reference
Utility Plant in Service	$4,855,092	Supporting Schedule No. 6
Accrued Depreciation	(2,995,180)	Supporting Schedule No. 6
Depreciated Utility Plant In Service	$1,859,912	

II. Materials and Supplies

The company has materials and supplies inventoried for normal operations of the company. The Company's claim is based on the December 31, 2006 amount of $18,618.

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
Treasure Lake Water Division

Statement of Reasons for Rate Increase
Answer to 52 Pa. Code § 53.52 (b) (1)

III. Cash Working Capital

The amount included in the measure of value for cash working capital was based upon 45 days of pro forma operating and maintenance expenses of $560,653, less uncollectible accounts of $90,000 and amounts to $58,026.

IV. Advances for Construction (Net)

The company's claim for advances for construction (net) totals $47,405.

V. Contributions in Aid of Construction (Net)

The company's claim for contributions in aid of construction (net) totals $188,589.

A detailed compilation of the total measures of value and rates of return at December 31, 2007 is contained in response to Tariff Regulation c(1) - Sheet No. 2.

Rate of Return

The company's pro forma capitalization at December 31, 2007 totaling $1,698,918 is comprised of common equity and debt as follows:

	Pro Forma 12-31-07 Amount Outstanding
Long-Term Debt	$935,309
Total Common Equity	$765,253
Total Capital	$1,700,562

The pro forma capital structure is based upon the pro forma capital structure ratio of 55% debt and 45% common equity .

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
Treasure Lake Water Division

Statement of Reasons for Rate Increase
Answer to 52 Pa. Code § 53.52 (b) (1)

Supporting Schedule No. 8 contains the detailed pro forma calculations of the cost of capital and fair rate of return at December 31, 2007. Based upon these calculations, the company has utilized an overall 9.66% rate of return.

Tariff Design

The overall proposed increase in rates is approximately $272,121 or 45.7%, as follows:

	Amount
Total Proposed Revenue	$868,102
Going-Level Revenue at Present Rates	595,981
Total Proposed Increase	$272,121
Percent Increase	45.7%

A bill frequency analysis at present rates was prepared for the twelve months ended December 31, 2006. Summaries of the detailed calculations of the bill frequency analysis are contained in Section 2, Supporting Schedule No. 1. The results of that analysis were utilized to prepare proofs of revenue at proposed rates that are contained in Supporting Schedule No. 10.

The allocation of the proposed revenues of $258,704 by customer classification is contained in response to Tariff Regulation (b)(4) - Sheet No. 1a.

General Comments

The proposed level of annual operating revenues of $868,102 will allow the company to provide proper maintenance to the system, as well as, recover the increased operating cost of the company. The increased revenue will also provide a fair rate of return of $164,115, which will ensure continued safe and adequate service to their customers.

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Operating Revenue for the Twelve Months Ended
December 31, 2006 and December 31, 2007 Under Present Rates
Answer to 52 Pa. Code § 53.52 (b)(2)

Customer Classification	Per Books Year Ended 12/31/06	Year Ended 12/31/07 at Present Rates
Residential	$381,274	$386,151
Commercial	65,451	64,506
Availability	123,121	123,858
	-------------	-------------
Subtotal	$569,846	$574,515
Customer Penalties	$18,576	$18,576
Other Water Revenues	2,890	2,890
	-------------	-------------
Total Operating Revenues	$591,312	$595,981
	========	========

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Number of Customers Served at
December 31, 2006 and December 31, 2007
Answer to 52 Pa. Code § 53.52 (b)(3)

Customer Classification	Total Customers 12/31/06	Projected Total Customers 12/31/07
Residential	1,902	1,946
Commercial	40	40
Availability	3,498	3,454
	---------	---------
Total Customers Served	5,440	5,440
	=====	=====

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Statement of Operating Revenue Under the Existing Rates for the Twelve Months Ended December 31, 2006 and December 31, 2007, and Under the Proposed Rates
Answer to 52 Pa. Code § 53.52 (b)(4) - Sheet No. 1a

Operating Revenues	Schedule Number	Year Ended 12/31/06 Per Books	Anticipated Revenue at Present Rates Year Ended 12/31/07 Adjustments	Amount	Anticipated Revenue at Proposed Rates Year Ended 12/31/07 Adjustments	Amount
Residential	(b)(2)	$381,274	$4,877	$386,151	$233,056	$619,207
Commercial	(b)(2)	65,451	(945)	64,506	39,065	103,571
Availability	(b)(2)	123,121	737	123,858		123,858
Subtotal		$569,846	$4,669	$574,515	$272,121	$846,636
Ciustomer Penalties	(b)(2)	$18,576		$18,576		$18,576
Other Water Revenues	(b)(2)	2,890		2,890		2,890
Total Operating Revenues		$591,312	$4,669	$595,981	$272,121	$868,102

Going-Level Adjustments:

1. Adjustment to reflect revenues based on the bill frequency analysis at present rates.

Residential	($3,071)	
Commercial	(998)	
Availability	3,005	
Refer to Supporting Schedule No. 1		($1,064)

2. Adjustment to reflect revenues for customers gained and lost during the year ending December 31, 2006.

Residential	$2,393	
Commercial	53	
Availability	(684)	
Refer to (b)(4) - Sheet No. 1b		$1,762

3. Adjustment to reflect revenues for customers gained and lost during the year ending December 31, 2007.

Residential	$5,555	
Availability	(1,584)	
Refer to (b)(4) - Sheet No. 1c		$3,971

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Going-Level Adjustment to Reflect the Number of Customers
Gained and Lost During the Year Ended December 31, 2006
Answer to 52 Pa. Code § 53.52 (b)(4) - Sheet No. 1b

Customers Gained

Classification	Month Added	No. of Customers	Months Not Billed	Monthly Bill Amount	Revenue Gained
Residential 3/4"	Feb	2	1	$10.52	$21
Residential 3/4"	Apr	3	3	$10.52	95
Residential 3/4"	May	3	4	$10.52	126
Residential 3/4"	Jun	6	5	$10.52	316
Residential 3/4"	Jul	2	6	$10.52	126
Residential 3/4"	Aug	7	7	$10.52	515
Residential 3/4"	Sep	2	8	$10.52	168
Residential 3/4"	Oct	2	9	$10.52	189
Residential 3/4"	Nov	4	10	$10.52	421
Residential 3/4"	Dec	3	11	$10.52	347
Residential 1"	Mar	1	2	$34.64	69
		----			------------
Total Residential		35			$2,393
Commercial 3/4"	Jun	1	5	$10.52	$53
		----			------------
Total Commercial		1			$53
		----			------------
Total Revenue Gained		36			$2,446

Customers Lost

Classification	Month Lost	No. of Customers	Months Billed	Monthly Bill Amount	Revenue Lost
Availability	Feb	(2)	1	$3.00	($6)
Availability	Mar	(1)	2	$3.00	(6)
Availability	Apr	(3)	3	$3.00	(27)
Availability	May	(3)	4	$3.00	(36)
Availability	Jun	(7)	5	$3.00	(105)
Availability	Jul	(2)	6	$3.00	(36)
Availability	Aug	(7)	7	$3.00	(147)
Availability	Sep	(2)	8	$3.00	(48)
Availability	Oct	(2)	9	$3.00	(54)
Availability	Nov	(4)	10	$3.00	(120)
Availability	Dec	(3)	11	$3.00	(99)
		----			------------
Total Availability		(36)			($684)

Total Revenue Lost					($684)

Net Revenue Gained/Lost					$1,762
					=======

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Going-Level Adjustment to Reflect the Projected Number of Customers
Based on New House Construction During the Year Ended December 31, 2007
Answer to 52 Pa. Code § 53.52 (b)(4) - Sheet No. 1c

Classification	No. of Customers	Annual Bill Amount	Additional Revenue
Residential 3/4"	44	$126.24	$5,555
Availability	(44)	$36.00	($1,584)
Total Additional Revenue			$3,971

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Calculation of Number of Customers Served at December 31, 2007
Whose Bills will be Decreased Under the Proposed Tariff
Answer to 52 Pa. Code § 53.52 (b)(5)

Proposed Supplement No. 1 to Tariff Water - Pa. P.U.C. No. 4 will not decrease rates by any classification of service. No customers will have decreased bills for similar service or use under the proposed rates.

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Statement of Net Operating Revenue Under the Existing Rates for the Twelve Months
Ended December 31, 2006 and December 31, 2007, and Under the Proposed Rates
Answer to 52 Pa. Code § 53.52 (c)(1) - Sheet No. 1a

	Schedule Number	Per Books Year Ended 12/31/06	Anticipated Revenue at Present Rates Year Ended 12/31/07 Adjustments	Amount	Anticipated Revenue at Proposed Rates Year Ended 12/31/07 Adjustment	Amount
Operating Revenues	b(4)-1a	$591,312	$4,669	$595,981	$272,121	$868,102
Operating Revenue Deductions:						
Operating Expenses	(c)(1)-1b&c	$471,627	$89,026	$560,653		$560,653
Depreciation	Supporting Sch. No. 6	154,307	(32,597)	121,710		121,710
Income Taxes:						
State Income Tax		0		0		0
Federal Income Tax		0		0		0
Regulatory Assessments	Supporting Sch. No. 7&9	3,624	23	3,647	1,666	5,313
Payroll Taxes:						
F.I.C.A.	Supporting Sch. No. 3	9,546	1,722	11,268		11,268
F.U.T.A.		701	(84)	617		617
Pa. Unemployment		1,731	327	2,058		2,058
Property Taxes		1,929		1,929		1,929
Misc. Taxes		439		439		439
Total Operating Revenue Deductions		$643,904	$58,417	$702,321	$1,666	$703,987
Net Operating Revenues		($52,592)	($53,748)	($106,340)	$270,455	$164,115

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Statement of Operating Expenses for the Twelve Months
Ended December 31, 2006 and December 31, 2007
Answer to 52 Pa. Code § 53.52 (c)(1) - Sheet 1b

Acct. No.	Account Description	Per Books Year Ended 12/31/06	Going-Level Adjustments No.	Going-Level Adjustments Amount	Future Test Year Ended 12/31/07
601.1	Salaries & Wages	$13,175	1	$4,644	$17,819
601.2	Salaries & Wages	1,574	1	554	2,128
601.3	Salaries & Wages	18,941	1	6,677	25,618
601.4	Salaries & Wages	947	1	334	1,281
601.5	Salaries & Wages	20,855	1	7,351	28,206
601.6	Salaries & Wages	21,905	1	7,720	29,625
601.7	Salaries & Wages	6,347	1	3,191	9,538
601.8	Salaries & Wages	14,271	1	7,175	21,446
	Total Salaries & Wages	$98,015		$37,646	$135,661
604.0	Employee P&B	$18,240			$18,240
615.0	Purchased Power	27,357			27,357
618.0	Chemicals	26,638			26,638
620.3	Materials & Supplies	$15			$15
620.5	Materials & Supplies	227			227
620.6	Materials & Supplies	4,054			4,054
620.8	Materials & Supplies	5,628			5,628
	Total Material & Supplies	$9,924		$0	$9,924
631.0	Contract Services - Engineering	$787			$787
633.0	Contract Services - Legal	9,090			9,090
634.0	Salaries & Benefits (AFS)	24,564			24,564
634.0	SLECA Management Fees (AFS)	10,031			10,031
634.0	Contract Srvc (AFS)	19,320			19,320
634.0	Telecommunications (AFS)	1,980			1,980
634.0	Depreciation (AFS)	1,135			1,135
635.0	Contract Services - Testing	5,309			5,309
636.0	Contract Services - Other	13,373			13,373
	Total Contractual Services	$85,589		$0	$85,589
641.0	Rental of Building	$2,820			$2,820
642.0	Rental of Equipment	312			312
650.0	Transportation Expense	69			69
650.1	Transportation Expense	19,085			19,085
657.0	Insurance - General Liability	$45,794			$45,794
658.0	Insurance - Workman's Comp.	2,269			2,269
	Total Insurance	$48,063		$0	$48,063
666.0	Regulatory Commission Expense	$0	3	$53,333	$53,333
670.0	Bad Debt Expense	91,953	4	(1,953)	90,000
675.0	Miscellaneous Other	$3,287			$3,287
675.3	Telecommunications	11,870			11,870
675.6	Computer Expense	370			370
675.6	Utilities	1,012			1,012
675.6	Janitorial	1,373			1,373
675.6	Office Supplies	8,144			8,144
675.6	Security	17			17
675.9	Postage and Shipping	12,817			12,817
675.10	Dues and Subscriptions	2,485			2,485
675.12	Travel	2,010			2,010
675.13	Education and Training	178			178
	Total Miscellaneous Expenses	$43,562		$0	$43,562
	Total Operating Expenses	$471,627		$89,026	$560,653

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Answer to 52 Pa. Code § 53.52 (c)(1) - Sheet 1c

Going-Level Adjustments:

1. During 2006, the Company incurred a higher than normal level of capitalized salaries and wages. During 2007 and going forward, the Company expects to capitalize 10% of the non-administrative salaries and wages. This results in a going-level adjustment of $37,646

Going-Level Adjustment		$37,646
		=======

Refer to Supporting Schedule No. 2.

2. An adjustment is required to reflect the associated F.I.C.A., Pa. Unemployment, and F.U.T.A. taxes. This results in a going-level adjustment of $1,965.

F.I.C.A.	$1,722	
F.U.T.A.	(84)	
Pa. Unemployment	327	

Going-Level Adjustment		$1,965
		=======

Refer to Supporting Schedule No. 3.

3. The Company estimates that the expenses related to this rate filing will aggregate $160,000 for a fully-litigated filing. For the purposes of this filing, the Company believes that a normalization period of three (3) years is appropriate and has adopted this period for this rate filing. This results in a going-level adjustment of $53,333.

Estimated Costs for Rate Case:		
Tariff, Rates & Supporting Data	$35,000	
Post Filing Fees	35,000	
Legal Services	90,000	

Total Estimated Costs for Rate Case	$160,000	
Divide by: Normalization Period	÷ 3	

Going-Level Adjustment		$53,333
		=======

4. During 2007, the Company will experience a bad debt expense of $90,000. This This results in a going-level adjustment of ($1,953).

Bad Debt Expense (Going-Level)	$90,000	
Deduct: Bad Debt Expense (Per Books)	(91,953)	

Going-Level Adjustment		($1,953)
		=======

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Statement of Calculation of the Rate of Return Under the Existing Rates for the Twelve Months Ended December 31, 2007 and Under the Proposed Rates
Answer to 52 Pa. Code § 53.52 (c)(1) - Sheet No. 2

	Supporting Schedule No.	Original Cost 12/31/07 at Present Rates	Original Cost 12/31/07 at Proposed Rates	
Total Utility Plant in Service	6	$4,855,092	$4,855,092	
Less:				
Reserve for Depreciation	6	(2,995,180)	(2,995,180)	
Total Depreciated Utility Plant in Service		$1,859,912	$1,859,912	
Add:				
Materials & Supplies		18,618	18,618	
Cash Working Capital		58,026	58,026	1)
Deduct:				
Advances for Construction (Net)	6	(47,405)	(47,405)	
Contr. In Aid of Construction (Net)	6	(188,589)	(188,589)	
Total Measures of Value		$1,700,562	$1,700,562	
Pro Forma Return:				
Present:				
Dollars		($106,340)		
Percent		-6.25%		
Proposed [Indicated]:				
Dollars			$164,274	
Percent	8		9.66%	

Note:
1) Based on 45 days of pro forma operating and maintenance expenses.
45 x ($560,653 - $90,000)) / 365) = $58,026

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Assets & Other Debits for the Twelve Months Ended
December 31, 2006 and December 31, 2007
Answer to 52 Pa. Code § 53.52 (c)(2)

Account Title	Per Books 12/31/06	Adjusted Per Books 12/31/06	Pro Forma 12/31/07
Assets & Other Debits			
Net Utility Plant:			
Utility Plant in Service	$3,943,359	$4,775,608	$4,855,092
Accumulated Depreciation	(2,277,395)	(2,861,100)	(2,995,180)
Total Net Utility Plant	$1,665,964	$1,914,508	$1,859,912
Current & Accrued Assets:			
Customer Accounts Receivable	$288,651	$288,651	$288,651
Accumulated Provision for Bad Debt	(270,435)	(270,435)	(270,435)
Intercompany Adjustments	830,723	830,723	830,723
Materials & Supplies	18,618	18,618	18,618
Total Current & Accrued Assets	$867,557	$867,557	$867,557
Total Assets	$2,533,521	$2,782,065	$2,727,469
Liabilities & Other Credits			
Equity Capital:			
Other Paid-In Capital	$3,588,414	$3,588,414	$3,588,414
Unappropriated Retained Earnings	(1,062,031)	(1,061,851)	(1,104,077)
Total Equity Capital	$2,526,383	$2,526,563	$2,484,337
Current & Accrued Liabilities:			
Customers' Deposits	$3,079	$3,079	$3,079
Accrued Interest on Other Liabilities	4,059	4,059	4,059
Total Current & Accrued Liabilities	$7,138	$7,138	$7,138
Deferred Credits:			
Advances for Construction	$0	$97,561	$97,561
Accum. Amort. of Advances for Construction	0	(48,936)	(50,156)
Total Deferred Credits	$0	$48,625	$47,405
Contributions in Aid of Construction:			
Contributions in Aid of Construction	$0	$750,484	$750,484
Accumulated Amortization	0	(550,745)	(561,895)
Total Contributions in Aid of Construction	$0	$199,739	$188,589
Total Capitalization & Liabilities	$2,533,521	$2,782,065	$2,727,469

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Original Cost of Utility Plant in Service at
December 31, 2006 and December 31, 2007
Answer to 52 Pa. Code § 53.52 (c)(3)

Acct. No.	Account Title	Adjusted Per Books 12/31/06	2007 Plant Additions (1)	Pro Forma 12/31/07
Source of Supply & Pumping Plant:				
303.20	Land & Land Rights	$57,993		$57,993
304.20	Structures & Improvements	47,429		47,429
307.20	Wells and Springs	75,142	$7,688	82,830
310.20	Power Generation Equipment	28,000		28,000
311.20	Pumping Equipment	198,081	22,354	220,435
	Total Source of Supply & Pumping Plant	$406,645	$30,042	$436,687
Water Treatment Plant:				
304.30	Structures & Improvements	$63,561		$63,561
320.30	Water Treatment Equipment	142,278	5,373	147,651
	Total Water Treatment Plant	$205,839	$5,373	$211,212
Transmission & Distribution Plant:				
303.40	Land & Land Rights	$27,346		$27,346
304.40	Structures & Improvements	87,796	$10,633	98,429
331.40	Transmission & Distribution Mains	3,009,466	910	3,010,376
333.40	Services	542,896	1,412	544,308
334.40	Meter & Meter Installations	227,562	30,000	257,562
335.40	Hydrants	27,107		27,107
336.40	Backflow Prevention Devices	8,942		8,942
	Total Transmission & Distribution Plant	$3,931,115	$42,955	$3,974,070
General Plant:				
340.50	Office Furniture & Equipment	$2,595	$1,114	$3,709
341.50	Transportation Equipment	144,728		144,728
343.50	Tools, Shop & Garage Equipment	17,890		17,890
344.50	Laboratory Equipment	5,221		5,221
345.50	Power Operated Equipment	61,475		61,475
346.50	Communication Equipment	100		100
	Total General Plant	$232,009	$1,114	$233,123
	Total Plant in Service	$4,775,608	$79,484	$4,855,092

Note:
(1) Refer to Supporting Schedule No. 5.

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Reserve for Depreciation of Utility Plant as of
December 31, 2006 and December 31, 2007
Answer to 52 Pa. Code § 53.52 (c)(4)

Account Title	Per Books 12/31/06	Adjusted Per Books 12/31/06	Pro Forma 12/31/07
Reserve for Depreciation	$2,277,395	$2,861,100	$2,995,180

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Statement of Operating Income Setting Forth the Operating Revenues and Expenses at Present Rates by Detail Accounts for the Twelve Months Ended December 31, 2006 and December 31, 2007
Answer to 52 Pa. Code § 53.52 (c)(5)

	Per Books Year Ended 12/31/06	Year Ended 12/31/07 Anticipated at Present Rates
Operating Revenue	$591,312	$595,981
Operating Revenue Deductions:		
Operating Expenses	$471,627	$560,653
Depreciation Expense	154,307	121,710
Taxes & Assessments	17,970	19,958
Total Operating Revenue Deductions	$643,904	$702,321
Net Operating Income	($52,592)	($106,340)
Non-Operating Income & Expenses:		
Non-Operating Income	$250	$250
Interest Expense	(57,056)	(72,486)
Total Non-Operating Income & Expenses	($56,806)	($72,236)
Net Income	($109,398)	($178,576)

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Statement Detailing Major Changes in the Operating or Financial Condition Occurring Between December 31, 2006 and October 31, 2007
Answer to 52 Pa. Code § 53.52 (c)(6)

There were no major accounting changes between December 31, 2006 and October 31, 2007 which would effect the operating or financial condition of Total Environmental Solutions, Inc - Treasure Lake Water Division.

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Revenue Proof at Present Rates

Customer Type	Per Books Revenue 12/31/06	Bill Analysis Revenue 12/31/06	Difference ($)	Difference (%)
Residential	$381,274	$378,203	($3,071)	0.81%
Commercial	65,451	64,453	(998)	1.55%
Availability	123,121	126,126	3,005	-2.38%
Subtotal	$569,846	$568,782	($1,064)	0.19%
Customer Penalties	$18,576	$18,576	$0	0.00%
Misc. Operating Revenue	2,890	2,890	0	0.00%
Total Operating Revenue	$591,312	$590,248	($1,064)	0.18%

Total Environmental Solutions, Inc
Treasure Lake Water Division

Revenues Under Present Rates
For the Year Ended December 31, 2006

Residential:	Number of Bills	Monthly Rate	Revenue
Minimum Charges:			
3/4" -Monthly	22,709	$10.52	$238,898.68
1"-Monthly	22	19.60	431.20
Total Minimum Charges			$239,329.88
Output Charges:	Thousand Gallons	Rate	
Minimums	47,341.5		
Step 1	38,791.5	$3.58	$138,873.57
Total Output Charges			$138,873.57
Total Residential Revenue			$378,203.45

Commercial:	Number of Bills	Monthly Rate	
Minimum Charges:			
3/4"-Monthly	344	$10.52	$3,618.88
1"-Monthly	30	19.60	588.00
2"-Monthly	120	39.00	4,680.00
3"-Monthly	10	65.00	650.00
4"-Monthly	12	160.00	1,920.00
6"-Monthly	24	321.00	7,704.00
Total Minimum Charges			$19,160.88
Output Charges:	Thousand Gallons	Rate	
Minimums	828.5		
Step 1	12,651.5	$3.58	$45,292.37
Total Output Charges			$45,292.37
Total Commercial Revenue			$64,453.25

Availability:	Number of Bills	Quarterly Rate	
Availability Customers	14,014	$9.00	$126,126.00
Total Availability Revenue			$126,126.00
Subtotal			$568,782.70
Customer Penalties			$18,576.18
Misc. Operating Revenues			2,890.34
Total Operating Revenue			$590,249.22

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Calculation of the Pro Forma 2007 Salaries and Wages

Acct. No.	Account Description	Pro Forma 2007 Total Salaries & Wages	Deduct: Capitalized Salaries & Wages (10%)	Pro Forma 2007 Total Salaries & Wages Expensed	2006 Total Salaries & Wages Expensed	Going-Level Adjustment
601.1	Salaries & Wages - Source of Supply Oper.	$19,799	($1,980)	$17,819	$13,175	$4,644
601.2	Salaries & Wages - Source of Supply Maint.	2,365	(237)	2,128	1,574	554
601.3	Salaries & Wages - Water Treatment Oper.	28,464	(2,846)	25,618	18,941	6,677
601.4	Salaries & Wages - Water Treatment Maint.	1,423	(142)	1,281	947	334
601.5	Salaries & Wages - Trans. & Distr. Oper.	31,340	(3,134)	28,206	20,855	7,351
601.6	Salaries & Wages - Trans. & Distr. Maint.	32,917	(3,292)	29,625	21,905	7,720
601.7	Salaries & Wages - Custome Accounts	9,538		9,538	6,347	3,191
601.8	Salaries & Wages - Admin. & General	21,446		21,446	14,271	7,175
	Totals	$147,292	($11,631)	$135,661	$98,015	$37,646

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Employer Paid Taxes

2007 Salaries & Wages (Pro Forma)	$147,292
F.I.C.A.:	
Based on Actual Salaries & Wages	
Social Security ($147,292 x .0620)	$9,132
Medicare ($147,292 x .0145)	2,136

F.I.C.A. (Going-Level at Present Rates)	$11,268
Less: F.I.C.A. Tax (Per Books)	(9,546)

Difference	$1,722
	=======
F.U.T.A.	
Payments for $7,000 or less	$77,070
F.U.T.A. (Going-Level at Present Rates) ($77,070 x .008)	$617
Less: F.U.T.A. (Per Books)	(701)

Difference	($84)
	=======
Pa. Unemployment Tax:	
Payments for $8,000 or less	$82,320
PA Unemployment Tax (Going-Level at Present Rates) ($82,320 x .05)	$2,058
Less: PA Enemployment Tax (Per Books)	(1,731)

Difference	$327
	=======

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Development of Annual Depreciation Expense
as of December 31, 2006
Based Upon Whole Life/Average Life Depreciation

Acct. No.	Description	Average Plant Balances 12/31/2006	ASL/Iowa Curve	Depreciation Percent	2006 Annual Depreciation Amount
Depreciable Plant:					
307	Wells and Springs	$75,142.06	80-R2	1.25%	$939.28
304.2	Structures & Improvements - Pumping	46,727.59	60-R3	1.67%	780.35
304.3	Structures & Improvements - Purification	61,921.62	60-R3	1.67%	1,034.09
304.4	Structures & Improvements - T&D Plant	87,796.00	65-R2	1.54%	1,352.06
310.2	Power Generation Equipment - Pumping	28,000.00	25-R3	4.00%	1,120.00
311	Pumping Equipment	195,264.95	25-R3	4.00%	7,810.60
320	Water Treatment Equipment	141,575.55	40-R3	2.50%	3,539.39
331.11	Cast Iron, 6"-8"	$1,918.80	100-R3	1.00%	$19.19
331.5	Plastic, 4" & Under	906,754.80	50-R3	2.00%	18,135.10
331.51	Plastic, 6"-8"	1,329,558.99	80-R3	1.25%	16,619.49
331.52	Plastic, 10"-14"	612,299.72	90-R3	1.10%	6,735.30
331.6	Valves, 4" & Under	104,802.87	50-R3	2.00%	2,096.06
331.61	Valves, 6"-8"	42,680.66	80-R3	1.25%	533.51
331.62	Valves, 10"-14"	11,450.00	90-R3	1.10%	125.95
	Total Account 331	$3,009,465.84		2.02%	$60,840.37
333	Services	$536,806.76	60-R3	1.67%	$8,964.67
334	Meters	219,258	30-R2	3.33%	7,301.30
335	Fire Hydrants	27,107	65-R2	1.54%	417.45
336	Backflow Prevention Devices	8,942	30-R2	3.30%	295.10
340.1	Office Furniture	$1,050	25-L1	4.00%	$42.00
340.2	Office Equipment	1,545	15-R3	6.67%	103.08
	Total Account 340	$2,595.38		5.59%	$145.08
341	Transportation Equipment	$101,086.85	6-R3	21.90%	$22,138.02
343	Tools and Work Equipment	16,979.02	15-R3	6.67%	1,132.50
344	Laboratory Equipment	5,041.64	20-R3	5.00%	252.08
345	Power Operated Equipment	31,172.02	15-R3	6.67%	2,079.17
348	Communication Equipment	100.00	R3-6	21.90%	21.90
	Total Depreciable Plant	$4,594,982.88		2.61%	$119,868.31
Non-Depreciable Plant:					
303.2	Source of Supply Land & Water Rights	$57,992.59		0.00%	$0.00
303.4	Trans. & Distr. Land & Rights of Way	9,496.00		0.00%	0.00
303.5	Distribution Reservoir & Standpipe Land	17,850.00		0.00%	0.00
	Total Non-Depreciable Plant	$85,338.59			$0.00
	Total Plant in Service	$4,680,321.47			$119,868.31
Less: Contributions in Aid of Construction:					
303	Land	$21,460.00		0.00%	$0.00
307	Wells and Springs	9,832.00	80-R2	1.25%	122.90
304.2	Structures & Improvements - Pumping	7,732.00	60-R3	1.67%	129.12
304.4	Structures & Improvements - T&D Plant	27,633.00	65-R2	1.54%	425.55
311	Pumping Equipment	14,563.00	25-R3	4.00%	582.52
320	Water Treatment Equipment	18,915.00	40-R3	2.50%	472.88
331.5	Plastic, 4" & Under	189,186.00	50-R3	2.00%	3,783.72
331.51	Plastic, 6"-8"	89,564.00	80-R3	1.25%	1,119.55
331.52	Plastic, 10"-14"	306,103.50	90-R3	1.11%	3,397.75
331.6	Valves, 4" & Under	28,278.00	50-R3	2.00%	565.56
331.61	Valves, 6"-8"	155.00	80-R3	1.25%	1.94
331.62	Valves, 10"-14"	11,368.00	90-R3	1.11%	126.18
333	Services	17,057.00	60-R3	1.67%	284.85
335	Fire Hydrants	8,553.00	65-R2	1.54%	131.72
343	Tools and Work Equipment	84.00	15-R3	6.67%	5.60
	Total Contributions in Aid of Construction	$750,483.50			$11,149.84
Less: Customers' Advances for Construction:					
331.51	Plastic, 6"-8"	$97,561.00	80-R3	1.25%	$1,219.51
	Total Plant In Service (Net)	$3,832,276.97			$107,498.96

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Development of Average Plant Balances as of December 31, 2006

Acct. No.	Account Title / Description	Original Cost at 12/31/2003	2004 Additions	Original Cost at 12/31/2004	2005 Additions	Original Cost at 12/31/2005	2006 Additions	Original Cost at 12/31/2006	2006 Average Plant Balances
Depreciable Plant:									
307	Wells and Springs	$75,142.06		$75,142.06		$75,142.06		$75,142.06	$75,142.06
304.2	Structures & Improvements - Pumping	46,026.09		46,026.09		46,026.09	1,403.00	47,429.09	46,727.59
304.3	Structures & Improvements - Purification	43,298.62	$15,381.00	58,679.62	$1,603.00	60,282.62	3,278.00	63,560.62	61,921.62
304.4	Structures & Improvements - T&D Plant	87,796.00		87,796.00		87,796.00		87,796.00	87,796.00
310.2	Power Generation Equipment - Pumping	28,000.00		28,000.00		28,000.00		28,000.00	28,000.00
311.00	Pumping Equipment	152,963.95	14,837.00	$167,800.95	24,648.00	192,448.95	5,632.00	198,080.95	195,264.95
320.00	Water Treatment Equipment	129,062.55	7,776.00	136,838.55	4,035.00	140,873.55	1,404.00	142,277.55	141,575.55
331.11	Cast Iron, 6"-8"	$1,918.80		$1,918.80		$1,918.80		$1,918.80	$1,918.80
331.50	Plastic, 4" & Under	906,754.80		906,754.80		906,754.80		906,754.80	906,754.80
331.51	Plastic, 6"-8"	1,328,953.99	605.00	1,329,558.99		1,329,558.99		1,329,558.99	1,329,558.99
331.52	Plastic, 10"-14"	612,299.72		612,299.72		612,299.72		612,299.72	612,299.72
331.60	Valves, 4" & Under	104,802.87		104,802.87		104,802.87		104,802.87	104,802.87
331.61	Valves, 6"-8"	42,680.66		42,680.66		42,680.66		42,680.66	42,680.66
331.62	Valves, 10"-14"	11,450.00		11,450.00		11,450.00		11,450.00	11,450.00
	Total Account 331	$3,008,860.84	$605.00	$3,009,465.84	$0.00	$3,009,465.84	$0.00	$3,009,465.84	$3,009,465.84
333	Services	$509,327.26	$13,541.00	$522,868.26	$7,849.00	$530,717.26	$12,179.00	$542,896.26	$536,806.76
334	Meters	196,688.31	6,983.00	203,671.31	7,283.00	210,954.31	16,608.00	227,562.31	219,258.31
335	Fire Hydrants	27,107.00		27,107.00		27,107.00		27,107.00	27,107.00
336	Backflow Prevention Devices	4,288.29	4,654.00	8,942.29		8,942.29		8,942.29	8,942.29
340.10	Office Furniture	$1,050.00		$1,050.00		$1,050.00		$1,050.00	$1,050.00
340.20	Office Equipment	1,545.38		1,545.38		1,545.38		1,545.38	1,545.38
	Total Account 340	$2,595.38	$0.00	$2,595.38	$0.00	$2,595.38	$0.00	$2,595.38	$2,595.38
341	Transportation Equipment	$57,445.35		$57,445.35		$57,445.35	$87,283.00	$144,728.35	$101,086.85
343	Tools and Work Equipment	13,892.52	532.00	14,424.52	$1,643.00	16,067.52	1,823.00	17,890.52	16,979.02
344	Laboratory Equipment	4,862.14		4,862.14		4,862.14	359.00	5,221.14	5,041.64
345	Power Operated Equipment	869.52		869.52		869.52	60,605.00	61,474.52	31,172.02
348	Communication Equipment	100.00		100.00		100.00		100.00	100.00
	Total Depreciable Plant	$4,388,325.88	$64,309.00	$4,452,634.88	$47,061.00	$4,499,695.88	$190,574.00	$4,690,269.88	$4,594,982.88
Non-Depreciable Plant:									
303.2	Land and Land Rights - Pumping	$57,992.59		$57,992.59		$57,992.59		$57,992.59	$57,992.59
303.4	Land and Land Rights - T&D	9,496.00		9,496.00		9,496.00		9,496.00	9,496.00
303.5	Land and Land Rights - Distrib. Storage	17,850.00		17,850.00		17,850.00		17,850.00	17,850.00
	Total Non-Depreciable Plant	$85,338.59	$0.00	$85,338.59	$0.00	$85,338.59	$0.00	$85,338.59	$85,338.59
	Total Plant in Service	$4,473,664.47	$64,309.00	$4,537,973.47	$47,061.00	$4,585,034.47	$190,574.00	$4,775,608.47	$4,680,321.47
Less: Contributions In Aid of Construction:									
303.00	Land	$21,460.00		$21,460.00		$21,460.00		$21,460.00	$21,460.00
307.00	Wells and Springs	9,832.00		9,832.00		9,832.00		9,832.00	9,832.00
304.20	Structures & Improvements - Pumping	7,732.00		7,732.00		7,732.00		7,732.00	7,732.00
304.40	Structures & Improvements - T&D Plant	27,633.00		27,633.00		27,633.00		27,633.00	27,633.00
311.00	Pumping Equipment	14,563.00		14,563.00		14,563.00		14,563.00	14,563.00
320.00	Water Treatment Equipment	18,915.00		18,915.00		18,915.00		18,915.00	18,915.00
331.50	Plastic, 4" & Under	189,186.00		189,186.00		189,186.00		189,186.00	189,186.00
331.51	Plastic, 6"-8"	89,564.00		89,564.00		89,564.00		89,564.00	89,564.00
331.52	Plastic, 10"-14"	306,103.50		306,103.50		306,103.50		306,103.50	306,103.50
331.60	Valves, 4" & Under	28,278.00		28,278.00		28,278.00		28,278.00	28,278.00
331.61	Valves, 6"-8"	155.00		155.00		155.00		155.00	155.00
331.62	Valves, 10"-14"	11,368.00		11,368.00		11,368.00		11,368.00	11,368.00
333.00	Services	17,057.00		17,057.00		17,057.00		17,057.00	17,057.00
335.00	Fire Hydrants	8,553.00		8,553.00		8,553.00		8,553.00	8,553.00
343.00	Tools and Work Equipment	84.00		84.00		84.00		84.00	84.00
	Total Contributions In Aid of Construction	$750,483.50	$0.00	$750,483.50	$0.00	$750,483.50	$0.00	$750,483.50	$750,483.50
Less: Customers Advances for Construction:									
331.51	Plastic, 6"-8"	$97,561.00	$0.00	$97,561.00	$0.00	$97,561.00	$0.00	$97,561.00	$97,561.00
	Total Plant In Service (Net)	$3,625,619.97	$64,309.00	$3,689,928.97	$47,061.00	$3,736,989.97	$190,574.00	$3,927,563.97	$3,832,276.97

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Development of the Accrued Book Depreciation Reserve
for Ratemaking Purposes as of December 31, 2006

Description	Calendar Year Dec. 31,	Amount Reserved
Plant In Service:		
Beginning Balance	1997	$1,983,790.69
Annual Depreciation Expense	1998	87,398.30
Annual Depreciation Expense	1999	87,398.30
Annual Depreciation Expense	2000	87,398.30
Annual Depreciation Expense	2001	89,749.44
Annual Depreciation Expense	2002	95,456.15
Annual Depreciation Expense	2003	100,395.82
Annual Depreciation Expense	2004	103,497.20
Annual Depreciation Expense	2005	106,147.96
Annual Depreciation Expense	2006	119,868.31
Total Plant In Service Reserve		$2,861,100.47
Contributions In Aid of Construction:		
Beginning Balance	1997	$450,396.92
Annual Depreciation Expense	1998	11,149.84
Annual Depreciation Expense	1999	11,149.84
Annual Depreciation Expense	2000	11,149.84
Annual Depreciation Expense	2001	11,149.84
Annual Depreciation Expense	2002	11,149.84
Annual Depreciation Expense	2003	11,149.84
Annual Depreciation Expense	2004	11,149.84
Annual Depreciation Expense	2005	11,149.84
Annual Depreciation Expense	2006	11,149.84
Total Contributions Reserve		$550,745.48
Customer Advances for Construction:		
Beginning Balance	1997	$37,960.49
Annual Depreciation Expense	1998	1,219.51
Annual Depreciation Expense	1999	1,219.51
Annual Depreciation Expense	2000	1,219.51
Annual Depreciation Expense	2001	1,219.51
Annual Depreciation Expense	2002	1,219.51
Annual Depreciation Expense	2003	1,219.51
Annual Depreciation Expense	2004	1,219.51
Annual Depreciation Expense	2005	1,219.51
Annual Depreciation Expense	2006	1,219.51
Total Advances Reserve		$48,936.08

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Pro Forma Capital Additions
Based on the Actual Capital Additions through August 31, 2007 and the Estimated Capital Additions through December 31, 2007

Acct. No.	Account Description	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Pro Forma Capital Additions
303.2	Land & Land Rights	$ -	$ -	$ -	$ -	$ -	$ -							$ -
304.2	Structures & Impovements													0.00
307.2	Wells & Springs						1,184.64	3,940.70		1,281.34		1,281.34		7,688.02
310.2	Power Generation Equipment													0.00
311.2	Pumping Equipment	1,546.72	461.33			5,099.52	7,795.00				3,725.64		3,725.64	22,353.85
304.3	Structures & Impovements													0.00
320.3	Water Treatment Equipment			1,339.53	998.09	524.40		720.00		895.50		895.50		5,373.02
303.4	Land & Land Rights													0.00
304.4	Structures & Impovements	502.10	120.45	821.41	855.71	934.28	1,729.53	1,496.86	628.44		1,772.20		1,772.20	10,633.18
331.4	Transmission & Distribution Mains				35.83	323.65	76.99		473.06					909.53
333.4	Services					1,411.71								1,411.71
334.4	Meter & Meter Installations					2,258.57	1,473.00				932.90	932.90	24,402.63	30,000.00 1)
335.4	Hydrants													0.00
336.4	Backflow Prevention Devices													0.00
340.5	Office Furniture & Equipment	855.33			78.97		180.18							1,114.48
341.5	Transportation Equipment													0.00
343.5	Tools, Shop & Garage Equipment													0.00
344.5	Laboratory Equipment													0.00
345.5	Power Operated Equipment													0.00
346.5	Communication Equipment													0.00
		$ 2,904.15	$ 581.78	$ 2,160.94	$ 1,968.60	$ 10,552.13	$ 12,439.34	$ 6,157.56	$ 1,101.50	$ 2,176.84	$ 6,430.74	$ 3,109.74	$ 29,900.47	$ 79,483.79

Note:
1) Starting in 2008, the Company will begin a meter change out program. It is estimated that it will be $30,000 on an ongoing-basis. Adjusted for in the Dec-07 column.

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Development of Annual Depreciation Expense
as of December 31, 2007
Based Upon Whole Life/Average Life Depreciation

Acct. No.	Description	Average Plant Balances 12/31/2007	ASL/Iowa Curve	Depreciation Percent	2007 Annual Depreciation Amount
Depreciable Plant:					
307	Wells and Springs	$78,986.06	80-R2	1.25%	$987.33
304.2	Structures & Improvements - Pumping	47,429.09	60-R3	1.67%	792.07
304.3	Structures & Improvements - Purification	63,560.62	60-R3	1.67%	1,061.46
304.4	Structures & Improvements - T&D Plant	93,112.50	65-R2	1.54%	1,433.93
310.2	Power Generation Equipment - Pumping	28,000.00	25-R3	4.00%	1,120.00
311	Pumping Equipment	209,257.95	25-R3	4.00%	8,370.32
320	Water Treatment Equipment	144,964.05	40-R3	2.50%	3,624.10
331.11	Cast Iron, 6"-8"	$1,918.80	100-R3	1.00%	$19.19
331.5	Plastic, 4" & Under	906,754.80	50-R3	2.00%	18,135.10
331.51	Plastic, 6"-8"	1,329,558.99	80-R3	1.25%	16,619.49
331.52	Plastic, 10"-14"	612,299.72	90-R3	1.10%	6,735.30
331.6	Valves, 4" & Under	105,257.87	50-R3	2.00%	2,105.16
331.61	Valves, 6"-8"	42,680.66	80-R3	1.25%	533.51
331.62	Valves, 10"-14"	11,450.00	90-R3	1.10%	125.95
	Total Account 331	$3,009,920.84		2.05%	$61,662.91
333	Services	$543,602.26	60-R3	1.67%	$9,078.16
334	Meters	242,562.31	30-R2	3.33%	8,077.32
335	Fire Hydrants	27,107.00	65-R2	1.54%	417.45
336	Backflow Prevention Devices	8,942.29	30-R2	3.30%	295.10
340.1	Office Furniture	$1,050.00	25-L1	4.00%	$42.00
340.2	Office Equipment	2,102.38	15-R3	6.67%	140.23
	Total Account 340	$3,152.38		5.78%	$182.23
341	Transportation Equipment	$144,728.35	6-R3	21.90%	$31,695.51
343	Tools and Work Equipment	17,890.52	15-R3	6.67%	1,193.30
344	Laboratory Equipment	5,221.14	20-R3	5.00%	261.06
345	Power Operated Equipment	61,474.52	15-R3	6.67%	4,100.35
348	Communication Equipment	100.00	R3-6	21.90%	21.90
	Total Depreciable Plant	$4,730,011.88		2.83%	$134,079.40
Non-Depreciable Plant:					
303.2	Source of Supply Land & Water Rights	$57,992.59		0.00%	$0.00
303.4	Trans. & Distr. Land & Rights of Way	9,496.00		0.00%	0.00
303.5	Distribution Reservoir & Standpipe Land	17,850.00		0.00%	0.00
	Total Non-Depreciable Plant	$85,338.59			$0.00
	Total Plant In Service	$4,815,350.47			$134,079.40
Less: Contributions in Aid of Construction:					
303	Land	$21,460.00		0.00%	$0.00
307	Wells and Springs	9,832.00	80-R2	1.25%	122.90
304.2	Structures & Improvements - Pumping	7,732.00	60-R3	1.67%	129.12
304.4	Structures & Improvements - T&D Plant	27,633.00	65-R2	1.54%	425.55
311	Pumping Equipment	14,563.00	25-R3	4.00%	582.52
320	Water Treatment Equipment	18,915.00	40-R3	2.50%	472.88
331.5	Plastic, 4" & Under	189,186.00	50-R3	2.00%	3,783.72
331.51	Plastic, 6"-8"	89,564.00	80-R3	1.25%	1,119.55
331.52	Plastic, 10"-14"	306,103.50	90-R3	1.11%	3,397.75
331.6	Valves, 4" & Under	28,278.00	50-R3	2.00%	565.56
331.61	Valves, 6"-8"	155.00	80-R3	1.25%	1.94
331.62	Valves, 10"-14"	11,368.00	90-R3	1.11%	126.18
333	Services	17,057.00	60-R3	1.67%	284.85
335	Fire Hydrants	8,553.00	65-R2	1.54%	131.72
343	Tools and Work Equipment	84.00	15-R3	6.67%	5.60
	Total Contributions In Aid of Construction	$750,483.50			$11,149.84
Less: Customers' Advances for Construction:					
331.51	Plastic, 6"-8"	$97,561.00	80-R3	1.25%	$1,219.51
	Total Plant In Service (Net)	$3,967,305.97			$121,710.05

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Development of Average Plant Balances as of December 31, 2007

Acct No.	Account Title / Description	Original Cost at 12/31/2003	2004 Additions	Original Cost at 12/31/2004	2005 Additions	Original Cost at 12/31/2005	2006 Additions	Original Cost at 12/31/2006	2007 Additions	Original Cost at 12/31/2007	2007 Average Plant Balances
Depreciable Plant:											
307 2	Wells and Springs	$75,142.06		$75,142.06		$75,142.06		$75,142.06	$7,688.00	$82,830 06	$78,986.06
304 2	Structures & Improvements - Pumping	46,026.09		46,026 09		46,026.09	1,403.00	47,429.09		47,429.09	47,429 09
304 3	Structures & Improvements - Purification	43,298.62	$15,381.00	58,679.62	$1,603.00	60,282.62	3,278.00	63,560.62		63,560.62	63,560.62
304 4	Structures & Improvements - T&D Plant	87,796.00		87,796.00		87,796 00		87,796 00	10,633.00	98,429 00	93,112.50
310.2	Power Generation Equipment - Pumping	28,000.00		28,000.00		28,000 00		28,000.00		28,000.00	28,000.00
311 2	Pumping Equipment	152,963.95	14,837.00	$167,800.95	24,648 00	192,448.95	5,632.00	198,080.95	22,354.00	220,434.95	209,257.95
320 3	Water Treatment Equipment	129,062.55	7,776.00	136,838 55	4,035.00	140,873 55	1,404.00	142,277.55	5,373.00	147,650.55	144,964.05
331.11	Cast Iron, 6"-8"	$1,918.80		$1,918.80		$1,918 80		$1,918.80		$1,918.80	$1,918.80
331.50	Plastic, 4" & Under	906,754 80		906,754.80		906,754.80		906,754.80		906,754.80	906,754 80
331.51	Plastic, 6"-8"	1,328,953.99	605.00	1,329,558.99		1,329,558.99		1,329,558 99		1,329,558.99	1,329,558.99
331.52	Plastic, 10"-14"	612,299.72		612,299.72		612,299.72		612,299 72		612,299.72	612,299.72
331.60	Valves, 4" & Under	104,802.87		104,802.87		104,802.87		104,802.87	910.00	105,712.87	105,257.87
331.61	Valves, 6"-8"	42,680.66		42,680.66		42,680.66		42,680.66		42,680.66	42,680.66
331 62	Valves, 10"-14"	11,450.00		11,450.00		11,450.00		11,450.00		11,450.00	11,450.00
	Total Account 331	$3,008,860.84	$605.00	$3,009,465 84	$0.00	$3,009,465.84	$0.00	$3,009,465.84	$910.00	$3,010,375.84	$3,009,920 84
333	Services	$509,327.26	$13,541.00	$522,868.26	$7,849 00	$530,717.26	$12,179.00	$542,896.26	$1,412.00	$544,308 26	$543,602.26
334	Meters	196,688.31	6,983.00	203,671.31	7,283.00	210,954.31	16,608.00	227,562 31	30,000.00	257,562.31	242,562.31
335	Fire Hydrants	27,107.00		27,107.00		27,107.00		27,107.00		27,107.00	27,107.00
336	Backflow Prevention Devices	4,288.29	4,654.00	8,942.29		8,942.29		8,942.29		8,942.29	8,942.29
340.10	Office Furniture	$1,050.00		$1,050 00		$1,050.00		$1,050.00		$1,050.00	$1,050.00
340 20	Office Equipment	1,545.38		1,545.38		1,545.38		1,545.38	$1,114.00	2,659 38	2,102.38
	Total Account 340	$2,595 38	$0.00	$2,595.38	$0.00	$2,595.38	$0.00	$2,595.38	$1,114 00	$3,709.38	$3,152.38
341	Transportation Equipment	$57,445.35		$57,445.35		$57,445.35	$87,283.00	$144,728.35		$144,728.35	$144,728 35
343	Tools and Work Equipment	13,892.52	532.00	14,424.52	$1,643.00	16,067.52	1,823.00	17,890.52		17,890.52	17,890.52
344	Laboratory Equipment	4,862.14		4,862.14		4,862.14	359.00	5,221.14		5,221.14	5,221.14
345	Power Operated Equipment	869.52		869.52		869.52	60,605.00	61,474.52		61,474.52	61,474.52
346	Communication Equipment	100.00		100.00		100.00		100.00		100.00	100.00
	Total Depreciable Plant	$4,388,325.88	$64,309.00	$4,452,634.88	$47,061.00	$4,499,695.88	$190,574.00	$4,690,269.88	$79,484.00	$4,769,753.88	$4,730,011.88
Non-Depreciable Plant:											
303.2	Land and Land Rights - Pumping	$57,992.59		$57,992.59		$57,992.59		$57,992.59		$57,992.59	$57,992.59
303 4	Land and Land Rights - T&D	9,496.00		9,496.00		9,496.00		9,496.00		9,496.00	9,496.00
303.5	Land and Land Rights - Distrib Storage	17,850.00		17,850.00		17,850.00		17,850.00		17,850.00	17,850.00
	Total Non-Depreciable Plant	$85,338.59	$0.00	$85,338.59	$0.00	$85,338.59	$0.00	$85,338 59	$0.00	$85,338.59	$85,338.59
	Total Plant In Service	$4,473,664.47	$64,309.00	$4,537,973.47	$47,061.00	$4,585,034.47	$190,574.00	$4,775,608.47	$79,484.00	$4,855,092.47	$4,815,350.47
Less: Contributions In Aid of Construction:											
303.00	Land	$21,460.00		$21,460.00		$21,460.00		$21,460.00		$21,460.00	$21,460.00
307.00	Wells and Springs	9,832.00		9,832.00		9,832.00		9,832.00		9,832.00	9,832.00
304.20	Structures & Improvements - Pumping	7,732.00		7,732.00		7,732.00		7,732.00		7,732 00	7,732.00
304.40	Structures & Improvements - T&D Plant	27,633.00		27,633.00		27,633.00		27,633 00		27,633.00	27,633.00
311.00	Pumping Equipment	14,563.00		14,563.00		14,563 00		14,563.00		14,563.00	14,563.00
320 00	Water Treatment Equipment	18,915.00		18,915.00		18,915.00		18,915.00		18,915.00	18,915.00
331.50	Plastic, 4" & Under	189,186.00		189,186.00		189,186.00		189,186.00		189,186.00	189,186.00
331.51	Plastic, 6"-8"	89,564.00		89,564.00		89,564.00		89,564.00		89,564.00	89,564.00
331.52	Plastic, 10"-14"	306,103.50		306,103.50		306,103 50		306,103.50		306,103.50	306,103.50
331.60	Valves, 4" & Under	28,278.00		28,278.00		28,278.00		28,278.00		28,278 00	28,278 00
331.61	Valves, 6"-8"	155.00		155.00		155.00		155.00		155.00	155.00
331.62	Valves, 10"-14"	11,368.00		11,368.00		11,368.00		11,368.00		11,368.00	11,368.00
333 00	Services	17,057.00		17,057.00		17,057.00		17,057.00		17,057.00	17,057.00
335 00	Fire Hydrants	8,553 00		8,553.00		8,553.00		8,553.00		8,553.00	8,553.00
343 00	Tools and Work Equipment	84.00		84.00		84.00		84.00		84.00	84.00
	Total Contributions In Aid of Construction	$750,483.50	$0.00	$750,483.50	$0.00	$750,483 50	$0.00	$750,483.50	$0.00	$750,483.50	$750,483.50
Less: Customers Advances for Construction:											
331.51	Plastic, 6"-8"	$97,561.00	$0.00	$97,561.00	$0.00	$97,561.00	$0.00	$97,561.00	$0 00	$97,561.00	$97,561.00
	Total Plant In Service (Net)	$3,625,619.97	$64,309.00	$3,689,928.97	$47,061.00	$3,736,989.97	$190,574.00	$3,927,563.97	$79,484.00	$4,007,047.97	$3,967,305.97

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Development of the Accrued Book Depreciation Reserve
for Ratemaking Purposes as of December 31, 2007

Description	Calendar Year Dec. 31,	Amount Reserved
Plant In Service:		
Beginning Balance	1997	$1,983,790.69
Annual Depreciation Expense	1998	87,398.30
Annual Depreciation Expense	1999	87,398.30
Annual Depreciation Expense	2000	87,398.30
Annual Depreciation Expense	2001	89,749.44
Annual Depreciation Expense	2002	95,456.15
Annual Depreciation Expense	2003	100,395.82
Annual Depreciation Expense	2004	103,497.20
Annual Depreciation Expense	2005	106,147.96
Annual Depreciation Expense	2006	119,868.31
Annual Depreciation Expense	2007	134,079.40
Total Plant In Service Reserve		$2,995,179.87
Contributions In Aid of Construction:		
Beginning Balance	1997	$450,396.92
Annual Depreciation Expense	1998	11,149.84
Annual Depreciation Expense	1999	11,149.84
Annual Depreciation Expense	2000	11,149.84
Annual Depreciation Expense	2001	11,149.84
Annual Depreciation Expense	2002	11,149.84
Annual Depreciation Expense	2003	11,149.84
Annual Depreciation Expense	2004	11,149.84
Annual Depreciation Expense	2005	11,149.84
Annual Depreciation Expense	2006	11,149.84
Annual Depreciation Expense	2007	11,149.84
Total Contributions Reserve		$561,895.32
Customer Advances for Construction:		
Beginning Balance	1997	$37,960.49
Annual Depreciation Expense	1998	1,219.51
Annual Depreciation Expense	1999	1,219.51
Annual Depreciation Expense	2000	1,219.51
Annual Depreciation Expense	2001	1,219.51
Annual Depreciation Expense	2002	1,219.51
Annual Depreciation Expense	2003	1,219.51
Annual Depreciation Expense	2004	1,219.51
Annual Depreciation Expense	2005	1,219.51
Annual Depreciation Expense	2006	1,219.51
Annual Depreciation Expense	2007	1,219.51
Total Advances Reserve		$50,155.59

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Regulatory Assessments

Revenues at Present Rates (Going-Level)		$595,981
Assessment Factors:		
PA. P.U.C.	0.004473555927	$2,666
Consumer Advocate	0.001473420785	878
Small Business Advocate	0.000172419378	103

Regulatory Assessments at Present Rates (Going-Level)		$3,647
Regulatory Assessments (Per Books)		(3,624)

Regulatory Assessments Adjustment		$23
		======

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Cost of Capital and Fair Rate of Return
Pro Forma at December 31, 2007

Type of Capital:	Ratio 1)	Cost Rate	Weighted Cost Rate
Debt	0.55	7.75% 1)	4.26%
Common Equity	0.45	12.00% 2)	5.40%
Total Capital	1.00		9.66%

Notes:
1) Developed on page 2.
2) Required in order for the Company to maintain a financial profile which will enable it to obtain future financing, when necessary.

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Development of Capital Structure Ratios for Ratemaking Purposes
Pro Forma at December 31, 2007

	Adjusted Per Books 12/31/2006	Pro Forma 12/31/2007	Pro Forma Ratios
Long-Term Debt:			
Miscellaneous Long-Term Debt	$0		
Total Long-Term Debt	$0	$935,309	0.55
Common Equity:			
Other Paid-In Capital	$3,588,414		
Unappropriated Retained Earnings	(1,061,851)		
Total Common Equity	$2,526,563	$765,253	0.45
Total Capital	$2,526,563	$1,700,562 1)	1.00

Embedded Debt Cost
Pro Forma at December 31, 2007

Long-Term Debt:	Amount	Cost Rate	Interest Expense
Pro Forma Debt	$935,309	7.75% 2)	$72,486
Total Long-Term Debt	$935,309	7.75%	$72,486

Notes:
1) Equal to rate base.
2) Based on prime rate on October 23, 2007.

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Regulatory Assessments

Revenues at Proposed Rates		$868,102
Assessment Factors:		
PA. P.U.C.	0.004473555927	$3,884
Consumer Advocate	0.001473420785	1,279
Small Business Advocate	0.000172419378	150

Regulatory Assessments at Proposed Rates		$5,313
Regulatory Assessments at Present Rates (Going-Level)		(3,647)

Regulatory Assessments Adjustment		$1,666
		======

Total Environmental Solutions, Inc
Treasure Lake Water Division

Revenues Under Proposed Rates

Residential:	Number of Bills	Monthly Rate	Revenue
Minimum Charges:			
3/4" -Monthly	23,458	$16.87	$395,736.46
1"-Monthly	24	31.61	758.64

Total Minimum Charges			$396,495.10
Output Charges:	Thousand Gallons	Rate	
Minimums	48,844.5		
Step 1	38,799.9	$5.74	$222,711.43

Total Output Charges			$222,711.43

Total Residential Revenue			$619,206.53
Commercial:	Number of Bills	Monthly Rate	
Minimum Charges:			
3/4"-Monthly	349	$16.87	$5,887.63
1"-Monthly	30	31.61	948.30
2"-Monthly	120	62.89	7,546.80
3"-Monthly	10	104.82	1048.20
4"-Monthly	12	258.03	3,096.36
6"-Monthly	24	517.67	12,424.08

Total Minimum Charges			$30,951.37
Output Charges:	Thousand Gallons	Rate	
Minimums	833.5		
Step 1	12,651.5	$5.74	$72,619.61

Total Output Charges			$72,619.61

Total Commercial Revenue			$103,570.98
Availability:	Number of Bills	Quarterly Rate	
Availability Customers	13,762	$9.00	$123,858.00

Total Availability Revenue			$123,858.00

Subtotal			$846,635.51
Customer Penalties			$18,576.18
Misc. Operating Revenues			2,890.34

Total Operating Revenue			$868,102.03
			=========

SDF EXHIBIT NO. 2

4-17-08 JES
HBG

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Statement of Operating Revenue Under the Existing Rates for the Twelve Months
Ended December 31, 2006 and December 31, 2007, and Under the Proposed Rates
Answer to 52 Pa. Code § 53.52 (b)(4) - Sheet No. 1a

Operating Revenues	Schedule Number	Year Ended 12/31/06 Per Books	Anticipated Revenue at Present Rates Year Ended 12/31/07 Adjustments	Amount	Anticipated Revenue at Proposed Rates Year Ended 12/31/07 Adjustments	Amount
Residential	(b)(2)	$381,274	$4,877	$386,151	$225,162	$611,313
Commercial	(b)(2)	65,451	(945)	64,506	37,535	102,041
Availability	(b)(2)	123,121	737	123,858		123,858
Subtotal		$569,846	$4,669	$574,515	$262,697	$837,212
Ciustomer Penalties	(b)(2)	$18,576		$18,576		$18,576
Other Water Revenues	(b)(2)	2,890		2,890		2,890
Total Operating Revenues		$591,312	$4,669	$595,981	$262,697	$858,678

Going-Level Adjustments:

1. Adjustment to reflect revenues based on the bill frequency analysis at present rates.

Residential	($3,071)	
Commercial	(998)	
Availability	3,005	
Refer to Supporting Schedule No. 1		($1,064)

2. Adjustment to reflect revenues for customers gained and lost during the year ending December 31, 2006.

Residential	$2,393	
Commercial	53	
Availability	(684)	
Refer to (b)(4) - Sheet No. 1b		$1,762

3. Adjustment to reflect revenues for customers gained and lost during the year ending December 31, 2007.

Residential	$5,555	
Availability	(1,584)	
Refer to (b)(4) - Sheet No. 1c		$3,971

Revised

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Statement of Net Operating Revenue Under the Existing Rates for the Twelve Months Ended December 31, 2006 and December 31, 2007, and Under the Proposed Rates
Answer to 52 Pa. Code § 53.52 (c)(1) - Sheet No. 1a

	Schedule Number	Per Books Year Ended 12/31/06	Anticipated Revenue at Present Rates Year Ended 12/31/07 Adjustments	Amount	Anticipated Revenue at Proposed Rates Year Ended 12/31/07 Adjustment	Amount
Operating Revenues	b(4)-1a	$591,312	$4,669	$595,981	$262,697	$858,678
Operating Revenue Deductions:						
Operating Expenses	(c)(1)-1b&c	$471,627	$89,026	$560,653		$560,653
Depreciation	Supporting Sch. No. 6	154,307	(32,597)	121,710		121,710
Income Taxes:						
State Income Tax		0		0		0
Federal Income Tax		0		0		0
Regulatory Assessments	Supporting Sch. No. 7&9	3,624	23	3,647	1,607	5,254
Payroll Taxes:						
F.I.C.A.	Supporting Sch. No. 3	9,546	1,722	11,268		11,268
F.U.T.A.		701	(84)	617		617
Pa. Unemployment		1,731	327	2,058		2,058
Property Taxes		1,929		1,929		1,929
Misc. Taxes		439		439		439
Total Operating Revenue Deductions		$643,904	$58,417	$702,321	$1,607	$703,928
Net Operating Revenues		($52,592)	($53,748)	($106,340)	$261,090	$154,750

Total Environmental Solutions, Inc.
Treasure Lake Water Division

Statement of Calculation of the Rate of Return Under the Existing Rates for the Twelve Months Ended December 31, 2007 and Under the Proposed Rates
Answer to 52 Pa. Code § 53.52 (c)(1) - Sheet No. 2

	Supporting Schedule No.	Original Cost 12/31/07 at Present Rates	Original Cost 12/31/07 at Proposed Rates
Total Utility Plant in Service	6	$4,855,092	$4,855,092
Less:			
Reserve for Depreciation	6	(2,995,180)	(2,995,180)
Total Depreciated Utility Plant in Service		$1,859,912	$1,859,912
Add:			
Materials & Supplies		9,309	9,309
Cash Working Capital		58,026	58,026 1)
Deduct:			
Advances for Construction (Net)	6	(47,405)	(47,405)
Contr. In Aid of Construction (Net)	6	(188,589)	(188,589)
Total Measures of Value		$1,691,253	$1,691,253
Pro Forma Return:			
Present:			
Dollars		($106,340)	
Percent		-6.29%	
Proposed [Indicated]:			
Dollars			$154,750
Percent	8		9.15%

Note:
1) Based on 45 days of pro forma operating and maintenance expenses.
45 x ($560,653 - $90,000)) / 365) = $58,026

Total Environmental Solutions, Inc. - Treasure Lake Water Division
Summary of Cost of Capital and Fair Rate of Return
Pro Forma at December 31, 2007

Type of Capital	Ratios	Cost Rate	Weighted Cost Rate
Long-Term Debt	45.00 %	6.41 %	2.88 %
Common Equity	55.00	11.40	6.27
Total	100.00 %		9.15 %

Note:

(1) Refer to Ms. Pauline Ahern's direct testimony.

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Total Environmental Solutions, Inc.
Treasure Lake Water Division

Regulatory Assessments

Revenues at Proposed Rates		$858,678
Assessment Factors:		
PA. P.U.C.	0.004473555927	$3,841
Consumer Advocate	0.001473420785	1,265
Small Business Advocate	0.000172419378	148
Regulatory Assessments at Proposed Rates		$5,254
Regulatory Assessments at Present Rates (Going-Level)		(3,647)
Regulatory Assessments Adjustment		$1,607

Total Environmental Solutions, Inc
Treasure Lake Water Division

Revenues Under Proposed Rates

Residential:	Number of Bills	Monthly Rate	Revenue
Minimum Charges:			
3/4" -Monthly	23,458	$16.65	$390,575.70
1"-Monthly	24	30.89	741.36
Total Minimum Charges			$391,317.06
Output Charges:	Thousand Gallons	Rate	
Minimums	48,844.5		
Step 1	38,799.9	$5.67	$219,995.43
Total Output Charges			$219,995.43
Total Residential Revenue			$611,312.49

Commercial:	Number of Bills	Monthly Rate	
Minimum Charges:			
3/4"-Monthly	349	$16.65	$5,810.85
1"-Monthly	30	30.89	926.70
2"-Monthly	120	61.47	7,376.40
3"-Monthly	10	102.45	1024.50
4"-Monthly	12	252.18	3,026.16
6"-Monthly	24	505.93	12,142.32
Total Minimum Charges			$30,306.93
Output Charges:	Thousand Gallons	Rate	
Minimums	833.5		
Step 1	12,651.5	$5.67	$71,734.01
Total Output Charges			$71,734.01
Total Commercial Revenue			$102,040.94

Availability:	Number of Bills	Quarterly Rate	
Availability Customers	13,762	$9.00	$123,858.00
Total Availability Revenue			$123,858.00
Subtotal			$837,211.43
Customer Penalties			$18,576.18
Misc. Operating Revenues			2,890.34
Total Operating Revenue			$858,677.95

Sewer
TESI-~~Water~~ Statement No. 1R — SDF
Exhibit No 3
4/17/08 TES
HBC

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
Treasure Lake Sewer Division

Docket No. R-00072495

DOCUMENT FOLDER

SDF Exhibit No. 3

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 SDF Exhibit No. 3
Attachment 1
2 pages

TOTAL ENVIRONMENTAL SOLUTIONS
TREASURE LAKE WATER DIVISION

Docket No. R-00072493

Analyst: Debra J. Backer

OTS-RE-4-D Provide the following information for all employees:

A. Job Title;

B. Hourly wage or salary for 2004, 2005 and 2006 and proposed wage after increase;

C. Frequency of pay date, for example: weekly, biweekly;

D. For hourly employees, provide the standard number of hours per week or pay period;

E. Amount of overtime worked for 2004, 2005 and 2006.

Request for Additional Information: The data request seeks Wages, Job Titles, frequency of pay date (weekly, biweekly), standard number of hours worked, and overtime worked for 2004-2006. The provided spreadsheet had no titles for the columns, so the listings cannot b e identified. At the very least, the spreadsheets should be provided with the columns identified. For what appears to be salary amounts and job titles, there is no identification of the number of hours worked per week or any overtime worked, or any proposed wage increases.

Updated Response: See attached.

Responsible Party: Wayne Owens

Water R-00072493	OTS-RE-4-D									
2004										
[illegible]rn Division										
Titles	Name	Pay	DOH	2003	Date of	New Pay	Std. HRS	Proposed	2004	2004
		Frequency		Rate	Pay Incr.	Rate	Per PP	Pay	Overtime	W2
istrict Manager	Beatty, Jr. Arthur	Biweekly	1/11/1991	$ 12.50	8/9/2004	$ 13.50	80	$ 28,080.00	$ 206.25	$ 26,855.21
quipment Operator	Bumbarger, Douglas	Biweekly	6/9/2001	$ 9.00		$ 9.00	80	$ 18,720.00	$ 1,765.50	$ 20,946.48
dmin Asst.	Case, betsy	Biweekly	5/11/1990	$ 12.00	8/9/2004	$ 12.50	80	$ 26,000.00	$ -	$ 24,912.98
illing Supervisor	Chittester, Lisa Larsen	Biweekly	2/23/1999	$ 8.50	8/9/2004	$ 9.00	80	$ 18,720.00	$ 112.50	$ 14,814.46
lectrician	Hetrich, William	Biweekly	6/24/1994	$ 8.50	8/9/2004	$ 9.50	80	$ 19,760.00	$ 4,584.75	$ 22,479.61
ackup Water Operator	O'Donnell, Raymond	Biweekly	1/8/1991	$ 8.25	8/9/2004	$ 8.75	80	$ 18,200.00	$ 1,381.99	$ 18,766.98
eter tech	Smyers, Richard	Biweekly	12/1/1987	$ 8.25	8/9/2004	$ 8.75	80	$ 18,200.00	$ 2,124.36	$ 16,424.64
ater Operator	Sufin, Jr. Edward	Biweekly	4/24/1995	$ 12.00	8/9/2004	$ 12.50	80	$ 26,000.00	$ 14,810.25	$ 38,936.01
								$ 173,680.00	$ 24,985.82	$ 184,236.24
Water R-00072493	OTS-RE-4-D									
2005										
Eastern Division										
Titles	Name	Pay	DOH	2004	Date of	New Pay	Std. HRS	Proposed	2005	2005
		Frequency		Rate	Pay Incr.	Rate	Per PP	Pay	Overtime	W2
istrict Manager	Beatty, Jr. Arthur	Biweekly	1/11/1991	$ 13.50		$ 13.50	80	$ 28,080.00	$ 749.25	$ 26,872.21
quipment Operator	Bumbarger, Douglas	Biweekly	6/9/2001	$ 9.00		$ 9.00	80	$ 18,720.00	$ 1,275.00	$ 15,203.04
dmin Asst.	Case, betsy	Biweekly	5/11/1990	$ 12.50		$ 12.50	80	$ 26,000.00	$ 112.51	$ 25,021.98
illing Supervisor	Chittester, Lisa Larsen	Biweekly	2/23/1999	$ 9.00		$ 9.00	80	$ 18,720.00	$ 283.61	$ 18,361.47
lectrician	Hetrich, William	Biweekly	6/24/1994	$ 9.50		$ 9.50	80	$ 19,760.00	$ 5,728.50	$ 24,464.66
ackup Water Operator	O'Donnell, Raymond	Biweekly	1/8/1991	$ 8.75		$ 8.75	80	$ 18,200.00	$ 1,516.92	$ 20,446.67
ield Tech	Penvose, Robert	Biweekly	6/13/2005	$ 8.00		$ 8.00	80	$ 16,640.00	$ 924.00	$ 9,488.32
eter tech	Smyers, Richard	Biweekly	12/1/1987	$ 8.75		$ 8.75	80	$ 18,200.00	$ 1,850.95	$ 16,802.66
aste Water Operator	Starr, Michael	Biweekly	7/4/2005	$ 13.50		$ 13.50	80	$ 28,080.00	$ 2,398.63	$ 15,572.87
ater Operator	Sufin, Jr. Edward	Biweekly	4/24/1995	$ 12.50		$ 12.50	80	$ 26,000.00	$ 17,881.25	$ 42,350.21
								$ 218,400.00	$ 32,521.52	$ 216,564.09
Water R-00072493	OTS-RE-4-D									
2006										
Eastern Division										
Titles	Name	Pay	DOH	2005	Date of	New Pay	Std. HRS	Proposed	2006	2006
		Frequency		Rate	Pay Incr.	Rate	Per PP	Pay	Overtime	W2
[illegible] anager	Beatty, Jr. Arthur	Biweekly	1/11/1991	$ 13.50	2/25/2006	$ 14.50	80	$ 30,160.00	$ 574.88	$ 30,407.36
quipment Operator	Bumbarger, Douglas	Biweekly	6/9/2001	$ 9.00		$ 9.00	80	$ 18,720.00	$ 135.00	$ 2,178.00
dmin Asst.	Case, betsy	Biweekly	5/11/1990	$ 12.50	2/25/2006	$ 12.87	80	$ 26,769.60	$ 138.42	$ 25,083.28
illing Supervisor	Chittester, Lisa Larsen	Biweekly	2/23/1999	$ 9.00	2/25/2006	$ 9.50	80	$ 19,760.00	$ 418.24	$ 16,083.99
lectrician	Hetrich, William	Biweekly	6/24/1994	$ 9.50	2/25/2006	$ 10.00	80	$ 20,800.00	$ 4,627.75	$ 24,388.95
ackup Water Operator	O'Donnell, Raymond	Biweekly	1/8/1991	$ 8.75		$ 8.75	80	$ 18,200.00	$ 1,574.83	$ 21,203.88
ield Tech	Penvose, Robert	Biweekly	6/13/2005	$ 8.00		$ 8.00	80	$ 16,640.00	$ 1,805.75	$ 18,981.75
eter tech	Smyers, Richard	Biweekly	12/1/1987	$ 8.75	2/25/2006	$ 9.01	80	$ 18,740.80	$ 971.32	$ 16,348.72
aste Water Operator	Starr, Michael	Biweekly	7/4/2005	$ 13.50		$ 13.50	80	$ 28,080.00	$ 6,186.41	$ 34,414.91
ater Operator	Sufin, Jr. Edward	Biweekly	4/24/1995	$ 12.50		$ 12.50	80	$ 26,000.00	$ 19,344.75	$ 45,652.76
quipment Operator	Whaling, Daniel	Biweekly	7/5/2006	$ 12.50		$ 12.50	80	$ 26,000.00	$ 440.69	$ 12,135.83
otals per Actual payroll								$ 249,870.40	$ 36,217.78	$ 246,239.24
								TL Water	Per Filing	$ 98,015.00
								TL Sewer	Per Filing	$ 88,560.00
								TL Water	Capitalized	$ 2,732.00
								TL Sewer	Capitalized	$ 3,198.00
otal per Rate filing										$ 192,505.00
								TL Water	Per GL	$ 98,015.00
								TL Sewer	Per GL	$ 102,396.00
								TL Water	Capitalized	$ 2,732.00
								TL Sewer	Capitalized	$ 3,198.00
otal per General Ledger										$ 206,341.00

		Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	YTD
Treasure Lake Sewer - 4050														
Salaries and Wages - Employees														
Administrative Salaries & Wages														
Administrative - Salaried Employees	601101	0												0
Administrative - Hourly Paid Emplo	601102	386.1	373.23	637.65	503.88	7357.26	1688.76	1933.36	2881.96	1853.8	1044.74	1328.85	1279.48	21269.07
Administrative - Overtime	601103	0												0
Billing Salaries & Wages														
Billing - Salaried	601301	0												0
Billing - Hourly Paid	601302	304	361	403.64	327.97	-1005.01					97.9		195.8	685.3
Billing - Overtime	601303	7.13		36.72		-36.72								7.13
Customer Service Salaries & Wages														
Customer Service - Salaried	601401	0												0
Customer Service - Hourly	601402	0	72.08			1396.61	337.76	264.34	489.5	352.44	97.9			3010.63
Customer Service - Overtime	601403	0				36.72	14.7							51.42
Operations Salaries & Wages														
Operations - Salaried	601501	0												0
Operations - Hourly Paid	601502	8594	9217.5	11687.74	7364.85	46.28	5405.12	4071.19	6339.8	3700.56	5655.29	6672.91	6941.87	75697.11
Operations - Overtime	601503	909.75	1220.63	2009.51	928.77	570.9	1237.41	1135.52	1501.32	1366.9	1264.38	1218.96	1126.01	14490.06
Engineering & Compliance Salaried	601601	0												0
Engineering & Compliance Hourly I	601602	0												0
Engineering & Compliance Overtim	601603	0												0
		$ 10,200.98	$ 11,244.44	$ 14,775.26	$ 9,125.47	$ 8,366.04	$ 8,683.75	$ 7,404.41	$ 11,212.58	$ 7,273.70	$ 8,160.21	$ 9,220.72	$ 9,543.16	$ 115,210.72

SDF Exhibit No. 3
Attachment 2

SDF Exhibit No. 3
Attachment 3
2 pages

Total Environmental Solutions, Inc.
Treasure Lake Sewer Division

Payroll Taxes

2007 Salaries & Wages (Actual)	$119,338	
F.I.C.A.:		
Based on Actual Salaries & Wages		
Social Security ($119,338 x .0620)	$7,399	
Medicare ($119,338 x .0145)	1,730	

F.I.C.A.		$9,129
F.U.T.A.		
Payments for $7,000 or less	$77,070	
F.U.T.A. ($77,070 x .008)		617
Pa. Unemployment Tax:		
Payments for $8,000 or less	$82,320	
PA Unemployment Tax ($82,320 x .05)		2,058

Total Payroll Taxes		$11,804
		=======

TREASURE LAKE WASTEWATER PAYROLL

Employee Name	CAPITAL		EXPENSE									
	30440	35445	601102	601103	601302	601303	601402	601403	601501	601502	601503	Total
Betsy Case	$ -	$ -	$ 5,487.69	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,487.69
Lisa Larsen	$ -	$ -	$ 704.88	$ -	$ 2,081.91	$ 43.85	$ 1,541.94	$ 14.70	$ -	$ -	$ -	$ 4,387.28
Arthur Beatty	$ -	$ 448.00	$ 8,064.00	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,196.50	$ -	$ 18,708.50
Raymond O'Donnell	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,932.00	$ 902.50	$ 12,834.50
Richard Smyers	$ -	$ 74.24	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 165.96	$ 125.28	$ 365.48
Douglas Bumbarger	$ -	$ 1,300.95	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,436.50	$ 543.75	$ 11,281.20
William Hettrick	$ -	$ 490.67	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,472.50	$ 4,652.10	$ 16,615.27
Edward Sulin	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 264.29	$ -	$ 264.29
Robert Penvose Jr.	$ -	$ 1,116.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,712.00	$ 1,390.50	$ 11,218.50
Michael Starr Jr.	$ -	$ 54.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,672.86	$ 6,827.93	$ 33,554.79
Daniel Whaling	$ -	$ 50.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,825.00	$ -	$ 1,875.00
Michael L. Jarrett	$ -	$ 492.00	$ -	$ -	$ -	$ -	$ 72.08	$ -	$ -	$ 1,680.00	$ 48.00	$ 2,292.08
John Coxe	$ -	$ 10.00	$ 1,305.00	$ -	$ (304.00)	$ -	$ 304.00	$ -	$ -	$ (1,305.00)	$ -	$ 10.00
Richard Fellin	$ -	$ 11.50	$ 1,392.00	$ -	$ (361.00)	$ -	$ 361.00	$ -	$ -	$ (1,392.00)	$ -	$ 11.50
Brian Williams	$ -	$ 144.00	$ 2,219.50	$ -	$ (403.64)	$ (36.72)	$ 403.64	$ 36.72	$ -	$ (1,931.50)	$ -	$ 432.00
Total	$ -	$ 4,191.36	$ 19,173.07	$ -	$ 1,013.27	$ 7.13	$ 2,682.66	$ 51.42	$ -	$ 77,729.11	$ 14,490.06	$ 119,338.08

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TOTAL ENVIRONMENTAL SOLUTIONS, INC.
DETAIL GENERAL LEDGER

WAYNE

COMPANY 000600 SELECTIONS: ACCOUNT RANGE: 92155 - 92155 DEPARTMENT RANGE: 60000 - 60000
ACCOUNTING CYCLES: FROM 01-2006 THRU 13-2006 ACCOUNT TYPE: G/L SEQUENCE: ORGANIZATION

CO CY-YR	DEPARTMENT TRANS DATE	T/C	DESCRIPTION	ACCOUNT	J/E#	BATCH	REF#	SOURCE	PRIMARY REFERNCE/DOCUMENT	AMOUNT
000600	060000		RIVIERA UTILITIES SEWER PENN	092155	TELECOMMUNICATIONS EXPENSES				BEGINNING BALANCE	.00
01-2006	01-19-2006	040	HASLER MAILING SYSTEMS			23471		A	I/V 6123031 - 8170	9.01
01-2006	02-02-2006	040	TREASURE LAKE COMMUNICATI			23471		A	I/V 013106 - 20882	34.98
01-2006	02-02-2006	040	VERIZON			23471		A	I/V 011306 - 22150	287.89
01-2006	02-02-2006	040	VERIZON			23471		A	I/V 011306 - 22150	30.84
01-2006	02-02-2006	040	VERIZON			23471		A	I/V 011306 - 22150	46.96
01-2006	02-09-2006	040	AT&T			23471		A	I/V 011906 - 1932	35.90
01-2006	02-09-2006	040	AT&T			23471		A	I/V 012406 - 1932	27.91
02-2006	02-23-2006	040	PLATINUM PLUS FOR BUSINES			23510		A	I/V 021006-AB- 16187	196.38
02-2006	03-02-2006	040	CELLULAR ONE			23510		A	I/V 021606 - 3200	14.67
02-2006	03-09-2006	040	AT&T			23510		A	I/V 021906 - 1932	35.07
02-2006	03-09-2006	040	ZITO MEDIA			23510		A	I/V 022706 - 26201	34.97
03-2006	03-16-2006	040	AT&T			23552		A	I/V 022406 - 1932	28.09
03-2006	03-23-2006	040	VERIZON			23552		A	I/V 031306 - 22150	46.66
03-2006	03-23-2006	040	VERIZON			23552		A	I/V 031306 - 22150	269.86
03-2006	03-23-2006	040	VERIZON			23552		A	I/V 031306 - 22150	31.18
03-2006	03-30-2006	040	CELLULAR ONE			23552		A	I/V 031606 - 3200	39.67
03-2006	04-06-2006	040	AT&T			23552		A	I/V 031906 - 1932	31.98
03-2006	04-06-2006	040	AT&T			23552		A	I/V 032406 - 1932	29.12
04-2006	04-30-2006	040	CELLULAR ONE			23590		A	I/V 041606 - 3200	19.03
04-2006	04-30-2006	040	HASLER MAILING SYSTEMS			23590		A	I/V 6682313 - 8170	419.76
04-2006	04-30-2006	040	VERIZON			23590		A	I/V 041306 - 22150	46.94
04-2006	04-30-2006	040	VERIZON			23590		A	I/V 041306 - 22150	273.35
04-2006	04-30-2006	040	VERIZON			23590		A	I/V 041306 - 22150	31.36
04-2006	05-11-2006	040	AT&T			23590		A	I/V 041906 - 1932	32.24
04-2006	05-11-2006	040	AT&T			23590		A	I/V 041906 - 1932	29.65
05-2006	04-30-2006	040	ZITO MEDIA			23629		A	I/V 050106 - 26201	70.01
05-2006	06-01-2006	040	VERIZON			23629		A	I/V 051306 - 22150	46.02
05-2006	06-01-2006	040	VERIZON			23629		A	I/V 051306 - 22150	273.33
05-2006	06-01-2006	040	VERIZON			23629		A	I/V 051306 - 22150	31.12
05-2006	06-08-2006	040	AT&T			23629		A	I/V 051906 - 1932	8.64
05-2006	06-08-2006	040	AT&T			23629		A	I/V 052406 - 1932	29.65
05-2006	06-08-2006	040	VERIZON			23629		A	I/V 051906 - 22150	577.66
05-2006	06-08-2006	040	ZITO MEDIA			23629		A	I/V 053106 - 26201	35.00
06-2006	06-29-2006	040	PLATINUM PLUS FOR BUSINES			23669		A	I/V 061206-AB- 16187	187.57
06-2006	06-30-2006	040	VERIZON			23669		A	I/V 061906 - 22150	294.03
06-2006	06-30-2006	040	ZITO MEDIA			23669		A	I/V 062906 - 26201	70.01
07-2006	07-27-2006	040	RADIOSHACK			23709		A	I/V 071906 - 17975	90.09
07-2006	08-03-2006	040	MOBILCOM			23709		A	I/V 0516529 - 13350	22.89
08-2006	08-03-2006	040	ZITO MEDIA			23749		A	I/V 080106 - 26201	36.5[illegible]
09-2006	09-14-2006	040	ZITO MEDIA			23798		A	I/V 090506 - 26201	35.01
10-2006	10-12-2006	040	ZITO MEDIA			23865		A	I/V 100306 - 26201	35.01
11-2006	11-16-2006	040	ZITO MEDIA			23907		A	I/V 110306 - 26201	35.01
12-2006	12-07-2006	040	ZITO MEDIA			23940		A	I/V 31891 - 26201	35.01
12-2006	12-21-2006	040	PLATINUM PLUS FOR BUSINES			23940		A	I/V 121106-BS- 16187	52.93
									ENDING BALANCE	4,048.97

SDF Exhibit No. 3
Attachment 4

SDF Exhibit No. 3
Attachment 5
4 Pages

			Payment Schedule for Insurance 2007-2008:			Remaining Bal
				232055	500 - 42707	
	Due Date	Check #	Payment Date		Interest	$ 323,250.35
	Down Payment	47025	6-Oct-07	$ 29,386.40	$ 966.30	$ 293,863.95
1	01-Nov-07	47565	15-Nov-07	$ 29,386.40	$ 966.30	$ 264,477.55
2	01-Dec-07	48001	6-Dec-07	$ 29,386.40	$ 966.30	$ 235,091.15
3	01-Jan-08	48680	15-Jan-08	$ 29,386.40	$ 966.30	$ 205,704.75
4	01-Feb-08	49224	15-Feb-08	$ 29,386.40	$ 966.30	$ 176,318.35
5	01-Mar-08		15-Mar-08	$ 29,386.40	$ 966.30	$ 146,931.95
6	01-Apr-08		15-Apr-08	$ 29,386.40	$ 966.30	$ 117,545.55
7	01-May-08		15-May-08	$ 29,386.40	$ 966.30	$ 88,159.15
8	01-Jun-08		15-Jun-08	$ 29,386.40	$ 966.30	$ 58,772.75
9	01-Jul-08		15-Jul-08	$ 29,386.40	$ 966.30	$ 29,386.35
10	01-Aug-08		15-Aug-08	$ 29,386.35	$ 966.35	$ (0.00)
				$ 323,250.35	$ 10,629.35	

Allocation to State by Depr. UPIS:			
	Depr. UPIS		
LA	$ 6,453,601	29.85%	$ 96,505
MS	$ 4,804,455	22.23%	$ 71,844
NC	$ 419,639	1.94%	$ 6,275
PA	$ 8,779,315	40.61%	$ 131,284
SC	$ 1,010,509	4.67%	$ 15,111
TN	$ 149,212	0.69%	$ 2,231
	$ 21,616,731	100.00%	$ 323,250

Allocation to PA by Depr. UPIS:			
	Depr. UPIS		
TL - Water	$ 1,573,975	17.93%	$ 23,537
TL - Sewer	$ 5,736,941	65.35%	$ 85,789
BM - Water	$ 983,218	11.20%	$ 14,703
BM - Sewer	$ 485,181	5.53%	$ 7,255
	$ 8,779,315	100.00%	$ 131,284

PREMIUM FINANCE AGREEMENT
DISCLOSURE STATEMENT
AND SECURITY AGREEMENT

AICCO, Inc.

101 Hudson Street, Jersey City, NJ 07302 (201) 631-5400 or (877) 902-4242
80 Pine Street, 6th Fl., New York, NY 10005 (212) 770-2900 or (877) 902-4242
8144 Walnut Hill Ln., 13th Fl., Dallas, TX 75231 (214) 932-2013 or (877) 902-4242
2929 Allen Parkway, Suite 1300, Houston, TX 77019 (713) 831-2006 or (877) 902-4242
1200 Abernathy Road, NE, Suite 500, Bldg. 600, Atlanta, GA 30328 (770) 671-2219 or (877) 902-4242
99 High Street, 30th Fl., Boston, MA 02110 (617) 457-2841 or (877) 902-4242
300 South Riverside Plaza, Suite 2100, Chicago, IL 60606 (312) 559-1410 or (877) 902-4242

A	TOTAL PREMIUMS	$ 323,250.35
B	CASH DOWN PAYMENT REQUIRED	$ 30,352.70
C	AMOUNT FINANCED (The Amount of Credit Provided to Insured or on its behalf)	$ 292,897.65
D	FINANCE CHARGE (Dollar amount credit will cost)	$ 10,629.35
E	TOTAL PAYMENTS (Amounts which will have been paid after making all scheduled payments)	$ 303,527.00

BORROWER / INSURED (The "Insured") (Name, Address and Telephone Number)
Acct. No.

Total Environmental Solutions Inc
PO Box 14056
Baton Rouge LA 70898
E-Mail Address (optional):
2257664477

ANNUAL PERCENTAGE RATE 7.84 %
(Cost of Credit figured as a yearly rate)

PAYMENT SCHEDULE

Amount of Each Payment	Number of Payments: Annual	Qtrly	Mthly	1st Payment Due	Final Payment Due
30,352.70			10	11/01/2007	08/01/2008

SEE PAGE 3 FOR SCHEDULE OF FINANCED POLICIES

AGREEMENT OF INSURED (JOINT AND SEVERAL, IF MORE THAN ONE)

THE UNDERSIGNED INSURED:

1. In consideration of the premium payments being financed, and if applicable, down payment being advanced by LENDER to the insurance companies listed on the SCHEDULE OF FINANCED POLICIES, or their representative, promises to pay to the order of LENDER the TOTAL OF PAYMENTS to be made in accordance with the PAYMENT SCHEDULE and if applicable, the amount of any down payment advanced by LENDER subject to the provisions set forth in this Agreement.

2. Irrevocably appoints LENDER Attorney-in-Fact with full authority, in the event of default, to (i) cancel the said policies in accordance with the provisions herein, (ii) receive all sums assigned to LENDER and (iii) execute and deliver on behalf of the undersigned all documents, forms and notices relating to the insurance policies listed on the SCHEDULE OF FINANCED POLICIES in furtherance of this Agreement.

IMPORTANT NOTICE TO INSURED

NOTICE: 1. Do not sign this Agreement before you read it or if it contains any blank spaces. 2. You are entitled to a complete filled-in-copy of this Agreement. 3. Keep your copy of this Agreement to protect your legal rights.

NOTICE: See Pages 2 and 3 Additional Important Information.

THE INSURED AGREES TO THE PROVISIONS ABOVE AND ON PAGES 2 AND 3

10-10-07
DATE

SIGNATURE (AND TITLE) OF INSURED(S) OR AGENT OR BROKER ON THEIR BEHALF (to extent permitted by Law)

AGENT OR BROKER BUSINESS ADDRESS
Knox Insurance Group LLC
P O Box 53406

301 E Kaliste Saloom Rd
Lafayette LA 70505

TEL. NO./E-MAIL ADDRESS 337-233-0530

The Undersigned Agent or Broker:

1. Represents and warrants as follows: (a) to the best of the undersigned's knowledge and belief, the insured's signature is genuine or, to the extent permitted by applicable Law, the undersigned Agent or Broker has been authorized by the insured to sign this Agreement on their behalf, (b) the insured has received a copy of this Agreement, (c) the scheduled Policies are in full force and effect and the premiums indicated therefore are correct, (d) the insured may cancel all scheduled policies immediately upon request, (e) none of the Policies scheduled in the agreement are non-cancelable, and (f) the down payment as indicated in Box "B" and installments totaling __________ have been collected and are being retained by us.

2. Upon cancellation of any of the scheduled Policies, the undersigned Agent or Broker agrees upon demand to pay to LENDER or its assigns their commission on any unearned premiums applicable to the cancelled Policies.

THE AGENT OR BROKER AGREES TO THE PROVISIONS ABOVE AND ON PAGE 3

DATE

SIGNATURE AND TITLE OF AGENT OR BROKER

SCHEDULE OF POLICIES (Continue Schedule on Attachment If Necessary)

Place (X) If Not Authorized (See #3 below)

Policy Number and Prefix (itemized)	X	Full Name of Insurance Company and Name and Address of Policy Issuing Agent or Company Office To Which Premium is Paid and Notices are Sent	Type of Policy Premium	Audit Info	Earn % Minimum	Term in Mos. Cov. By Prem.	Effective Date M/ D/ Y	Policy Premiums
		C: Praetorian Specialty Insurance Co	INM :0		25.00	12	10/01/2007	23,552.00
		P: Deep South Surplus General Agency	Policy Fee					2,000.00
			State Tax					1,277.60
		C: Redland Insurance Company	AUT :0		0.00	12	10/01/2007	49,195.00
		P: Deep South Surplus General Agency	Policy Fee					2,500.00
		C: American Int'l Specialty Lns	UMB :0		25.00	12	10/01/2007	23,209.00
		P: CRC of Louisiana	State Tax					1,160.45
		C: Praetorian Specialty Insurance Co	AUT :0		25.00	12	10/01/2007	103,684.00
		P: Deep South Surplus General Agency	Policy Fee					3,000.00
			State Tax					5,334.20
		C: Hudson Specialty Insurance Co	GNL :0		25.00	12	10/01/2007	50,778.00
		P: Freberg Environmenal	Policy Fee					450.00
			State Tax					2,561.40
		C: Columbia Casualty Company	D&O :0		25.00	12	10/01/2007	9,094.00
			State Tax					454.70
			Brokers Fee					45,000.00

*(AR=ASSIGNED RISK), (A=AUDITABLE), (LS=LOSS SENSITIVE)

TOTAL PREMIUMS (Record in "A")	323,250.35

ADDITIONAL REPRESENTATIONS & WARRANTIES OF BROKER OR AGENT

3. Warrants that this is the authorized Policy issuing agent of the insurance companies or the broker placing the coverage directly with the insurance company on all the Policies scheduled except those indicated with an "X" above.
4. Warrants that there are no policies included in this Agreement which are subject to audit, report of values, retrospective rating, or minimum earned premium, except as indicated below, and that, if there are any, the deposit or provisional premium thereon is not less than the anticipated premium to be earned for the full term of the policy.
   Policy No.(s):________________ **Minimum earned premium, if any: $**________________
5. Warrants that there are no assigned risk policies in the Schedule of Policies except as indicated in the Schedule of Policies.
6. The Agent or Broker will hold in trust for LENDER any payments made or credited to the insured through the Agent or Broker directly, indirectly, actually or constructively, by any of the insurance companies listed in the Schedule of Policies and will pay the monies to LENDER upon demand to satisfy the then outstanding balance hereunder.
7. The Agent or Broker will promptly notify LENDER in writing if any information on this Agreement becomes inaccurate.
8. Warrants that all material information concerning the insured and the Policies necessary for Lender to cancel the policies and receive the unearned premium has been disclosed to Lender.
9. There is nothing in any Policy that would require Lender to notify or get the consent of any third party to effect cancellation of such Policy.

TOTAL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
101107	10-11-07	KNOX INSURANCE GROUP		30252.70		30252.70
				1 232055	30252.70	

NON-NEGOTIABLE

PLEASE DETACH BEFORE CASHING CHECK

047025

TOTAL NET AMOUNT 30252.70

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

047025

84-15
654

DATE	AMOUNT OF CHECK
10-11-07	**30,252.70

PAY ****30,252 DOLLARS AND 70 CENTS

TO THE ORDER OF

VOID AFTER 90 DAYS!

011220 KNOX INSURANCE GROUP, L.L.C.
P.O. BOX 53406
LAFAYETTE LA 70505

MANAGER

NON-NEGOTIABLE

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

SDF Exhibit No. 3
Attachment 6
19 pages

Total Environmental Solutions, Inc.

Treasure Lake Sewer Division

Rate Case Costs

Company	Invoice Date	Amount	
AUS Consultants	08/06/07	$3,185.00	
AUS Consultants	09/07/07	6,232.50	
AUS Consultants	10/12/07	5,290.00	
AUS Consultants	11/07/07	11,669.50	
AUS Consultants	12/05/07	2,292.50	
AUS Consultants	01/09/08	4,629.75	
AUS Consultants	02/06/08	2,525.00	
AUS Consultants	03/06/08	2,678.29	
AUS Consultants	03/06/08	6,315.00	*
Hawke McKeon & Sniscak LLP	11/28/07	5,308.25	
Hawke McKeon & Sniscak LLP	12/31/07	1,138.35	
Hawke McKeon & Sniscak LLP	01/28/08	3,812.90	
Hawke McKeon & Sniscak LLP	2/29/08	8,130.63	
Faulk & Winkler LLC	08/11/07	915.00	*
Faulk & Winkler LLC	10/01/07	795.00	*
Faulk & Winkler LLC	10/19/07	1,192.50	*
Total		$66,110.17	

* Charges were split 50% to water and 50% to sewer.

AUS

GARY D. SHAMBAUGH
Principal & Director

AUS CONSULTANTS

[illegible]
[illegible]
[illegible] • Tel
[illegible] • Fax
[illegible]

August 6, 2007

Mr. William Schoening, CEO
TOTAL ENVIRONMENTAL SOLUTIONS
1824 Ryder Drive
Post Office Box 14056
Baton Rouge, LA 70898

RE: NEW Ref. No. 12-0189
Treasure Lake (Sewer) Rate Filing

Dear Mr. Schoening:

Please find enclosed our invoice in the amount of $3,185.00 for professional services and/or expenses incurred and rendered from July 1, 2007 through July 29, 2007 relative to the above referenced project.

Charges included in this invoice are outlined on the attached billing summary.

Upon your approval, I would appreciate you placing this invoice in line for payment at your convenience.

Sincerely,

Gary D. Shambaugh

Gary D. Shambaugh

GDS:sm
enclosure

AUS

GARY D. SHAMBAUGH
[illegible] & Director

AUS CONSULTANTS

[illegible] Suite 120
[illegible]
[illegible] Tel
[illegible] Fax
[illegible]@[illegible]

September 7, 2007

Mr. William Schoening, CEO
TOTAL ENVIRONMENTAL SOLUTIONS
1824 Ryder Drive
Post Office Box 14056
Baton Rouge, LA 70898

RE: NEW Ref. No. 12-0189
Treasure Lake (Sewer) Rate Filing

Dear Mr. Schoening:

Please find enclosed our invoice in the amount of $6,232.50 for professional services and/or expenses incurred and rendered from July 30, 2007 through August 26, 2007 relative to the above referenced project.

Charges included in this invoice are outlined on the attached billing summary.

Upon your approval, I would appreciate you placing this invoice in line for payment at your convenience.

Sincerely,

Gary D. Shambaugh

Gary D. Shambaugh

GDS:sm
enclosure

GARY D. SHAMBAUGH
[illegible] & Director

AUS CONSULTANTS

[illegible] Suite [illegible]
[illegible]
[illegible] • Tel
[illegible] • Fax
[illegible]@[illegible].com

October 12, 2007

Mr. William Schoening, CEO
TOTAL ENVIRONMENTAL SOLUTIONS
1824 Ryder Drive
Post Office Box 14056
Baton Rouge, LA 70898

RE: NEW Ref. No. 12-0189
Treasure Lake (Sewer) Rate Filing

Dear Mr. Schoening:

Please find enclosed our invoice in the amount of $5.290.00 for professional services and/or expenses incurred and rendered from August 27, 2007 through September 30, 2007 relative to the above referenced project.

Charges included in this invoice are outlined on the attached billing summary.

Upon your approval, I would appreciate you placing this invoice in line for payment at your convenience.

Sincerely,

Gary D. Shambaugh

Gary D. Shambaugh

GDS:sm
enclosure

GARY D. SHAMBAUGH
[illegible] Director

AUS CONSULTANTS

[illegible]
[illegible] PA [illegible]
[illegible] • Tel
[illegible] • Fax
[illegible]

November 7, 2007

Mr. William Schoening, CEO
TOTAL ENVIRONMENTAL SOLUTIONS
1824 Ryder Drive
Post Office Box 14056
Baton Rouge, LA 70898

RE: NEW Ref. No. 12-0189
Treasure Lake (Sewer) Rate Filing

Dear Mr. Schoening:

Please find enclosed our invoice in the amount of $11,669.50 for professional services and/or expenses incurred and rendered from October 1, 2007 through October 28, 2007 relative to the above referenced project.

Charges included in this invoice are outlined on the attached billing summary.

Upon your approval, I would appreciate you placing this invoice in line for payment at your convenience.

Sincerely,

Gary D. Shambaugh

Gary D. Shambaugh

GDS:sm
enclosure

GARY D. SHAMBAUGH
[illegible]

AUS CONSULTANTS

[illegible]

December 5, 2007

Mr. William Schoening, CEO
TOTAL ENVIRONMENTAL SOLUTIONS
1824 Ryder Drive
Post Office Box 14056
Baton Rouge, LA 70898

RE: NEW Ref. No. 12-0189
Treasure Lake (Sewer) Rate Filing

Dear Mr. Schoening:

Please find enclosed our invoice in the amount of $2,292.50 for professional services and/or expenses incurred and rendered from October 29, 2007 through November 25, 2007 relative to the above referenced project.

Charges included in this invoice are outlined on the attached billing summary.

Upon your approval, I would appreciate you placing this invoice in line for payment at your convenience.

Sincerely,

Gary D. Shambaugh

Gary D. Shambaugh

GDS:sm
enclosure

GARY D. SHAMBAUGH
Principal & Director

AUS CONSULTANTS

[illegible] Suite [illegible]
[illegible]
[illegible] • Tel
[illegible] • Fax
[illegible]@[illegible]

January 9, 2008

Mr. William Schoening, CEO
TOTAL ENVIRONMENTAL SOLUTIONS
1824 Ryder Drive
Post Office Box 14056
Baton Rouge, LA 70898

RE: NEW Ref. No. 12-0189
Treasure Lake (Sewer) Rate Filing

Dear Mr. Schoening:

Please find enclosed our invoice in the amount of $4,629.75 for professional services and/or expenses incurred and rendered from November 26, 2007 through December 30, 2007 relative to the above referenced project.

Charges included in this invoice are outlined on the attached billing summary.

Upon your approval, I would appreciate you placing this invoice in line for payment at your convenience.

Sincerely,

Gary D. Shambaugh

Gary D. Shambaugh

GDS:sm
enclosure

GARY D. SHAMBAUGH
Principal & Director

AUS CONSULTANTS

275 Grandview Avenue, Suite 100
Camp Hill, PA 17011
[illegible] • Tel
[illegible] • Fax
gshambaugh@ausinc.com

February 6, 2008

Mr. William Schoening, CEO
TOTAL ENVIRONMENTAL SOLUTIONS
1824 Ryder Drive
Post Office Box 14056
Baton Rouge, LA 70898

RE: NEW Ref. No. 12-0189
Treasure Lake (Sewer) Rate Filing

Dear Mr. Schoening:

Please find enclosed our invoice in the amount of $2,525.00 for professional services and/or expenses incurred and rendered from January 1, 2008 through January 27, 2008 relative to the above referenced project.

Charges included in this invoice are outlined on the attached billing summary.

Upon your approval, I would appreciate you placing this invoice in line for payment at your convenience.

Sincerely,

Gary D. Shambaugh

Gary D. Shambaugh

GDS:sm
enclosure

GARY D. SHAMBAUGH
[illegible]

AUS CONSULTANTS

[illegible]

March 6, 2008

Mr. William Schoening, CEO
TOTAL ENVIRONMENTAL SOLUTIONS
1824 Ryder Drive
Post Office Box 14056
Baton Rouge, LA 70898

RE: NEW Ref. No. 12-0189
Treasure Lake (Sewer) Rate Filing

Dear Mr. Schoening:

Please find enclosed our invoice in the amount of $2,678.29 for professional services and/or expenses incurred and rendered from January 28, 2008 through February 24, 2008 relative to the above referenced project.

Charges included in this invoice are outlined on the attached billing summary.

Upon your approval, I would appreciate you placing this invoice in line for payment at your convenience.

Sincerely,

Gary D. Shambaugh

Gary D. Shambaugh

GDS:sm
enclosure

AUS

PAULINE M. AHERN
Principal

AUS CONSULTANTS

155 Gaither Drive, Suite A
Mt. Laurel, NJ 08054
856 234 9200, ext. 204 • Tel
856 234 6371 • Fax
pahern@ausinc.com

March 6, 2008

Mr. William Schoening
Chief Executive Officer
Total Environmental Solutions, Inc.
1824 Ryder Drive
P.O. Box 14056
Baton Rouge, LA 70898

Re: Total Environmental Solutions, Inc. – Treasure Lake Water Division
Total Environmental Solutions, Inc. – Treasure Lake Sewer Division

Dear Mr. Schoening:

Enclosed please find our billing for services rendered through February 29, 2008 in connection with the above-mentioned cases.

I believe the invoice is self-explanatory and would appreciate it if you would place the enclosed in line for payment.

Best personal regards.

Sincerely,

Pauline

Pauline M. Ahern

PMA/s
enc.

AUS

AUS Consultants, Inc.
155 Gaither Drive, Suite A
Mt. Laurel, NJ 08054
856 234 9200

Invoice Number	106769
Invoice Date	March 06, 2008
PO Number	
Contract	ROR
Project	13-0173
Page	1
Incorporated	FID# 22-1943906
www.ausinc.com	
Consultant:	
PAULINE M. AHERN	
PAHERN@AUSINC.COM	

William Schoening
Total Environ. Solutions, Inc.
1824 Ryder Drive
PO Box 14056
Baton Rouge, LA 70898

Professional Services	12,630.00
Invoice Total	12,630.00

Please make check payable to:
AUS Consultants
155 Gaither Drive, Suite A
Mt. Laurel, NJ 08054

Invoice due upon presentation

70TES01

AUS

AUS CONSULTANTS

155 Gaither Drive, Suite A
Mt Laurel, NJ 08054
856 234 9200 • Tel
856 234 3371 • Fax
www ausinc com

Employer I.D. #22-1943906 Incorporated

March 6, 2008
Job No. 13-0173

TOTAL ENVIRONMENTAL SOLUTIONS, INC. –
TREASURE LAKE WATER DIVISION
TREASURE LAKE SEWER DIVISION

For professional services rendered in connection with the preparation of a rate of return study, direct testimony and accompanying financial exhibit for each division	$12,000.00
For professional services rendered in connection with responding to Staff data requests OTS-RR-6 through OTS-RR-9 for each division. Aggregate time spent was 3 hours at $210 per hour	630.00
TOTAL	$12,630.00

HAWKE McKEON & SNISCAK LLP

P.O. Box 1778
Harrisburg, PA 17105
Phone: (717) 236-1300
Fax (717) 236-4841
EIN: 23-2194794

November 23, 2007

Invoice # 40353
Matter # 720-0000013

Total Environmental Solutions, Inc. (TESI)
ATTN: William Schoening
487 Treasure Lake Mini Mall #4
DuBois, PA 15801

RE: TESI Treasure Lakes Sewer Rate Case

For Services Rendered Through October 31, 2007

Current Amount Due	5,308.25
Total Balance Due	5,308.25

DEC 12 2007

PAYMENT DUE WITHIN 20 DAYS FROM RECEIPT OF BILL
PLEASE RETURN THIS PAGE WITH YOUR PAYMENT

Mar. 19. 2008 11:42AM TESI No.5583 P. 57

HAWKE McKEON & SNISCAK LLP

P.O. Box 1778
Harrisburg, PA 17105
Phone: (717) 236-1300
Fax (717) 236-4841
EIN: 23-2194794

December 31, 2007

Invoice # 40584
Matter # 720-0000013

Total Environmental Solutions, Inc. (TESI)
ATTN: William Schoening
487 Treasure Lake Mini Mall #4
DuBois, PA 15801

RE: TESI Treasure Lakes Sewer Rate Case

For Services Rendered Through November 30, 2007

Previous Balance - PLEASE DISREGARD IF PAID	5,308.25	
Current Amount Due		1,138.35
Total Balance Due		6,446.60

RECEIVED

JAN 16 2008

POSTED 1-29-08

PAYMENT DUE WITHIN 20 DAYS FROM RECEIPT OF BILL
PLEASE RETURN THIS PAGE WITH YOUR PAYMENT

HAWKE McKEON & SNISCAK LLP
P.O. Box 1778
Harrisburg, PA 17105
Phone: (717) 236-1300
Fax (717) 236-4841
EIN: 23-2194794

January 28, 2008

Invoice # 40659
Matter # 720-0000013

Total Environmental Solutions, Inc. (TESI)
ATTN: William Schoening
487 Treasure Lake Mini Mall #4
DuBois, PA 15801

RE: TESI Treasure Lakes Sewer Rate Case

For Services Rendered Through December 31, 2007

Previous Balance - PLEASE DISREGARD IF PAID	6,446.60	
Payments Received	<5,308.25>	
Balance Forward	1,138.35	
Current Amount Due		3,812.90
Total Balance Due		4,951.25
		===========

PAYMENT DUE WITHIN 20 DAYS FROM RECEIPT OF BILL
PLEASE RETURN THIS PAGE WITH YOUR PAYMENT

HAWKE McKEON & SNISCAK LLP
P.O. Box 1778
Harrisburg, PA 17105
Phone: (717) 236-1300
Fax (717) 236-4841
EIN: 23-2194794

February 29, 2008

Invoice # 40929
Matter # 720-0000013

Total Environmental Solutions, Inc. (TESI)
ATTN: William Schoening
487 Treasure Lake Mini Mall #4
DuBois, PA 15801

RE: TESI Treasure Lakes Sewer Rate Case

For Services Rendered Through January 31, 2008

Previous Balance - PLEASE DISREGARD IF PAID	4,951.25	
Payments Received	<1,138.35>	
Balance Forward	3,812.90	
Current Amount Due		8,130.63
Total Balance Due		11,943.53
		===========

PAYMENT DUE WITHIN 20 DAYS FROM RECEIPT OF BILL
PLEASE RETURN THIS PAGE WITH YOUR PAYMENT

Mar. 19. 2008 11:47AM TES1 No. 5583 P. 59

FAULK & WINKLER LLC
CPAs • Business Advisors • Wealth Managers

Nº 44152

6811 Jefferson Highway, Baton Rouge, Louisiana 70806
(225) 927-6811

186401

August 11, 2007

8-14-07

Total Environmental Solutions, Inc.
1824 Ryder Drive
Baton Rouge, LA 70808

Assistance provided concerning Pennsylvania rate filling regarding information request, including review of general ledger to reconcile with audited balances	$	1,550
Assistance provided concerning stock issuance to SLECA		280
186401	$	1,830

Recap of hours

TJL	1.5
CGW	13.5
JS	.65
Total	15.65

POSTED

RECEIVED
AUG 1 4 2007
BY:

RE: 58201\31
R:\2007\58201\A081107.doc

FAULK & WINKLER LLC
CPAs • Business Advisors • Wealth Managers

6811 Jefferson Highway Baton Rouge, Louisiana 70806
(225) 927-6811

№ 44437

October 1, 2007

10-3-52 5930

Total Environmental Solutions, Inc.
1824 Ryder Drive
Baton Rouge, LA 70808

Assistance provided concerning Pennsylvania rate filling regarding information request, including review of general ledger and various other requests	$	1,260
Assistance provided concerning stock issuance to SLECA		330
	$	1,590

500-631208 $330.
18402 - $1,260
1590

Recap of hours

TJL	2.2
CGW	10.6
Total	12.8

ENTERED OCT 1 8 2007

RE: 58201\31
R:\2007\58201\JA100107.doc

FAULK & WINKLER LLC
CPAs • Business Advisors • Wealth Managers

№ 44584

6811 Jefferson Highway, Baton Rouge, Louisiana 70806
(225) 927-6811

10-22-07

October 19, 2007

Total Environmental Solutions, Inc.
1824 Ryder Drive
Baton Rouge, LA 70808

Billing concerning assistance provided concerning Pennsylvania rate filling regarding information request, including review of general ledger to reconcile with audited balances and annual PA report	$ 2,385

186402

Pay Nov 15, 07

Recap of hours

JS	3.95
CGW	18.75
Total	22.70

POSTED

RE: 58201\31
R:\2007\58201\IC101907.doc

R6690 09-20-07 TOTAL ENVIRONMENTAL SOLUTIONS, INC. PAGE 31
S.O.7 1:31 PM DETAIL GENERAL LEDGER WAYNE

ACCOUNT RANGE: 40300 - 999999 DEPARTMENT RANGE: ALL
COMPANY 000600 SELECTIONS ACCOUNTING CYCLES: FROM 01-2006 THRU 13-2006 ACCOUNT TYPE: G/L SEQUENCE: ORGANIZATION

CO CY-YR	DEPARTMENT TRANS DATE	T/C	DESCRIPTION	ACCOUNT	J/E#	BATCH	REF#	SOURCE	PRIMARY REFERNCE/DOCUMENT	AMOUNT
000600	060000		RIVIERA UTILITIES SEWER PENN	092125 JANITORIAL					BEGINNING BALANCE	.00
11-2006	12-07-2006	040	A-1 JANITORIAL			23907		A	I/V 16218 - 155	80.38
									ENDING BALANCE	803.80
000600	060000		RIVIERA UTILITIES SEWER PENN	092130 MEALS EXPENSE					BEGINNING BALANCE	.00
03-2006	04-06-2006	040	PETTY CASH			23552		A	I/V 033106 - 3150	30.00
									ENDING BALANCE	30.00
000600	060000		RIVIERA UTILITIES SEWER PENN	092135 OFFICE SUPPLIES & EXPENSES					BEGINNING BALANCE	.00
01-2006	01-12-2006	040	WORKFLOW			23471		A	I/V 13012468 - 23630	958.35
01-2006	01-26-2006	040	PETTY CASH			23471		A	I/V 011706 - 3150	58.94
01-2006	02-16-2006	040	OFFICE DEPOT			23471		A	I/V 317530497- 14700	195.36
01-2006	02-16-2006	040	OFFICE DEPOT			23471		A	I/V 317530497- 14700	53.97
02-2006	03-02-2006	040	OFFICE DEPOT			23510		A	I/V 320411685- 14700	60.94
02-2006	03-02-2006	040	US FOOD SERVICES			23510		A	I/V 23142426 - 20950	195.12
03-2006	03-16-2006	040	OFFICE DEPOT			23552		A	I/V 325688488- 14700	165.26
03-2006	03-23-2006	040	PETTY CASH			23552		A	I/V 031406 - 3150	17.74
03-2006	03-23-2006	040	PETTY CASH			23552		A	I/V 031406 - 3150	50.00
03-2006	03-23-2006	040	LABUE PRINTING			23552		A	I/V 13036 - 12075	201.77
03-2006	03-30-2006	040	PETTY CASH			23552		A	I/V 032206 - 3150	74.19
03-2006	04-06-2006	040	ZITO MEDIA			23552		A	I/V 033006 - 26201	70.07
04-2006	04-20-2006	040	BETSY CASE			23590		A	I/V 041106 - 3150	63.54
04-2006	04-20-2006	040	HASLER MAILING SYSTEMS			23590		A	I/V 6503987 - 8170	9.01
05-2006	05-25-2006	040	BETSY CASE			23629		A	I/V 051806 - 3150	8.46
05-2006	05-25-2006	040	OFFICE DEPOT			23629		A	I/V 335223954- 14700	287.34
05-2006	06-08-2006	040	OFFICE DEPOT			23629		A	I/V 336010226- 14700	95.99
06-2006	06-29-2006	040	BETSY CASE			23669		A	I/V 062006 - 3150	19.26
07-2006	07-20-2006	040	BETSY CASE			23709		A	I/V 071806 - 3150	74.19
07-2006	07-20-2006	040	OFFICE DEPOT			23709		A	I/V 341778284- 14700	218.07
07-2006	07-20-2006	040	OFFICE DEPOT			23709		A	I/V 341778285- 14700	19.60
07-2006	07-20-2006	040	US FOOD SERVICE			23709		A	I/V 23221686 - 20950	289.85
[illegible]	08-10-2006	040	RODAN INC			23709		A	I/V 10005 - 18260	334.80
08-2006	08-31-2006	040	BETSY CASE			23749		A	I/V 082406 - 3150	3.16
08-2006	08-31-2006	040	WORKFLOW			23749		A	I/V 13168370 - 23630	975.58
08-2006	09-07-2006	040	OFFICE DEPOT			23749		A	I/V 348154117- 14700	62.78
08-2006	09-14-2006	040	OFFICE DEPOT			23749		A	I/V 348154118- 14700	14.31
09-2006	09-21-2006	040	OFFICE DEPOT			23798		A	I/V 348154116- 14700	153.17
10-2006	10-19-2006	040	HASLER MAILING SYSTEMS			23865		A	I/V 7206750 - 8170	9.01
10-2006	10-26-2006	040	OFFICE DEPOT			23865		A	I/V 356781442- 14700	149.57
10-2006	10-26-2006	040	OFFICE DEPOT			23865		A	I/V 356781443- 14700	103.86
10-2006	11-09-2006	040	WILLITS COPIERS			23865		A	I/V 22783 - 23429	104.50
11-2006	11-16-2006	040	BETSY CASE			23907		A	I/V 110805 - 3150	74.70
12-2006	02-22-2007	MJE	ACCRUAL OF 2006 EXPENDITU		46	51989		M		988.77
12-2006	12-21-2006	040	OFFICE DEPOT			23940		A	I/V 362613048- 14700	242.16
12-2006	12-31-2006	040	OFFICE DEPOT			23949		A	I/V 367554293- 14700	246.20
									ENDING BALANCE	6,649.59

ADD: MAIN OFFICE ADMINISTRATIVE EXP. 4,542.00

$ 11,191.59

SDF Exhibit No. 3
Attachment 7
44 pages

T[illegible] ENVIRONMENTAL SOLUTIONS, INC.

P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
3012468	01-09-06	WORKFLOW		3833. 40		3833. 40
			57000	92135	958. 35	
			58000	92135	958. 35	
			59000	92135	958. 35	
			60000	92135	958. 35	

NON-NEGOTIABLE

PLEASE DETACH BEFORE CASHING CHECK 034821 MAILED TOTAL NET AMOUNT 3833. 40

JAN 16 2006

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

034821

84-15
654

DATE	AMOUNT OF CHECK
01-12-06	***3,833.40

VOID AFTER 90 DAYS

PAY *****3,833 DOLLARS AND 40 CENTS

TO THE ORDER OF

1630 WORKFLOW
P. O. BOX 2418
NORFOLK VA 23501

Hancock Bank of Louisiana
Baton Rouge, LA

MANAGER

NON-NEGOTIABLE

COUNTER SIGNATURE

POSTED

P/O NONP/O✓ CREDIT

VIN# 23630 ACCT. PERIOD

ACCT.#

Elaine Cade

Prices Checked By: RB

Payment Approved By:

Pay By Due:

Workflow
consult | create | connect
Formerly: SFI / MerlSmart.com

750 WEST VALLEY ROAD
SUITE 1901
WAYNE, PA 19087
(800) 355-7030

TESI
REMIT TO : Workflow
P.O. BOX 2418 • NORFOLK VIRGINIA 23501

INVOICE

CUSTOMER NUMBER	INVOICE NUMBER	
01-00025212	I3812468	1/05/06

CUSTOMER PO # Betsy Case
JOB # 3091268 / 20 47335

SOLD TO
TOTAL ENVIRONMENTAL SOLUTIONS
ATTN: ACCOUNTS PAYABLE
487 TREASURE LAKE
DU BOIS, PA 15801

SHIP TO
TOTAL ENVIRONMENTAL SOLUTIONS
Betsy Case
487 Treasure Lake
Du Bois, PA 15801

PAGE	SALES REPRESENTATIVE		TERMS (US Dollars)	CODE	
1	JIM NORRIS	PA	NET 30 DAYS		CODE(S) EXPLANATION LISTED ON REVERSE SIDE

ITEM NUMBER	DESCRIPTION	ORDERED FOR	QUAN ORD	QUAN SHIPD		UNIT PRICE	U/M	EXTENSION USD
	SHIPPED 12/18/05							
	REFERENCE # SYS000000							
ISTN	WATER SEWER BILL		20,000	20,000	$	158.25	M	3,165.00

RECEIVED
JAN 0 9 2006
TESI - DUBOIS, PA

SUB TOTAL	3,165.00
TAX	216.99
FREIGHT	451.41
MISC CHARGES	.00
TOTAL USD AMOUNT DUE	3,833.40

NOTE: PLEASE REMIT TO : Workflow, P.O. BOX 2418, NORFOLK VIRGINIA 23501
ALL SALES SUBJECT TO THE TERMS OF SALE LISTED ON REVERSE SIDE OF THIS FORM.
Workflow will not be bound by any verbal agreement or modification of its terms of sale.

Powered By KelSmart

REMIT THIS AMOUNT

ORIGINAL

AL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
171744531	12-14-05	OFFICE DEPOT		2821.52		2821.52
			30999	60210	2821.52	
171744541	12-28-05	OFFICE DEPOT		64.19		64.19
			30999	60210	64.19	
175304971	12-14-05	OFFICE DEPOT		390.72		390.72
			~~57000~~	~~92135~~	~~195.36~~	
			60000	92135	195.36	
175304972	12-14-05	OFFICE DEPOT		107.93		107.93
			~~57000~~	~~92135~~	~~53.96~~	
			60000	92135	53.97	
187601651	12-28-05	OFFICE DEPOT		117.70-		117.70-
			30999	60210	117.70-	
187601671	01-04-06	OFFICE DEPOT		129.73		129.73
			30999	60210	129.73	

PLEASE DETACH BEFORE CASHING CHECK

453 0014700

TOTAL NET AMOUNT CONTINUED

NON-NEGOTIABLE

VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID*

TOTAL ENVIRONMENTAL SOLUTIONS, INC. 035453

P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

84-15

PAY DOLLARS AND CENTS

TO THE ORDER OF

VOID AFTER 90 DAYS

VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID*

MANAGER

NON-NEGOTIABLE

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

ORIGINAL INVOICE

Office DEPOT ACCT - 31A
PO BOX 5027
BOCA RATON FL
33431-0827

FEDERAL ID: 59-2663954

INVOICE/ORDER NUMBER	AMOUNT DUE	PAGE NUMBER
317530497-001	390.72	2 OF 2
INVOICE DATE	TERMS	PAYMENT DUE
12/14/2005	Net 30 Days	01/13/2006

BILL TO:

ATTN: ACCTS PAYABLE
TOTAL ENVIRONMENT SOLUTIO
1824 RYDER DR
BATON ROUGE LA 70808-4132

SHIP TO:

TOTAL ENVIRONMENT SOLUTIO
487 TREASURE LK
DU BOIS PA 15801-9035

REMIT TO: OFFICE DEPOT
P O BOX 633211
CINCINNATI OH 45263-3211

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	BABBS, GREG	487TREASURE	317530497-001	12/09/2005	12/13/2005
PURCHASE ORDER	RELEASE	ORDERED BY	DELIVERED TO		DEPARTMENT
18214		KATY SPARKS			

LINE	DEPOT ITEM # /MANUF CODE	ITEM DESCRIPTION /CUSTOMER ITEM #	TAX	U/M	QTY ORD	QTY SHP	B/O	UNIT PRICE	EXTENDED PRICE
13	000138432 PM328 6	WB,WALL,15.5X22.75	Y	EA	1	1	0	15.510	15.51
14	000917179 53112	BINDER,DP,PSBD,9.5X11,LBL	Y	EA	6	6	0	4.060	24.36
15	000161844 83123	BOARD,ARCH,MASONITE,LTR,9	Y	EA	1	1	0	4.550	4.55
16	000840215 87905 EA	PAPER,ADD,2.25X150,1PK,WH	Y	EA	12	12	0	.570	6.84

POSTED

RECEIVED
DEC 27 2005
BY:

P/O NON P/O CREDIT
VIN# 14700 ACCT. PERIOD 12-14-05
ACCT.# 57000 (031-35) $195.36
60000 195.36
080
Prices Checked By:
Payment Approved By:
Pay By Due:

** Partial shipment - balance of order will be delivered separately **

SUB-TOTAL 368.60

SALES TAX 22.12
TOTAL 390.72

All amounts are based on U.S. currency

For ACCOUNT questions, call (800) 721-6592

01424-000595

ORIGINAL INVOICE

Office DEPOT
ACCT - 31A
PO BOX 6027
BOCA RATON FL
33431-0827

FEDERAL ID: 59-2663954

INVOICE/ORDER NUMBER	AMOUNT DUE	PAGE NUMBER
317530497-002	107.93	1 OF 1
INVOICE DATE	TERMS	PAYMENT DUE
12/14/2005	Net 30 Days	01/13/2006

BILL TO:

ATTN: ACCTS PAYABLE
TOTAL ENVIRONMENT SOLUTIO
1824 RYDER DR
BATON ROUGE LA 70808-4132

Req 2105

SHIP TO:

TOTAL ENVIRONMENT SOLUTIO
487 TREASURE LK
DU BOIS PA 15801-9035

REMIT TO: OFFICE DEPOT
P O BOX 633211
CINCINNATI OH 45263-3211

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	BABBS, GREG	487TREASURE	317530497-002	12/09/2005	12/13/2005

PURCHASE ORDER	RELEASE	ORDERED BY	DELIVERED TO	DEPARTMENT
18214		KATY SPARKS		

LINE	DEPOT ITEM # /MANUF CODE	ITEM DESCRIPTION /CUSTOMER ITEM #	TAX	U/M	QTY ORD	QTY SHP	B/O	UNIT PRICE	EXTENDED PRICE
04	000676688 09106	CDR,0D,52X,100-PK,SPINDLE	Y	HU	3	3	0	33.940	101.82

POSTED

RECEIVED
DEC 27 2005
BY:

P/O NON P/O ✓ CREDIT
VIN# 14700 ACCT PERIOD 12-14-05
ACCT # 57000 (911-35) $ 53.96
60000 (53.97
Prices Checked By: PBD
Payment Approved By:
Pay By Due:

SUB-TOTAL 101.82
SALES TAX 6.11
TOTAL 107.93
All amounts are based on U.S. currency

For ACCOUNT questions, call (800) 721-6592 For ORDER questions, call (800) ...

014246-000595

TAL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
00546911	01-11-06	OFFICE DEPOT		40.82		40.82
			7999	92135	40.82	
04116851	01-11-06	OFFICE DEPOT		121.88		121.88
			~~57000~~	~~92135~~	60.94	
			60000	92135	60.94	
29839971	02-01-06	OFFICE DEPOT		139.09		139.09
			44999	92135	139.09	
30331862	01-25-06	OFFICE DEPOT		51.88		51.88
			30999	92135	51.88	
34084521	02-01-06	OFFICE DEPOT		235.36		235.36
			62000	92135	235.36	
34836341	02-01-06	OFFICE DEPOT		398.98		398.98
			199	92135	398.98	
34836342	02-01-06	OFFICE DEPOT		6.97		6.97

PLEASE DETACH BEFORE CASHING CHECK

722 0014700

TOTAL NET AMOUNT CONTINUED

VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID

TOTAL ENVIRONMENTAL SOLUTIONS, INC. 035722

P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

TO THE ORDER OF

VOID AFTER 90 DAYS

NON-NEGOTIABLE

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

ORIGINAL INVOICE

Office DEPOT ACCT - 31A
PO BOX 6027
BOCA RATON FL
33431-0827

FEDERAL ID: 59-2663954

INVOICE/ORDER NUMBER	AMOUNT DUE	PAGE NUMBER
320411685-001	121.88	1 OF 1
INVOICE DATE	TERMS	PAYMENT DUE
01/11/2006	Net 30 Days	02/10/2006

BILL TO:

ATTN: ACCTS PAYABLE
TOTAL ENVIRONMENT SOLUTIO
1824 RYDER DR
BATON ROUGE LA 70808-4132

SHIP TO:

TOTAL ENVIRONMENT SOLUTIO
487 TREASURE LK
DU BOIS PA 15801-9035

REMIT TO: OFFICE DEPOT
P O BOX 633211
CINCINNATI OH 45263-3211

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	COPELAND, CHRISTY	487TREASURE	320411685-001	01/05/2006	01/19/2006
PURCHASE ORDER	RELEASE	ORDERED BY	DELIVERED TO	DEPARTMENT	
18352		KATY SPARKS			

LINE	DEPOT ITEM # /MANUF CODE	ITEM DESCRIPTION /CUSTOMER ITEM #	TAX	U/M	QTY ORD	QTY SHP	B/O	UNIT PRICE	EXTENDED PRICE
01	000317121 1XDN8	STAMP,XPL N82 VERSADATER	Y	EA	1	1	0	57.490	57.49
02	000317121 1XDN8	STAMP,XPL N82 VERSADATER	Y	EA	1	1	0	57.490	57.49

POSTED

P/O NONP/O CREDIT
VIN# 14700 ACCT. PERIOD 1-11-06
ACCT.# 57000 (921.35) 60.94
60000 (921.35) 60.94
Prices Checked By: PBV
Payment Approved By:
Pay By Due

RECEIVED
JAN 17 2006
BY:

SUB-TOTAL	114.98
SALES TAX	6.90
TOTAL	121.88

All amounts are based on U.S. currency

For ACCOUNT questions, call (800) 721-6592. For ORDER questions, call (800) ...

007065-000288

TAL ENVIRONMENTAL SOLUTIONS, INC.   P.O. BOX 14056   BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
142426	02-02-06	US FOOD SERVICES		390.25		390.25
			57000	92135	~~195.13~~	
			60000	92135	195.12	

NON-NEGOTIABLE

LEASE DETACH BEFORE CASHING CHECK   035757 MAILED   TOTAL NET AMOUNT 390.25

MAR 08 2006

035757

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

DATE	AMOUNT OF CHECK
03-02-06	*****390.25

PAY *******390 DOLLARS AND 25 CENTS

VOID AFTER 90 DAYS

TO THE ORDER OF

0950 US FOOD SERVICE
P. O. BOX 641303
PITTSBURGH PA 15264

MANAGER

NON-NEGOTIABLE

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

RECEIVED
FEB 22 2006
BY:

POSTED

Tax 16.44

TOTAL 305.94

Questions please contact:
l Ruffin, Mgr. Of Purchasing
Box 4037, Houma, LA 70361
876-6880 * (985) 851-0376 Fax

Complete Order Must Be Shipped
Before ASAP

ery within spe... RECEIVED

FEB 10 2006

ices, Bills of Lading, Packages, etc.
is stated on the reverse.

RONMENTAL SOLUTIONS INC

TESI-DUBOIS, PA

ger of Purchasing

CURRENT	DAYS PAST DUE 1-7	8-15	16-30	30+	TOTAL

P.O. BOX 632
ALTOONA, PA 16601
PH: (800) 252-3831

ALL REMITTANCES RECEIVED THROUGH ARE INCLUDED	CUSTOMER NO.	SALESMAN	STATEMENT DATE	PG
02/09/06	048153	138	02/10/06	1

FEB 14 2006

TOTAL ENV SOLUTIONS
487 TREASURE LAKE
DU BOIS PA 15801-9035

TESI-DUBOIS, PA

TERMS: BI-WEEKLY STATEMENT DUE DATE:

INVOICE DATE	INVOICE NO.	ORIGINAL AMOUNT	DEBIT / CREDIT ADJUSTMENTS	PAYMENT	BALANCE DUE
/02/06	23142426	39025	00	00	39025

P/O NONP/O CREDIT
VN# 20950 ACCT PERIOD 2-01-06
ACCT.# 57000 (921.35) 195.13
60000 195.13
Prices Checked By: PBO
Payment Approved By:
Pay By Due:

RECEIVED
FEB 22 2006
BY:

POSTED

CURRENT	DAYS PAST DUE 1-7	8-15	16-30	30+	TOTAL
39025					39025

ER

IONS, INC.
'0898-4056
0 Fax

E ORDER № 18509

487Treasure Lake Minimall 4
Duboise, PA 15801-9010

30 days

Account Number

Unit Price Each Item	Total Price Each Item
19.25	115.50
17.15	68.60
45.20	90.40
	0.00
	0.00
	0.00
	0.00
	0.00
	0.00
	0.00
	0.00
	0.00
	0.00

Freight 15.00
Tax 16.44
TOTAL 305.94

Questions please contact:
Ruffin, Mgr. Of Purchasing
Box 4037, Houma, LA 70361
876-6880 * (985) 851-0376 Fax

Complete Order Must Be Shipped ASAP
Before
ery within specified time.

RECEIVED
FEB 10 2006

ces, Bills of Lading, Packages, etc.
s stated on the reverse.

ONMENTAL SOLUTIONS INC.
TESI-DUBOIS, PA

ger of Purchasing

TOTAL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
240214141	02-15-06	OFFICE DEPOT		56.54		56.54
			600	39000	56.54	
256884881	02-15-06	OFFICE DEPOT		330.52		330.52
			57000	~~92135~~	~~165.26~~	
			60000	92135	165.26	
260897921	02-15-06	OFFICE DEPOT		~~680.05~~		680.05
			199	92135	680.05	
261040871	02-15-06	OFFICE DEPOT		259.47		259.47
			7999	92135	259.47	
261056811	02-15-06	OFFICE DEPOT		72.67		72.67
			30999	60210	72.67	
262051581	02-15-06	OFFICE DEPOT		63.48		63.48
			199	92135	63.48	

NON-NEGOTABLE

PLEASE DETACH BEFORE CASHING CHECK 035990 MAILED TOTAL NET AMOUNT 1462.73

MAR 17 2006

035990

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

DATE	AMOUNT OF CHECK
03-16-06	$1,462.73

PAY *****1,462 DOLLARS AND 73 CENTS

VOID AFTER 90 DAYS

TO THE ORDER OF

14700 OFFICE DEPOT
P. O. BOX 633211
CINCINNATI OH 45263

MANAGER

NON-NEGOTIABLE

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

ORIGINAL INVOICE

Office DEPOT ACCT - 31A PO BOX 5027 BOCA RATON FL 33431-0827

FEDERAL ID: 59-2663954

INVOICE/ORDER NUMBER	AMOUNT DUE	PAGE NUMBER
325688448-001	330.52	1 OF 1
INVOICE DATE	**TERMS**	**PAYMENT DUE**
02/15/2006	Net 30 Days	03/17/2006

BILL TO:

ATTN: ACCTS PAYABLE
TOTAL ENVIRONMENT SOLUTIO
1824 RYDER DR
BATON ROUGE LA 70808-4132

000552

SHIP TO:

TOTAL ENVIRONMENT SOLUTIO
487 TREASURE LK
DU BOIS PA 15801-9035

REMIT TO:
OFFICE DEPOT
P O BOX 633211
CINCINNATI OH 45263-3211

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	COPELAND,CHRISTY	487TREASURE	325688448-001	02/09/2006	02/13/2006
PURCHASE ORDER	**RELEASE**	**ORDERED BY**	**DELIVERED TO**	**DEPARTMENT**	
18589		KATY SPARKS			

LINE	DEPOT ITEM # /MANUF CODE	ITEM DESCRIPTION /CUSTOMER ITEM #	TAX	U/M	QTY ORD	QTY SHP	B/O	UNIT PRICE	EXTENDED PRICE
01	000940908 0C940 08	PAPER,COMPUTER,9.5X11,20L 940908	Y	CA	4	4	0	27.150	108.60
02	000270556 46820	PEN,SARASA,GEL,DZ,BLUE	Y	DZ	1	1	0	13.570	13.57
03	000361681 GSFG1 -BE	PEN,STIC GRIP,FINE,BLUE	Y	DZ	4	4	0	1.450	5.80
04	000446001 PC401	CARTRIDGE,FILM,PC401,BROT	Y	EA	5	5	0	20.360	101.80
05	000341107 C0963	ENVELOPE,CLASP,28LB,#63,1 341107	Y	BX	5	5	0	9.690	48.45
06	000534904 99432	PAD,GLUETOP,5X8,50 SHT,DZ	Y	DZ	4	4	0	6.000	24.00
07	000107580 12102 Z	PENCIL,#2,OD,12/PK	Y	PK	1			.480	.48
08	000322938 VCGV1 -RED	PEN,BP,ATLANTIS,MEDIUM,DZ	Y	DZ	1	1	0	9.110	9.11

POSTED

P/O NONP/O ✓ CREDIT
VIN# 14700 ACCT. PERIOD 2-15-06
ACCT.# 57000 ~~921.35~~ 165.26
60000 165.26
Prices Checked By: RB
Payment Approved By:
Pay By Due:

RECEIVED
FEB 21 2006
BY:

SUB-TOTAL 311.81

SALES TAX 18.71
TOTAL 330.52

All amounts are based on U.S. currency

007362-000552

)TAL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
3036	01-13-06	LABUE PRINTING		403.55		403.55
			57000	92135	201.78	
			60000	92135	201.77	

MAILED NON-NEGOTIABLE

'LEASE DETACH BEFORE CASHING CHECK 036122 MAR 24 2006 TOTAL NET AMOUNT 403.55

036122

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

DATE	AMOUNT OF CHECK
03-23-06	****403.55

PAY ******403 DOLLARS AND 55 CENTS

VOID AFTER 90 DAYS

TO THE ORDER OF

2075 LABUE PRINTING
140 MCCRACKEN RUN RD
DUBOIS PA 15801

MANAGER

NON-NEGOTIABLE

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

ACCT.# 57000 - 921.35 - 201.78
60000 - 201.76

Prices Checked By: RBU

Payment Approved By:

Pay By Due:

POSTED

RECEIVED
MAR 14 2006
BY: RBU

RECEIVED
JAN 13 2006
TESI-DUBOIS, PA

labueprint@adelphia.net

Invoice

labueprinting inc
creative imaging solutions
140 McCracken Run Rd • DuBois, PA 15801
tel 814.371.5059 fax 814.371.0560

Sold To

Total Environmental Solutions, Inc.
PO Box 14056
Baton Rouge, LA 70898-4056

Attn: Accounts Payable

Invoice No	13036
Invoice Date	Jan 13, 2006
Sales Tax No	
PO No	18350
Terms	
Sales Rep	Craig LaBue
Via	

No	Job No	Qty Shipped	Description	Discount	Tax	Sale
1	23858	5,000	#10 Window Envelopes 300 Blue ink		6%	$269.90
2	23859	1,000	#10 Regular Envelopes 300 Blue ink		6%	$110.81

Ship To Total Environmental Solutions, Inc.
487 TL
DuBois PA 15801

Sub-Total	$380.71
Shipping	$0.00
Sales Tax	$22.84
Total	$403.55

TERMS: Upon Receipt. Accounts not paid according to agreement are subject to .049% service charge per day. $2.00 minimum.

P/O NONP/O ✓ CREDIT

VND# 12075 ACCT. PERIOD 1-13-06

ACCT # ~~57000 - 921.35~~ ~~$401.78~~
60000 - 401.78

Prices Checked By: RBU

Payment Approved By:

Pay By Due:

POSTED

RECEIVED
MAR 1 4 2006
BY: RBU

RECEIVED
JAN 13 2006
TESI-DUBOIS, PA

INVOICE NO.	INVOICE DATE	CHECK MEMO NO.				
2239541	04-26-06	OFFICE DEPOT		574.67		574.67
			58000	~~92135~~	~~287.33~~	
			60000	92135	287.34	

NON-NEGOTIABLE

PLEASE DETACH BEFORE CASHING CHECK 037368 MAILED TOTAL NET AMOUNT 1930.42

MAY 26 2006

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

037368

PAY *****1,930 DOLLARS AND 42 CENTS 05-25-06 $1,930.42

TO THE ORDER OF

VOID AFTER 90 DAYS

4700 OFFICE DEPOT
P.O. BOX 633211
CINCINNATI OH 45263

NON-NEGOTIABLE

COUNTER SIGNATURE

ncock Bank of Louisiana
n Rouge, LA

Prices Checked by: RBJ BY:
Payment Approved By:
Pay By Date:

TOTAL
All amounts are based on U.S. currency

To return supplies, please repack in original box and insert our packing list, or copy of this invoice. please note problem so we may issue credit or replacement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or damage must be reported within 5 days after delivery.

PLEASE NOTE THE FOLLOWING INSTRUCTIONS

Complete Order Must Be Shipped Before ASAP

1. Acceptance of this order constitutes an agreement to make delivery within specified time.
2. Three copies of invoice is required for payment.
3. *Acknowledge receipt of this order and state date you will ship.*
4. Reference purchase order number and requisition number on Invoices, Bills of Lading, Packages, etc.
5. This purchase subject to Equal Opportunity compliance by seller as stated on the reverse.

RECEIVED
MAY 01 2006
BY:

TOTAL ENVIRONMENTAL SOLUTIONS, INC.

By G. J. Theriot
Manager of Purchasing

Star Printing, Inc. #8596

THANKS FOR YOUR ORDER
IF YOU HAVE ANY QUESTIONS
OR PROBLEMS, JUST CALL US
FOR ACCOUNT: (800) 721-6592

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	COPELAND,CHRISTY	487TREASURE	335223954-001	04/25/2006	04/27/2006

PURCHASE ORDER	RELEASE	ORDERED BY	DELIVERED TO	DEPARTMENT
19097		KATY SPARKS		

LINE	CATALOG/ITEM # / MANUF CODE	DESCRIPTION / CUSTOMER ITEM #	U/M TAX	QTY ORD	QTY SHP	B/O	UNIT PRICE	EXTENDED PRICE
01	000332013 46065	MOISTENER,ENVELOPE	EA Y	5	5	0	2.320	11.60
02	000163747 T0431 0-S	INK,CART,EPSON C84/CX6400	EA Y	4	4	0	32.780	131.12
03	000164449 T0444 0-S	INK,C64/C84/CX6400,YELLOW	EA Y	3	3	0	12.120	36.36
04	000164422 T0443 0-S	INK,C64/C84/CX6400,MAGENT	EA Y	3	3	0	12.120	36.36
05	000164359 T0442 0-S	INK,C64/C84/CX6400,CYAN	EA Y	3	3	0	12.120	36.36
06	000348037 85100 00	PAPER,COPY,8.5X11,104 BRT	CA Y	3	3	0	28.560	85.68
07	000446001 PC401	CARTRIDGE,FILM,PC401,BROT	EA Y	3	3	0	20.360	61.08
08	000676688 09106	CDR,OD,52X,100-PK,SPINDLE	HU Y	3	3	0	35.880	107.64
09	000161844 83123	BOARD,ARCH,MASONITE,LTR,9	EA Y	1	1	0	4.260	4.26
10	000483677 BM251	RIBBON,PANASNC KXP1090,FA	EA Y	3	3	0	10.560	31.68

RECEIVED
MAY 0 1 2006
BY:

012115-011528

CONTINUED ON NEXT PAGE...

THANKS FOR YOUR ORDER
IF YOU HAVE ANY QUESTIONS
OR PROBLEMS. JUST CALL US
FOR ACCOUNT: (800) 721-6592

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	COPELAND, CHRISTY	487TREASURE	335223954-001	04/25/2006	04/27/2006

PURCHASE ORDER	RELEASE	ORDERED BY	DELIVERED TO	DEPARTMENT
19097		KATY SPARKS		

LINE	CATALOG/ITEM # /MANUF CODE	DESCRIPTION /CUSTOMER ITEM #	U/M TAX	QTY ORD	QTY SHP	B/O	UNIT PRICE	EXTENDED PRICE

POSTED

RECEIVED
MAY 0 1 2006
BY:

P/O NONP/O ✓ CREDIT

VIN# 14700 ACCT. PERIOD 4-26-06

ACCT.# 58000 - 921.35 287.33

60000 287.34

Checked By: RBO

Prior Approved By:

Ready to Pay Date:

SUB-TOTAL [illegible]

SALES TAX [illegible]

TOTAL [illegible]

All amounts are based on U.S. currency

In return supplies, please repack in original box and insert our packing list, or copy of this invoice, please note problem so we may issue credit or placement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or damage must be reported within 5 days after delivery.

012115-011528

TAL ENVIRONMENTAL SOLUTI[illegible] INC. [redacted] BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
56347211	05-03-06	OFFICE DEPOT		50.18		50.18
			30999	92135	50.18	
57969141	05-03-06	OFFICE DEPOT		124.33		124.33
			30999	92135	124.33	
5[illegible]102261	05-10-06	OFFICE DEPOT		191.98		191.98
			57000	92135	95.99	
			[illegible]	92135	95.99	
54789781	05-10-06	OFFICE DEPOT		134.81		134.81
			7999	92135	134.81	
58473991	05-10-06	OFFICE DEPOT		601.11		601.11
			199	92135	601.11	
59129461	05-10-06	OFFICE DEPOT		[illegible]		107.06
			7999	92135	107.06	

NON-NEGOTIABLE

EASE DETACH BEFORE CASHING CHECK 037633 MAILED TOTAL NET AMOUNT 1209.47

JUN 08 2006

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

037633

DATE	AMOUNT OF CHECK
06-08-06	***1,209.47

PAY *****1,209 DOLLARS AND 47 CENTS

VOID AFTER 90 DAYS

TO THE ORDER OF

700 OFFICE DEPOT
P.O. BOX 633211
CINCINNATI OH 45263

NON-NEGOTIABLE

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

TOTAL 601.11
All amounts are based on U.S. currency.

eturn supplies, please repack in original box and insert our packing list, or copy of this invoice. please note problem so we may issue credit or scement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or ge must be reported within 5 days after delivery.

CONTINUED ON NEXT PAGE...

ACCT - 31A
PO BOX 5027
BOCA RATON FL
33431-0827

ORIGINAL INVOICE

FEDERAL ID: 59-2663954

INVOICE/ORDER NUMBER	AMOUNT DUE	PAGE NUMBER
336010226-001	191.98	2 OF 2
INVOICE DATE	**TERMS**	**PAYMENT DUE**
05/10/2006	Net 30 Days	06/09/2006

BILL TO:

ATTN: ACCTS PAYABLE
TOTAL ENVIRONMENT SOLUTIO
1824 RYDER DR
BATON ROUGE LA 70808-4132

000456

SHIP TO:

TOTAL ENVIRONMENT SOLUTIO
487 TREASURE LK
DU BOIS PA 15801-9035

THANKS FOR YOUR ORDER
IF YOU HAVE ANY QUESTIONS
OR PROBLEMS. JUST CALL US
FOR ACCOUNT: (800) 721-6592

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	COPELAND,CHRISTY	487TREASURE	336010226-001	05/01/2006	05/03/2006
PURCHASE ORDER	**RELEASE**	**ORDERED BY**	**DELIVERED TO**	**DEPARTMENT**	
19154		BETSY CASE			

LINE	CATALOG/ITEM # /MANUF CODE	DESCRIPTION /CUSTOMER ITEM #	U/M TAX	QTY ORD	QTY SHP	B/O			UNIT PRICE	EXTENDED PRICE

P/O NON P/O ✓
CREDIT
VIN# 14700 ACCT. PERIOD 5-10-06
ACCT.# ~~57000 - 421.35~~ ~~95.99~~
60000 - 95.99

POSTED

Prices Checked By: ____________
Payment Approved By: ____________
Pay By Due: ____________

021641-000456

RECEIVED
MAY 1 6 2006
BY: ____

SUB-TOTAL	181.11
SALES TAX	10.87
TOTAL	191.98

All amounts are based on U.S. currency

...turn supplies, please repack in original box and insert our packing list, or copy of this invoice. please note problem so we may issue credit or ...cement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or ...e must be reported within 5 days after delivery.

CONTINUED ON NEXT PAGE...

TAL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
41 1497221	06-14-06	OFFICE DEPOT		2.93		2.93
				199 92135	2.93	
41 180131	06-14-06	OFFICE DEPOT		408.13		408.13
				199 92135	408.13	
341751183	06-21-06	OFFICE DEPOT		216.99		216.99
				70 39000	216.99	
341751184	06-21-06	OFFICE DEPOT		177.73		177.73
				70 39000	177.73	
341778284	06-21-06	OFFICE DEPOT		436.14		436.14
				~~57000 92135~~	~~218.07~~	
				60000 92135	218.07	
341778285	06-21-06	OFFICE DEPOT		[illegible]		39.20
				~~57000 92135~~	~~19.60~~	
				60000 92135	19.60	

PLEASE DETACH BEFORE CASHING CHECK

3464 0014700

TOTAL NET AMOUNT CONTINUED

NON-NEGOTIABLE

VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID

038463

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

PAY
DOLLARS AND
TO THE ORDER OF
VOID AFTER 90 DAYS

VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID

MANAGER

NON-NEGOTIABLE

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

ORIGINAL INVOICE

Office DEPOT
ACCT - 31A
PO BOX 5027
BOCA RATON FL
33431-0827

FEDERAL ID: 59-2663954

INVOICE/ORDER NUMBER	AMOUNT DUE	PAGE NUMBER
341778284-001	436.14	2 OF 2
INVOICE DATE	**TERMS**	**PAYMENT DUE**
06/21/2006	Net 30 Days	07/21/2006

BILL TO:

ATTN: ACCTS PAYABLE
TOTAL ENVIRONMENT SOLUTIO
1824 RYDER DR
BATON ROUGE LA 70808-4132

000282

SHIP TO:

TOTAL ENVIRONMENT SOLUTIO
487 TREASURE LK
DU BOIS PA 15801-9035

THANKS FOR YOUR ORDER
IF YOU HAVE ANY QUESTIONS
OR PROBLEMS. JUST CALL US
FOR ACCOUNT: (800) 721-6592

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	COPELAND, CHRISTY	487TREASURE	341778284-001	06/15/2006	06/19/2006
PURCHASE ORDER	**RELEASE**	**ORDERED BY**	**DELIVERED TO**	**DEPARTMENT**	
19477		KATY SPARKS			

LINE	CATALOG/ITEM # /MANUF CODE	DESCRIPTION /CUSTOMER ITEM #	U/M TAX	QTY ORD	QTY SHP	B/O	UNIT PRICE	EXTENDED PRICE

P.O. NON-P.O. ✓ CREDIT
VN# KP700 ACCT. PERIOD 6-21-06
ACCT.# 57000 - 921.35 $218.07
60000 - 921.35 218.07
Prices Checked By: RBD
Payment Approved By:
Pay By Due:

POSTED

RECEIVED
JUN 26 2006
BY

SUB-TOTAL 411.45
SALES TAX 24.69
TOTAL 436.14
All amounts are based on U.S. currency

011379-000282

To return supplies, please repack in original box and insert our packing list, or copy of this invoice. please note problem so we may issue credit or replacement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or damage must be reported within 5 days after delivery.

CONTINUED ON NEXT PAGE...

Office DEPOT

ACCT - 31A
PO BOX 5027
BOCA RATON FL
33431-0827

ORIGINAL INVOICE

FEDERAL ID: 59-2663954

INVOICE/ORDER NUMBER	AMOUNT DUE	PAGE NUMBER
341778285-001	39.20	1 OF 1
INVOICE DATE	TERMS	PAYMENT DUE
06/21/2006	Net 30 Days	07/21/2006

BILL TO:

ATTN: ACCTS PAYABLE
TOTAL ENVIRONMENT SOLUTIO
1824 RYDER DR
BATON ROUGE LA 70808-4132

SHIP TO:

TOTAL ENVIRONMENT SOLUTIO
487 TREASURE LK
DU BOIS PA 15801-9035

THANKS FOR YOUR ORDER
IF YOU HAVE ANY QUESTIONS
OR PROBLEMS. JUST CALL US
FOR ACCOUNT: (800) 721-6592

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	COPELAND, CHRISTY	487TREASURE	341778285-001	06/15/2006	06/29/2006
PURCHASE ORDER	RELEASE	ORDERED BY	DELIVERED TO	DEPARTMENT	
19477		KATY SPARKS			

LINE	CATALOG/ITEM # /MANUF CODE	DESCRIPTION /CUSTOMER ITEM #	U/M TAX	QTY ORD	QTY SHP	B/O		UNIT PRICE	EXTENDED PRICE
01	000316831 1XPNO	STAMP,XPL N04-141,9/16"X1	EA Y	1	1	0		18.490	18.49
02	000316831 1XPNO	STAMP,XPL N04-141,9/16"X1	EA Y	1	1	0		18.490	18.49

73
12

P.O. NON P.O. CREDIT

VIN# 14700 ACCT. PERIOD 6-21-06

ACCT.# 57000-921.35 19.60

60000-921.35 19.60

64
1.16

Prices Checked By: PBO

Payment Approved By:

Pay By Due:

SUB-TOTAL 36.98

POSTED

RECEIVED
JUN 26 2006

SALES TAX 2.22

TOTAL 39.20

All amounts are based on U.S. currency

To return supplies, please repack in original box and insert our packing list, or copy of this invoice, please note problem so we may issue credit or replacement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or damage must be reported within 5 days after delivery.

PLEASE NOTE THE FOLLOWING INSTRUCTIONS

Complete Order Must Be Shipped
Before ASAP

1. Acceptance of this order constitutes an agreement to make delivery within specified time.
2. Three copies of invoice is required for payment.
3. Acknowledge receipt of this order and state date you will ship.
4. Reference purchase order number and requisition number on Invoices, Bills of Lading, Packages, etc.
5. This purchase subject to Equal Opportunity compliance by seller as stated on the reverse.

JUN 29 2006 TOTAL ENVIRONMENTAL SOLUTIONS, INC.

BY: By [signature]
Manager of Purchasing

Star Printing, Inc. #8596

011379-000282

TOTAL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

23221686	06-23-06	US FOOD SERVICE		289.85		289.85
			60000	92135	289.85	

NON-NEGOTIABLE

PLEASE DETACH BEFORE CASHING CHECK 038508 MAILED TOTAL NET AMOUNT 289.85

JUL 21 2006

TOTAL ENVIRONMENTAL SOLUTIONS, INC.

DOLLARS CENTS

NON-NEGOTIABLE

REMIT US FOODSERVICE/ALTOONA DIVISION (800)252-3831
TO PO BOX 641303, PITTSBURGH, PA 15264-1303

SOLD TOTAL ENV SOLUTIONS
TO 487 TREASURE LAKE
DUBOIS, PA 15801 (814) 375-1777

2H INVOICE NO. 23221686
INVOICE DATE 06/22/0

CUST. NO.	SLSMN. NO.	CUST. P.O. NO.	TERMS	PAGE
048153	138	19513	PAYABLE BY FRIDAY 07/07/06	1-

ROUTING	SPECIAL INST.	INV.
045-02	*NO-SUB* OKAY TO DOORSTOP/RIVERIA WATER AUTH	

					*** JANITORIAL AND PAPER ***		
DE551	4	4	740019	40/25EA	DART CUP, FM 10Z 10J10	23.66 /CSX	94.6
DE341	6	6	750149	30/85EA	GPACF TOWEL, KIT RL 2P WHT 27385	27.30 /CSX	163.8
					*** RESTAURANT SUPPLIES ***		
MDIFE	1	1	904578	1 EA	P. L. DISTRIBUTION FEE	15.00 /CSX	15.0

FROZEN	PERISHABLES	GROCERIES	JANITORIAL & PAPER	SUPPLIES	PAGE OR SUB TOTAL	
			11 273.44			273.4
					X 6.000TAX	16.4

Door Stop

RECEIVED MERCHANDISE IN GOOD CONDITION

DRIVER SIGNATURE

146 TOTAL WEIGHT

11 NO. PIECES

TOTAL 289.8

CUSTOMER PUBLIC

NO. 2094 P. 3

TOTAL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

10005	07-11-06	RODAN INC			334.80		334.80
				60000	92135	334.80	

NON-NEGOTIABLE

PLEASE DETACH BEFORE CASHING CHECK 038867 MAILED TOTAL NET AMOUNT 334.80

TOTAL ENVIRONMENTAL SOLUTIONS, INC. 038867

RODAN INC

AN

2967 INTERSTATE ST
CHARLOTTE, NC 28208
704-391-7050

INVOICE NO.	INVOICE DATE	PAGE NO.
10005	7/11/06	1

CUSTOMER REF. NO.	RODAN REF. NO.
PO# 19478	51098 1

TOTAL ENVIRONMENTAL SOLUTIONS
PO BOX 14056
BATON ROUGE LA 70898-4056

INSTALLED AT

DESCRIPTION	SERIAL NO.	RATE	FROM / TO	TAX	AMOUNT
UPPLY PURCHASE INTER RIBBON PURCHASE 2 BOXES PRINTRONIX BBONS N R1790006-001 DEX TRACKING INFO 179622301 98320		327.80			327.80

POSTED

Net 10 days

NONPO CREDIT
18260 ACCT PERIOD 7-11-06
60000 (924.35)
Checked By: PB
Approved By:
Pay By Due

RMS:	NET TEN DAYS	FREIGHT	7.00	PAY THIS AMOUNT → →	334.80

PLEASE, DUE NOW. WE DO NOT SEND STATEMENTS.
REFER TO INVOICE NUMBER WHEN REMITTING.

ORIGINAL

TAL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
168370	08-17-06	WORKFLOW		3902. 32		3902. 32
			57000	92135	975. 58	
			58000	92135	975. 58	
			59000	92135	975. 58	
			60000	92135	975. 58	

NON-NEGOTIABLE

SE DETACH BEFORE CASHING CHECK 039410

TOTAL NET AMOUNT 3902. 32

MAILED

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

SEP 08 2006

039410

84-15
654

DATE	AMOUNT OF CHECK
09-07-06	***3,902.32

PAY *****3,902 DOLLARS AND 32 CENTS

VOID AFTER 90 DAYS

TO THE ORDER OF

3630 WORKFLOW
P.O. BOX 2418
NORFOLK VA 23501

Hancock Bank of Louisiana
Baton Rouge, LA

MANAGER

NON-NEGOTIABLE

COUNTER SIGNATURE

BY:

POSTED

WorkflowOne

CUSTOMER NUMBER	INVOICE NUMBER	
01-00025212	I3168370	8/17/06

CUSTOMER PO # BETSY CASE
JOB # 3156414 / P1157891

SOLD TO
TOTAL ENVIRONMENTAL SOLUTIONS
ACCTS PAYABLE
487 TREASURE LAKE
DU BOIS, PA 15801

SHIP TO
TOTAL ENVIRONMENTAL SOLUTIONS
487 TREASURE LAKE
DU BOIS, PA 15801

PAGE	SALES REPRESENTATIVE		TERMS (US Dollars)	CODE	
1	JIM MORRIS	P4	NET 30 DAYS		CODE(S) EXPLANATION LISTED ON REVERSE SIDE

ITEM NUMBER	DESCRIPTION	ORIGINAL P.O. #	QUAN. ORD.	QUAN. SHIP'D	COD.	UNIT PRICE	U/M	EXTENSION US
	[illegible] 5/27/06							
	[illegible]		20,000	20,000	8	159.87	M	3,197.40

RECEIVED
AUG 2 2 2006
TESI-DUBOIS, PA

SUB TOTAL	3,197.40
TAX	220.88
FREIGHT	484.04
MISC CHARGES	.00
TOTAL USD AMOUNT DUE	3,902.32

TE: PLEASE REMIT TO: WorkflowOne, P.O. BOX 2418, NORFOLK, VIRGINIA 23501
ALL SALES SUBJECT TO THE TERMS OF SALE LISTED ON REVERSE SIDE OF THIS FORM.
WorkflowOne will not be bound by any verbal agreement or modification of its terms of sale.

REMIT THIS AMOUNT

ORIGINAL

ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
57228364	08-09-06	OFFICE DEPOT		21.65		21.65
			7999	92135	21.65	
59908871	08-09-06	OFFICE DEPOT		397.75		397.75
			199	92135	397.75	
59914541	08-09-06	OFFICE DEPOT		74.19		74.19
			58000	92135	37.10	
			59000	92135	37.09	
31472331	08-09-06	OFFICE DEPOT		162.54		162.54
			30999	92135	162.54	
X541171	08-09-06	OFFICE DEPOT		125.56		125.56
			57000	92135	62.78	
			60000	92135	62.78	

NON-NEGOTIABLE

MAILED

SE DETACH BEFORE CASHING CHECK 039371 TOTAL NET AMOUNT 781.69

SEP 08 2006

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

039371

84-15
654

DATE	AMOUNT OF CHECK
09-07-06	****781.69

PAY *******781 DOLLARS AND 69 CENTS

VOID AFTER 90 DAYS

TO THE ORDER OF

5700 OFFICE DEPOT
P. O. BOX 633211
CINCINNATI OH 45263

MANAGER

NON-NEGOTIABLE

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

SALES TAX
TOTAL 21.65
All amounts are based on U.S. currency

1
2

To return supplies, please repack in original box and insert our packing list, or copy of this invoice. please note problem so we may issue credit or replacement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or damage must be reported within 5 days after delivery.

PLEASE NOTE THE FOLLOWING INSTRUCTIONS

Complete Order Must Be Shipped Before__________

1. Acceptance of this order constitutes an agreement to make delivery within specified time.
2. Three copies of invoice is required for payment.
3. Acknowledge receipt of this order and state date you will ship.
4. Reference purchase order number and requisition number on Invoices, Bills of Lading, Packages, etc.
5. This purchase subject to Equal Opportunity compliance by seller as stated on the reverse.

TOTAL ENVIRONMENTAL SOLUTIONS, INC.

By H. J. Theriot

Manager of Purchasing

Star Printing, Inc. #8596

Office DEPOT
ACCT - 31A
PO BOX 5027
BOCA RATON FL
33431-0827

FEDERAL ID: 59-2663954

INVOICE/ORDER NUMBER	AMOUNT DUE	PAGE NUMBER
348154117-001	125.56	1 OF 1
INVOICE DATE	**TERMS**	**PAYMENT DUE**
08/09/2006	Net 30 Days	09/08/2006

BILL TO:

ATTN: ACCTS PAYABLE
TOTAL ENVIRONMENT SOLUTIO
1824 RYDER DR
BATON ROUGE LA 70808-4132

000331

SHIP TO:

TOTAL ENVIRONMENT SOLUTIO
487 TREASURE LK
DU BOIS PA 15801-9035

THANKS FOR YOUR ORDER
IF YOU HAVE ANY QUESTIONS
OR PROBLEMS. JUST CALL US
FOR ACCOUNT: (800) 721-6592

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	COPELAND,CHRISTY	487TREASURE	348154117-001	08/08/2006	08/10/2006
PURCHASE ORDER	**RELEASE**	**ORDERED BY**	**DELIVERED TO**	**DEPARTMENT**	
19780		KATY SPARKS			

LINE	CATALOG/ITEM # /MANUF CODE	DESCRIPTION /CUSTOMER ITEM #	U/M TAX	QTY ORD	QTY SHP	B/O		UNIT PRICE	EXTENDED PRICE
01	000692284 55236	RULER,OD,15",HIGHLIGHTING	EA Y	2	2	0		2.490	4.98
02	000612981 61108	LABEL,FILE,OD,248CT,ASTD	PK Y	1	1	0		2.340	2.34
03	000327025 8366	LABEL,IJ,FILE,WHT,750CT	PK Y	1	1	0		12.480	12.48
04	000348037 85100 00	PAPER,COPY,8.5X11,104 BRT	CA Y	3	3	0		29.940	89.82
05	000575341 00420	TAPE,ACITAPE,.75X1296",OD	TP Y	1	1	0		8.830	8.83

P.O NONP/O ✓ CREDIT
14700 ACCT PERIOD 8-9-06

POSTED

ACCT # 57000 [illegible] 62.78
60000 [illegible] 62.78

RECEIVED
AUG 14 2006
BY:

SUB-TOTAL	118.45
SALES TAX	7.11
TOTAL	125.56

All amounts are based on U.S. currency.

010838-000331

To return supplies, please repack in original box and insert our packing list, or copy of this invoice. please note problem so we may issue credit or replacement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or damage must be reported within 5 days after delivery.

PLEASE NOTE THE FOLLOWING INSTRUCTIONS

Complete Order Must Be Shipped Before ______________

1. Acceptance of this order constitutes an agreement to make delivery within specified time.
2. Three copies of invoice is required for payment.
3. Acknowledge receipt of this order and state date you will ship.
4. Reference purchase order number and requisition number on Invoices, Bills of Lading, Packages, etc.
5. This purchase subject to Equal Opportunity compliance by seller as stated on the reverse.

TOTAL ENVIRONMENTAL SOLUTIONS, INC.

By H. J. Thériot
Manager of Purchasing

Star Printing, Inc. #8596

AL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
1541181	08-16-06	OFFICE DEPOT		28.61		28.61
			57000	92135	14.30	
			60000	92135	14.31	
740471	08-16-06	OFFICE DEPOT		~~644.55~~		644.55
				199 92135	644.55	

NON-NEGOTIABLE

SE DETACH BEFORE CASHING CHECK 039520 MAILED TOTAL NET AMOUNT 673.16

SEP 15 2006

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

039520
84-15
654

DATE	AMOUNT OF CHECK
09-14-06	*****673.16

PAY *******673 DOLLARS AND 16 CENTS

VOID AFTER 90 DAYS!

TO THE ORDER OF

700 OFFICE DEPOT
P. O. BOX 633211
CINCINNATI OH 45263

MANAGER

NON-NEGOTIABLE

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

TOTAL 28.61
All amounts are based on U.S. currency

eturn supplies, please repack in original box and insert our packing list, or copy of this invoice. please note problem so we may issue credit or acement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or ge must be reported within 5 days after delivery.

PLEASE NOTE THE FOLLOWING INSTRUCTIONS

Complete Order Must Be Shipped Before__________

1. Acceptance of this order constitutes an agreement to make delivery within specified time.
2. Three copies of invoice is required for payment.
3. Acknowledge receipt of this order and state date you will ship.
4. Reference purchase order number and requisition number on Invoices, Bills of Lading, Packages, etc.
5. This purchase subject to Equal Opportunity compliance by seller as stated on the reverse.

TOTAL ENVIRONMENTAL SOLUTIONS, INC.

By H. J. Thériot
Manager of Purchasing

Star Printing, Inc. #8596

Office DEPOT

ACCT - 31A
PO BOX 5027
BOCA RATON FL
33431-0827

FEDERAL ID: 59-2663954

INVOICE/ORDER NUMBER	AMOUNT DUE	PAGE NUMBER
348154118-001	28.61	1 OF 1
INVOICE DATE	**TERMS**	**PAYMENT DUE**
08/16/2006	Net 30 Days	09/15/2006

BILL TO:

ATTN: ACCTS PAYABLE
TOTAL ENVIRONMENT SOLUTIO
1824 RYDER DR
BATON ROUGE LA 70808-4132

010395

SHIP TO:

TOTAL ENVIRONMENT SOLUTIO
487 TREASURE LK
DU BOIS PA 15801-9035

THANKS FOR YOUR ORDER
IF YOU HAVE ANY QUESTIONS
OR PROBLEMS, JUST CALL US
FOR ACCOUNT: (800) 721-6592
FOR ORDER: (800) 928-3376

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	COPELAND, CHRISTY	487TREASURE	348154118-001	08/08/2006	08/22/2006
PURCHASE ORDER	**RELEASE**	**ORDERED BY**	**DELIVERED TO**	**DEPARTMENT**	
19780		KATY SPARKS			

LINE	CATALOG/ITEM # /MANUF CODE	DESCRIPTION /CUSTOMER ITEM #	U/M TAX	QTY ORD	QTY SHP	B/O			UNIT PRICE	EXTENDED PRICE
01	000219381 1XPN1	STAMP,XPL N12-136 1"X2"	EA Y	1	1	0			26.990	26.99

RECEIVED
AUG 21 2006
BY: ______

PO NON PO ✓ CREDIT
VN# 14700 ACCT. PERIOD 8-16-06
ACCT# ~~57000-93135~~ ~~14.30~~
60000 14.57

Prices Checked By: RBU
Payment Approved By: ______
Pay By Date: ______

SUB-TOTAL	26.99
SALES TAX	1.62
TOTAL	28.61

All amounts are based on U.S. currency

POSTED

To return supplies, please repack in original box and insert our packing list, or copy of this invoice. please note problem so we may issue credit or replacement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or damage must be reported within 5 days after delivery.

011079-010395

PLEASE NOTE THE FOLLOWING INSTRUCTIONS

Complete Order Must Be Shipped Before______

1. Acceptance of this order constitutes an agreement to make delivery within specified time.
2. Three copies of invoice is required for payment.
3. Acknowledge receipt of this order and state date you will ship.
4. Reference purchase order number and requisition number on Invoices, Bills of Lading, Packages, etc.
5. This purchase subject to Equal Opportunity compliance by seller as stated on the reverse.

TOTAL ENVIRONMENTAL SOLUTIONS, INC.

By H. J. Theriot
Manager of Purchasing

TOTAL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
181541161	08-23-06	OFFICE DEPOT		306.33		306.33
			57000	92135	153.16	
			60000	92135	153.1[illegible]	
0740841	08-16-06	OFFICE DEPOT		554.68		554.68
			62000	92135	554.68	

NON-NEGOTIABLE

PLEASE DETACH BEFORE CASHING CHECK 03968[illegible] MAILED TOTAL NET AMOUNT 861.01

SEP 22 2006

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

039680
84-15/654

DATE	AMOUNT OF CHECK
09-21-06	*****861.01

PAY *******861 DOLLARS AND 01 CENTS

VOID AFTER 90 DAYS!

TO THE ORDER OF

4700 OFFICE DEPOT
P.O. BOX 633211
CINCINNATI OH 45263

NON-NEGOTIABLE

MANAGER

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

TOTAL 306.33
All amounts are based on U.S. currency

To return supplies, please repack in original box and insert our packing list, or copy of this invoice. please note problem so we may issue credit or replacement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or damage must be reported within 5 days after delivery.

PLEASE NOTE THE FOLLOWING INSTRUCTIONS

Complete Order Must Be Shipped Before__________

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2. Three copies of invoice is required for payment.
3. Acknowledge receipt of this order and state date you will ship.
4. Reference purchase order number and requisition number on Invoices, Bills of Lading, Packages, etc.
5. This purchase subject to Equal Opportunity compliance by seller as stated on the reverse.

TOTAL ENVIRONMENTAL SOLUTIONS, INC.

By H. J. Theriot

Manager of Purchasing

Star Printing, Inc. #8596

TOTAL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
565619951	10-11-06	OFFICE DEPOT		130.90		130.90
			7999	92135	130.90	
565619961	10-11-06	OFFICE DEPOT		25.70		25.70
			7999	92135	25.70	
565625301	10-11-06	OFFICE DEPOT		185.30		185.30
			30999	92135	185.30	
567814421	10-11-06	OFFICE DEPOT		299.14		299.14
			57000	92135	149.57	
			60000	92135	149.57	
561224	10-11-06	OFFICE DEPOT		97.19		97.19
			70	88300	97.19	

NON-NEGOTIABLE

PLEASE DETACH BEFORE CASHING CHECK 040632 MAILED TOTAL NET AMOUNT 738.23

NOV 09 2006

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

040632
84-15/654

DATE	AMOUNT OF CHECK
11-09-06	*****738.23

PAY *******738 DOLLARS AND 23 CENTS

VOID AFTER 90 DAYS

TO THE ORDER OF

1700 OFFICE DEPOT
P.O. BOX 633211
CINCINNATI OH 45263

NON-NEGOTIABLE

Hancock Bank of Louisiana
Baton Rouge, LA

COUNTER SIGNATURE

OCT 16 2006
BY:

TOTAL 97.19
All amounts are based on U.S. currency

To return supplies, please repack in original box and insert our packing list, or copy of this invoice, please note problem so we may issue credit or replacement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or damage must be reported within 5 days after delivery.

PLEASE NOTE THE FOLLOWING INSTRUCTIONS

Complete Order Must Be Shipped Before________

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2. Three copies of invoice is required for payment.
3. Acknowledge receipt of this order and state date you will ship.
4. Reference purchase order number and requisition number on invoices, Bills of Lading, Packages, etc.
5. This purchase subject to Equal Opportunity compliance by seller as stated on the reverse.

RECEIVED
OCT 17 2006
BY:

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
By H. R. Thenot
Manager of Purchasing

Star Printing, Inc. #8596

ORIGI...

Office DEPOT

ACCT - 31A
PO BOX 5027
BOCA RATON FL
33431-0827

FEDERAL ID: 59-2663954

INVOICE/ORDER NUMBER	AMOUNT DUE	PAGE NUMBER
356781442-001	299.14	2 OF 2
INVOICE DATE	**TERMS**	**PAYMENT DUE**
10/11/2006	Net 30 Days	11/10/2006

BILL TO:

ATTN: ACCTS PAYABLE
TOTAL ENVIRONMENT SOLUTIO
1824 RYDER DR
BATON ROUGE LA 70808-4132

000354

SHIP TO:

TOTAL ENVIRONMENT SOLUTIO
487 TREASURE LK
DU BOIS PA 15801-9035

THANKS FOR YOUR ORDER
IF YOU HAVE ANY QUESTIONS
OR PROBLEMS, JUST CALL US
FOR ACCOUNT: (800) 721-6592

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	COPELAND,CHRISTY	487TREASURE	356781442-001	10/09/2006	10/11/2006
PURCHASE ORDER	**RELEASE**	**ORDERED BY**	**DELIVERED TO**	**DEPARTMENT**	
20196		KATY SPARKS			

LINE	CATALOG/ITEM # /MANUF CODE	DESCRIPTION /CUSTOMER ITEM #	U/M TAX	QTY ORD	QTY SHP	B/O			UNIT PRICE	EXTENDED PRICE

PO NONPO ✓ CREDIT

VEN# 14700 ACCT. PERIOD 10-11-06

ACCT.# 57000 ~~00135~~ 149.57

60000 149.57

Prices Checked By: RB

Payment Approved By:

Pay By Due:

010818-000354

RECEIVED
OCT 18 2006
BY:

POSTED

SUB-TOTAL 282.21

SALES TAX 16.93

TOTAL 299.14

All amounts are based on U.S. currency

...urn supplies, please repack in original box and insert our packing list, or copy of this invoice, please note problem so we may issue credit or ...ement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or ... must be reported within 5 days after delivery.

RECEIVED
OCT 18 2006
BY:

CONTINUED ON NEXT PAGE...

OTAL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
567814431	10-18-06	OFFICE DEPOT		207.72		207.72
				57000 92135	103.86	
				60000 92135	103.86	
567828751	10-18-06	OFFICE DEPOT		157.92		157.92
				199 92135	157.92	
574591121	10-18-06	OFFICE DEPOT		369.79		369.79
				199 92135	369.79	
578612331	10-18-06	OFFICE DEPOT		84.16		84.16
				7999 92135	84.16	

NON-NEGOTIABLE

PLEASE DETACH BEFORE CASHING CHECK 040752 TOTAL NET AMOUNT 819.59

MAILED

TOTAL ENVIRONMENTAL SOLUTIONS, INC. NOV 16 2006 040752

P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

84-15
654

DATE	AMOUNT OF CHECK
11-16-06	*****819.59

PAY *******819 DOLLARS AND 59 CENTS

TO THE ORDER OF

VOID AFTER 90 DAYS!

14700 OFFICE DEPOT
P.O. BOX 633211
CINCINNATI OH 45263

NON-NEGOTIABLE

MANAGER

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

BY:

TOTAL 207.72
All amounts are based on U.S. currency

To return supplies, please repack in original box and insert our packing list, or copy of this invoice. please note problem so we may issue credit or replacement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or damage must be reported within 5 days after delivery.

(225) 766-4471 (225) 766-0441 Fax

PLEASE NOTE THE FOLLOWING INSTRUCTIONS

Complete Order Must Be Shipped Before________

1. Acceptance of this order constitutes an agreement to make delivery within specified time.
2. Three copies of invoice is required for payment.
3. Acknowledge receipt of this order and state date you will ship.
4. Reference purchase order number and requisition number on Invoices, Bills of Lading, Packages, etc.
5. This purchase subject to Equal Opportunity compliance by seller as stated on the reverse.

RECEIVED
OCT 24 2006
BY:

TOTAL ENVIRONMENTAL SOLUTIONS, INC.

By________
Manager of Purchasing

OFFICE DEPOT

ACCT - 31A
PO BOX 5027
BOCA RATON FL
33431-0827

FEDERAL ID: 59-2663954

INVOICE/ORDER NUMBER	AMOUNT DUE	PAGE NUMBER
356781443-001	207.72	1 OF 1
INVOICE DATE	**TERMS**	**PAYMENT DUE**
10/18/2006	Net 30 Days	11/17/2006

BILL TO:

ATTN: ACCTS PAYABLE
TOTAL ENVIRONMENT SOLUTIO
1824 RYDER DR
BATON ROUGE LA 70808-4132

010346

SHIP TO:

TOTAL ENVIRONMENT SOLUTIO
487 TREASURE LK
DU BOIS PA 15801-9035

THANKS FOR YOUR ORDER
IF YOU HAVE ANY QUESTIONS
OR PROBLEMS, JUST CALL US
FOR ACCOUNT: (800) 721-6592
FOR ORDER: (800) 928-3376

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	COPELAND,CHRISTY	487TREASURE	356781443-001	10/09/2006	10/23/2006
PURCHASE ORDER	**RELEASE**	**ORDERED BY**	**DELIVERED TO**	**DEPARTMENT**	
20196		KATY SPARKS			

LINE	CATALOG/ITEM # /MANUF CODE	DESCRIPTION /CUSTOMER ITEM #	U/M TAX	QTY ORD	QTY SHP	B/O	UNIT PRICE	EXTENDED PRICE
01	000317801	BOOK,RE EIPT,3 PART	PK		4		48.990	195.96
	RECEI T BOOK 3 PART		Y	4		0		

14700 ACCT PERIOD 10-18-06

~~57000 (421.35) 103.86~~

60000 103.86

Price Checked By: ____________

Payment Approved By: ____________

Pay By Due: ____________

RECEIVED
OCT 23 2006
BY:

POSTED

SUB-TOTAL 195.96

SALES TAX 11.76

TOTAL 207.72

All amounts are based on U.S. currency

011020-010346

o return supplies, please repack in original box and insert our packing list, or copy of this invoice. please note problem so we may issue credit or eplacement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or amage must be reported within 5 days after delivery.

(225) 766-4477 (225) 766-0441 Fax

PLEASE NOTE THE FOLLOWING INSTRUCTIONS

Complete Order Must Be Shipped Before ____________

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2. Three copies of invoice is required for payment.
3. Acknowledge receipt of this order and state date you will ship.
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5. This purchase subject to Equal Opportunity compliance by seller as stated on the reverse.

RECEIVED
OCT 24 2006
BY:

TOTAL ENVIRONMENTAL SOLUTIONS, INC.

By H. J. Thériot
Manager of Purchasing

Star Printing, Inc. #8596

)TAL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
?783	10-16-06	WILLITS COPIERS		209.00		209.00
			57000	92135	104.50	
			60000	92135	104.50	

NON-NEGOTIABLE

'LEASE DETACH BEFORE CASHING CHECK 040807 TOTAL NET AMOUNT 209.00

MAILED

TOTAL ENVIRONMENTAL SOLUTIONS, INC.
P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

NOV 16 2006

040807
84-15
654

DATE	AMOUNT OF CHECK
11-16-06	*****209.00

PAY *******209 DOLLARS AND 00 CENTS

TO THE ORDER OF

VOID AFTER 90 DAYS!

?3429 WILLITS COPIERS
200 EAST MAIN ST
LOCK HAVEN PA 17745

MANAGER

NON-NEGOTIABLE

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

Pay By Due:

POSTED

RECEIVED
OCT 27 2006
BY:

INVOICE NUMBER MUST APPEAR ON CHECK FOR
ACCURATE CREDIT TO YOUR ACCOUNT!

Subtotal	209.00
Sales Tax	
Freight	
Total Invoice Amount	209.00
Payment/Credit Applied	
TOTAL	$209.00

Check/Credit Memo No:

Invoices not paid within 30 days will result in service interruption!!!

INVOICE

Willits Copiers, Inc.
200 East Main Street
Lock Haven, PA 17745

Voice: 570-893-8050
Fax: 570-893-8052
Email: copiers@willitscopiers.com

Invoice Number: 22783
Invoice Date: Oct 16, 2006
Page: 1

Bill To:

Total Environmental Solutions
487 Treasure Lake
DuBois, PA 15802

Ship To

Customer ID	Customer PO	Payment Terms	
Total Environ3530	20195	Net Due	
Sales Rep	**Shipping Method**	**Ship Date**	**Due Date**
	UPS Ground		10/16/06

Quantity	Item	Description	Unit Price	Amount
1.00	TON-RCS3530	Toner for Royal Copystar Ri-2530/3530/4030	209.00	209.00

PO NON P/O ✓ CREDIT
V# 23429 ACCT. PERIOD 10-16-06
ACCT # 57000 - 104.50
60000 - 92135 104.50
Prices Checked By: RB
Payment Approved By:
Pay By Due:

POSTED

RECEIVED
OCT 27 2006
BY:

INVOICE NUMBER MUST APPEAR ON CHECK FOR
ACCURATE CREDIT TO YOUR ACCOUNT!

Check/Credit Memo No:

Subtotal	209.00
Sales Tax	
Freight	
Total Invoice Amount	209.00
Payment/Credit Applied	
TOTAL	$209.00

NO. 2007 P. 3/10

ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
256140	12-28-06	WORKFLOW		3955.08		3955.08
			~~57000 4010~~	~~675700~~	~~988.77~~	
			58000 ~~4011~~	675700	988.77	
			~~59000 4050~~	~~675700~~	~~988.77~~	
			60000 ~~4051~~	675700	988.77	

NON-NEGOTIABLE

PLEASE DETACH BEFORE CASHING CHECK 042034 TOTAL NET AMOUNT 3955.08

MAILED

TOTAL ENVIRONMENTAL SOLUTIONS, INC. 042034

P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

JAN 19 2007

84-15/654

DATE	AMOUNT OF CHECK
01-18-07	***3,955.08

PAY *****3,955 DOLLARS AND 08 CENTS

TO THE ORDER OF

VOID AFTER 90 DAYS!

023630 WORKFLOW
P.O. BOX 2418
NORFOLK VA 23501

NON-NEGOTIABLE

MANAGER

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

COMPANY 000001 SELECTIONS: ACCOUNT RANGE: 92135 - 92135 DEPARTMENT RANGE: 199 - 199
ACCOUNTING CYCLES: FROM 01-2006 THRU 13-2006 ACCOUNT TYPE: G/L SEQUENCE: ORGANIZATION

CO. CY-YR	DEPARTMENT TRANS. DATE	I/C	DESCRIPTION	ACCOUNT J/E#	BATCH	REF#	SOURCE	PRIMARY REFERNCE/DOCUMENT	AMOUNT
000001	000199		TOTAL ENVIRONMENTAL SOULUTIONS 092135 OFFICE SUPPLIES & EXPENSES					BEGINNING BALANCE	.00
09-2006	09-28-2006	040	C. & D. REPROGRAPHICS, INC		23798		A	I/V 53400 - 3045	5.40
09-2006	09-28-2006	040	LANIER WORLDWIDE, INC.		23798		A	I/V 87808132 - 12024	167.86
09-2006	09-28-2006	040	OFFICE DEPOT		23798		A	I/V 350452774- 14700	236.30
09-2006	09-28-2006	040	OFFICE DEPOT		23798		A	I/V 351619311- 14700	566.68
09-2006	09-28-2006	040	PEREGRINE CORPORATION		23798		A	I/V 348889 - 16175	2,499.42
09-2006	09-28-2006	040	SOUTHERN PAPER & JANITORI		23798		A	I/V 27804 - 19585	220.94
09-2006	09-28-2006	040	SOUTHERN PAPER & SUPPLY		23798		A	I/V 28467 - 19585	106.12
09-2006	10-12-2006	040	COMMUNITY COFFEE COMPANY		23798		A	I/V 608462639- 3600	132.59
10-2006	10-05-2006	040	KATAYA IRVING		23865		A	I/V 100306 - 9505	86.45
10-2006	10-19-2006	040	AMERICAN EAGLE COMPUTER		23865		A	I/V 34264RE2 - 1825	356.26
10-2006	10-19-2006	040	LANIER WORLDWIDE, INC		23865		A	I/V 88131668 - 12024	12.02
10-2006	10-26-2006	040	ABITA SPRINGS COMPANY		23865		A	I/V 30-004167- 1300	30.52
10-2006	10-26-2006	040	ABITA SPRINGS COMPANY		23865		A	I/V 30-004239- 1300	43.60
10-2006	10-26-2006	040	BAZET PRINTING		23865		A	I/V 23812 - 2225	39.38
10-2006	10-26-2006	040	BAZET PRINTING		23865		A	I/V 23854 - 2225	49.98
10-2006	10-26-2006	040	LANIER WORLDWIDE, INC		23865		A	I/V 88191044 - 12024	34.97
10-2006	10-26-2006	040	LANIER WORLDWIDE, INC		23865		A	I/V 88191114 - 12024	11.45
10-2006	10-26-2006	040	OFFICE DEPOT		23865		A	I/V 354277190- 14700	231.41
10-2006	10-26-2006	040	OFFICE DEPOT		23865		A	I/V 354883993- 14700	13.29
10-2006	10-26-2006	040	OFFICE DEPOT		23865		A	I/V 355109683- 14700	372.17
10-2006	10-26-2006	040	OFFICE DEPOT		23865		A	I/V 356782875- 14700	157.92
10-2006	10-26-2006	040	OFFICE DEPOT		23865		A	I/V 357459112- 14700	369.79
10-2006	10-26-2006	040	PLATINUM PLUS FOR BUSINES		23865		A	I/V 101006-PM- 16187	797.00
10-2006	11-02-2006	040	KATAYA IRVING		23865		A	I/V 103006 - 9505	176.42
10-2006	11-02-2006	040	LAWRENCE MESSMER		23865		A	I/V 103106 - 13190	150.00
10-2006	11-09-2006	040	ABITA SPRINGS COMPANY		23865		A	I/V 30-004364- 1300	22.89
10-2006	11-09-2006	040	BAZET PRINTING		23865		A	I/V 23829 - 2225	141.32
10-2006	11-09-2006	040	BAZET PRINTING		23865		A	I/V 23830 - 2225	173.73
10-2006	11-09-2006	040	COMMUNITY COFFEE COMPANY		23865		A	I/V 608462915- 3600	122.25
11-2006	11-22-2006	040	ABITA SPRINGS COMPANY		23907		A	I/V 300044449- 1300	35.97
11-2006	11-22-2006	040	AMERICAN MAILING & SHIPPI		23907		A	I/V 60311983 - 1828	51.34
11-2006	11-22-2006	040	BAZET PRINTING		23907		A	I/V 23897 - 2225	54.02
11-2006	11-22-2006	040	LAWRENCE MESSMER		23907		A	I/V 111406 - 13190	45.55
11-2006	11-22-2006	040	OFFICE DEPOT		23907		A	I/V 359306931- 14700	430.42
11-2006	11-22-2006	040	OFFICE DEPOT		23907		A	I/V 359633348- 14700	418.60
11-2006	11-22-2006	040	PLATINUM PLUS FOR BUSINES		23907		A	I/V 111006-MN- 16187	124.50
11-2006	11-22-2006	040	SAFEGUARD		23907		A	I/V 022576648- 19126	335.73
11-2006	11-22-2006	040	SOUTHERN PAPER & JANITORI		23907		A	I/V 32369 - 19585	202.96
11-2006	11-30-2006	040	ABITA SPRINGS COMPANY		23907		A	I/V 30-004585- 1300	30.52
11-2006	12-07-2006	040	PLATINUM PLUS FOR BUSINES		23907		A	I/V 111006-SJ- 16187	54.50
11-2006	12-14-2006	040	BAZET PRINTING		23907		A	I/V 23972 - 2225	743.68
11-2006	12-14-2006	040	COMMUNITY COFFEE COMPANY		23907		A	I/V 608463190- 3600	154.51
11-2006	12-14-2006	040	PEREGRINE CORPORATION		23907		A	I/V 360959 - 16175	2,495.32
11-2006	12-14-2006	040	PEREGRINE CORPORATION		23907		A	I/V 361163 - 16175	2,235.73
11-2006	12-29-2006	520	RECORD ADJUSTMENTS	131	51911		M		167.86-
12-2006	01-04-2007	040	AMERICAN EAGLE COMPUTER		23949		A	I/V 35233RE2 - 1825	376.26

TOTAL ENVIRONMENTAL SOLUTIONS, INC.

REQUEST FOR CHECK ISSUE

DATE REQUESTED: 1-8-07

DATE REQUIRED: 1-18-07

AMOUNT: $ 3955.08

PAYEE:

Workflow
P.O Box 2418
Norfolk VA 23501

For Accounting use only
VENDOR: ~~23680~~ 33630
INVOICE:
PERIOD:

COMPANY:	DEPT:	ACCT:	AMOUNT:
~~4010~~	57000	675700	988.77
~~4011~~	58000		
~~4080~~	59000		
~~4051~~	60000		

REQUESTED BY: BO

APPROVED: [signature] 1-10-07

COMMENTS:

Bills for TL + BM

POSTED JAN 10 2007

MAR. 29. 2006 2:29 PM TESI No. 5007 P. 5/10

Workflow One
216 HALL BLVD
SUITE 208
KING OF PRUSSIA PA 19406

REMIT TO: WorkflowOne
P.O. BOX 2418 • NORFOLK, VIRGINIA 23501

INVOICE

CUSTOMER NUMBER	INVOICE NUMBER	
01-00025212	I3256140	12/28/06

CUSTOMER PO # BETSY CASE
JOB # 3222947 / P1158832

SOLD TO
TOTAL ENVIRONMENTAL SOLUTIONS
ACCTS PAYABLE
487 TREASURE LAKE
DU BOIS, PA 15801

SHIP TO
TOTAL ENVIRONMENTAL SOLUTIONS
BETSY CASE
487 TREASURE LAKE
DU BOIS, PA 15801

PAGE	SALES REPRESENTATIVE	TERMS (US Dollars)	CODE	
1	JIM HARRIS P#	NET 30 DAYS		CODE(S) EXPLANATION LISTED ON REVERSE SIDE

ITEM NUMBER	DESCRIPTION	ORIGINAL P.O.	QUAN. ORD.	QUAN. SHIPD.	UNIT PRICE	EXTENSION USD
RUSIN	2 SHIPPED 11/01/06		20,000	20,000	163.72	3,274.4

RECEIVED
JAN - 8 2007
TESI-DUBOIS, PA

SUB TOTAL	3,274.40
TAX	223.87
FREIGHT	456.81
MISC CHARGES	.00
TOTAL USD AMOUNT DUE	3,955.08

NOTE: PLEASE REMIT TO: WorkflowOne, P.O. BOX 2418, NORFOLK, VIRGINIA 23501
ALL SALES SUBJECT TO THE TERMS OF SALE LISTED ON REVERSE SIDE OF THIS FORM.
WorkflowOne will not be bound by any verbal agreement or modification of its terms of sale.

REMIT THIS AMOUNT

ORIGINAL

NO. 2007 P. 0/10

TOTAL ENVIRONMENTAL SOLUTIONS, INC. P.O. BOX 14056 BATON ROUGE, LA 70898-4056

INVOICE NO.	INVOICE DATE	CREDIT MEMO NO.	CREDIT MEMO AMOUNT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
3673570521	12-20-06	OFFICE DEPOT		113.76		113.76
			7999	92135	113.76	
3675542931	12-20-06	OFFICE DEPOT		492.41		492.41
			57000	92135	246.21	
			60000	92135	246.20	
3675587621	12-20-06	OFFICE DEPOT		235.18		235.18
			62000	92135	112.59	
			64000	92135	122.59	
3675587631	12-20-06	OFFICE DEPOT		84.26		84.26
			62000	92135	42.13	
			64000	92135	42.13	
3680161011	12-20-06	OFFICE DEPOT		384.29		384.29
			62000	92135	192.15	
			64000	92135	192.14	

NON-NEGOTIABLE

PLEASE DETACH BEFORE CASHING CHECK

1 786 0014700

TOTAL NET AMOUNT CONTINUED

*VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID***VOID

TOTAL ENVIRONMENTAL SOLUTIONS, INC.

041983

P.O. BOX 14056
BATON ROUGE, LA 70898-4056
GENERAL FUND

84-15
654

DATE AMOUNT OF CHECK

PAY DOLLARS AND CENTS

TO THE ORDER OF

VOID AFTER 90 DAYS

NON-NEGOTIABLE

MANAGER

COUNTER SIGNATURE

Hancock Bank of Louisiana
Baton Rouge, LA

Office DEPOT ACCT - 31A PO BOX 5027 BOCA RATON FL 33431-0827

ORIGINAL INVOICE

FEDERAL ID: 59-2663954

INVOICE/ORDER NUMBER	AMOUNT DUE	PAGE NUMBER
367554293-001	492.41	1 of 2
INVOICE DATE	TERMS	PAYMENT DUE
12/20/2006	Net 30 Days	01/19/2007

BILL TO:

ATTN: ACCTS PAYABLE
TOTAL ENVIRONMENT SOLUTIO
1824 RYDER DR
BATON ROUGE LA 70808-4132

000523

SHIP TO:

TOTAL ENVIRONMENT SOLUTIO
487 TREASURE LK
DU BOIS PA 15801-9035

THANKS FOR YOUR ORDER
IF YOU HAVE ANY QUESTIONS
OR PROBLEMS, JUST CALL US
FOR ACCOUNT: (800) 721-6592

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	COPELAND,CHRISTY	487TREASURE	367554293-001	12/15/2006	12/18/2006
PURCHASE ORDER	RELEASE	ORDERED BY	DELIVERED TO	DEPARTMENT	
20631		KATY SPARKS			

LINE	CATALOG/ITEM # /MANUF CODE	DESCRIPTION /CUSTOMER ITEM #	U/M TAX	QTY ORD	QTY SHP	B/O	UNIT PRICE	EXTENDED PRICE
01	000601389 SK248 0007	DESKPAD,MLY,22X17	EA Y	5	5	0	3.190	15.95
02	000603083 SD389 307	REMINDER, SD RCD DLY 53/4	EA Y	3	3	0	27.990	83.97
03	000348037 85100 00	PAPER,COPY,8.5X11,104 BRT	CA Y	3	3	0	29.940	89.82
04	000483677 BM251	RIBBON,PANASNC KXP1090,FA	EA Y	4	4	0	10.670	42.68
05	000477790 PM328 7	CALENDAR,MLY WALL,151/2X2	EA Y	1	1	0	13.990	13.99
06	000600542 K1000	CALENDAR, W TODAY IS,65/8	EA Y	1	1	0	21.990	21.99
07	000969215 00R21 A	FILE,EXP,A-Z,LTR,NO FLAP,	EA Y	4	4	0	12.040	48.16
08	000969224 00R21 M	FILE,EXP,LTR,MNTH,NO FLAP	EA Y	8	8	0	12.530	100.24
09	000810929 81092	FOLDER HANGING LTR 1/3 CU	BX Y	2	2	0	4.690	9.38
10	000917179 53112	BINDER,DP,PSBD,9.5X11,LBL	EA Y	5	5	0	4.790	23.95
11	[illegible]047	PAPER,BRIGHTS,24#,8.5X11,	RM		1		[illegible]	[illegible]

018750-000523

Office DEPOT ACCT - 31A
PO BOX 5027
BOCA RATON FL
33431-0827

ORIGINAL INVOICE

FEDERAL ID: 59-2663954

INVOICE/ORDER NUMBER	AMOUNT DUE	PAGE NUMBER
367554293-001	492.41	2 OF 2
INVOICE DATE	TERMS	PAYMENT DUE
12/20/2006	Net 30 Days	01/19/2007

BILL TO:

ATTN: ACCTS PAYABLE
TOTAL ENVIRONMENT SOLUTIO
1824 RYDER DR
BATON ROUGE LA 70808-4132

SHIP TO:

TOTAL ENVIRONMENT SOLUTIO
487 TREASURE LK
DU BOIS PA 15801-9035

000523

THANKS FOR YOUR ORDER
IF YOU HAVE ANY QUESTIONS
OR PROBLEMS. JUST CALL US
FOR ACCOUNT: (800) 721-6592

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE
37741962	COPELAND,CHRISTY	487TREASURE	367554293-001	12/15/2006	12/18/2006
PURCHASE ORDER	RELEASE	ORDERED BY	DELIVERED TO	DEPARTMENT	
20831		KATY SPARKS			

LINE	CATALOG/ITEM # /MANUF CODE	DESCRIPTION /CUSTOMER ITEM #	U/M TAX	QTY ORD	QTY SHP	B/O	UNIT PRICE	EXTENDED PRICE

P/O NON P/O CREDIT
VN# 14700 ACCT. PERIOD 12-20-06
ACCT# 5700 - 206.21
60000 - 92435 206.20
Prices Checked By: RBC
Payment Approved By:

DEC 26 2006

RECD
DEC 26

POSTED

SUB-TOTAL 464.54
SALES TAX 27.87
TOTAL 492.41
All amounts are based on U.S. currency

To return supplies, please repack in original box and insert our packing list, or copy of this invoice. please note problem so we may issue credit or replacement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or damage must be reported within 3 days after delivery.

019760-000523

OFFICE OF TRIAL STAFF DATA REQUESTS

TOTAL ENVIRONMENTAL SOLUTIONS
TREASURE LAKE SEWER DIVISION

Docket No. R-00072495

Analyst: Debra J. Backer

OTS-RE-28-D Reference pg. 1-14, Account No. 775.6, Office Supplies. Provide a breakdown of items and costs included in this expense for $11,664.

Request for Additional Information: Submitted credit card statements and checks provide no breakdown of individual expenses related to Account No. 775.6. Absent such breakdown and established nexus to this Account No. 775.6, OTS will recommend disallowance of the claim in whole or in part. Further, to the extent that expenses are shared with the water division, a percentage breakdown is necessary to compare the figures in the water case.

Updated Response: The original response provided a general ledger detail printout for Account 60000 – 92135 Office supplies. The GL Account number on the rate filing is 775.6 for this account. However, they are one and the same.

The total of $11,664 is arrived at based on the following:

Direct purchases of Office Supplies 60000 – 92135	$6,649
Allocation of Admin. Office Supplies 199 – 92135	$4,542

	Office Supplies 199 – 92135
Account Balance	$54,947.73
PA Share 18%	$9,891
TL Share 70%	$6,970
TL Water Share 35%	$2,428
TL Sewer Share 65%	$4,542

Office supplies charged to Account # 60000 – 92135 are normally split 50% to Treasure Lake Sewer and 50% to Treasure Lake Water Account # 57000-92135. The balance of Treasure Lake Water #57000 -92135 Office Supplies for 2006 is $5,463.78.

Responsible Party: Wayne Owens

ACCOUNT RANGE: 92135 - 92135 DEPARTMENT RANGE: 199 - 199

COMPANY 000001 SELECTIONS: ACCOUNTING CYCLES: FROM 01-2006 THRU 13-2006 ACCOUNT TYPE: G/L SEQUENCE: ORGANIZATION

CO. CY-YR	DEPARTMENT TRANS. DATE	T/C	DESCRIPTION	ACCOUNT J/E#	BATCH	REF#	SOURCE	PRIMARY REFERNCE/DOCUMENT	AMOUNT
000001	000199		TOTAL ENVIRONMENTAL SOULUTIONS 092135 OFFICE SUPPLIES & EXPENSES					BEGINNING BALANCE	.00
01-2006	01-26-2006	040	OFFICE DEPOT		23471		A	I/V 318631483- 14700	217.59
01-2006	01-26-2006	040	OFFICE DEPOT		23471		A	I/V 318692099- 14700	317.17
01-2006	01-26-2006	040	OFFICE DEPOT		23471		A	I/V 318697099- 14700	146.92
01-2006	01-26-2006	040	PLATINUM PLUS FOR BUSINES		23471		A	I/V 121205-SJ- 16187	30.00
01-2006	01-26-2006	040	SAFEGUARD		23471		A	I/V 021657776- 19126	266.43
01-2006	02-02-2006	040	LOWE'S		23471		A	I/V 933804 - 12700	274.55
01-2006	02-02-2006	040	PLATINUM PLUS FOR BUSINES		23471		A	I/V 011006-PM- 16187	10.00
01-2006	02-02-2006	040	PLATINUM PLUS FOR BUSINES		23471		A	I/V 012006-JG- 16187	31.78
01-2006	02-09-2006	040	ABITA SPRINGS COMPANY		23471		A	I/V 300021386- 1300	62.20
01-2006	02-09-2006	040	BAZEY PRINTING		23471		A	I/V 22795 - 2225	273.01
01-2006	02-09-2006	040	COMMUNITY COFFEE		23471		A	I/V 608460117- 3600	59.59
01-2006	02-09-2006	040	NEOPOST LEASING		23471		A	I/V 11293204 - 14200	189.66
01-2006	02-09-2006	040	OFFICE DEPOT		23471		A	I/V 320124953- 14700	814.95
01-2006	02-09-2006	040	OFFICE DEPOT		23471		A	I/V 320124954- 14700	152.06
01-2006	02-16-2006	040	ABITA SPRINGS COMPANY		23471		A	I/V 300022541- 1300	56.48
01-2006	02-16-2006	040	AMERICAN EAGLE COMPUTER		23471		A	I/V 31392RE2 - 1825	356.26
01-2006	02-16-2006	040	BAZET PRINTING		23471		A	I/V 22814 - 2225	58.31
01-2006	02-16-2006	040	OFFICE DEPOT		23471		A	I/V 321614957- 14700	107.37
01-2006	02-16-2006	040	OFFICE DEPOT		23471		A	I/V 322140385- 14700	99.07
01-2006	02-16-2006	040	OFFICE DEPOT		23471		A	I/V 322982992- 14700	143.07
01-2006	02-16-2006	040	OFFICE DEPOT		23471		A	I/V 322982993- 14700	16.91
01-2006	02-16-2006	040	PEREGRINE CORPORATION		23471		A	I/V 303266 - 16175	2,183.92
01-2006	02-16-2006	040	SOUTHERN PAPER & JANITORI		23471		A	I/V 12262 - 19585	247.69
02-2006	02-09-2006	040	ALTERNAVTIVE MAIL SVC		23510		A	I/V 13943 - 1971	249.48
02-2006	02-16-2006	040	ABITA SPRINGS COMPANY		23510		A	I/V 30-002377- 1300	35.15
02-2006	02-16-2006	040	OFFICE DEPOT		23510		A	I/V 323483634- 14700	398.98
02-2006	02-16-2006	040	OFFICE DEPOT		23510		A	I/V 323483634- 14700	6.97
02-2006	02-16-2006	040	OFFICE DEPOT		23510		A	I/V 323483636- 14700	5.62
02-2006	02-16-2006	040	OFFICE DEPOT		23510		A	I/V 323510231- 14700	143.75
02-2006	02-16-2006	040	OFFICE DEPOT		23510		A	I/V 324182896- 14700	103.92
02-2006	02-16-2006	040	OFFICE DEPOT		23510		A	I/V 324182897- 14700	13.85
02-2006	03-02-2006	040	WJS ENTERPRISES, INC.		23510		A	I/V 348546 - 23600	330.27
02-2006	03-09-2006	040	COMMUNITY COFFEE		23510		A	I/V 608460396- 3600	117.49
02-2006	03-09-2006	040	OFFICE DEPOT		23510		A	I/V 322982992- 14700	31.65
02-2006	03-09-2006	040	OFFICE DEPOT		23510		A	I/V 324639615- 14700	380.54
02-2006	03-09-2006	040	OFFICE DEPOT		23510		A	I/V 326205158- 14700	63.48
02-2006	03-09-2006	040	PEREGRINE CORPORATION		23510		A	I/V 307064 - 16175	2,494.82
02-2006	03-09-2006	040	PITNEY BOWES		23510		A	I/V 490988 - 16179	321.55
03-2006	03-16-2006	040	BAZET PRINTING		23552		A	I/V 22961 - 2225	247.52
03-2006	03-16-2006	040	BAZET PRINTING		23552		A	I/V 22962 - 2225	256.22
03-2006	03-16-2006	040	OFFICE DEPOT		23552		A	I/V 326089792- 14700	680.05
03-2006	03-16-2006	040	PLATINUM PLUS FOR BUSINES		23552		A	I/V 02-1006-J- 16187	194.86
03-2006	03-16-2006	040	PLATINUM PLUS FOR BUSINES		23552		A	I/V 021006-MN- 16187	311.68
03-2006	03-16-2006	040	STAR PRINTING		23552		A	I/V 44903 - 19710	786.63
03-2006	03-23-2006	040	OFFICE DEPOT		23552		A	I/V 326205159- 14700	59.66
03-2006	03-23-2006	040	OFFICE DEPOT		23552		A	I/V 326207140- 14700	317.18

COMPANY 000001 SELECTIONS: ACCOUNT RANGE: 92135 - 92135 DEPARTMENT RANGE: 199 - 199
ACCOUNTING CYCLES: FROM 01-2006 THRU 13-2006 ACCOUNT TYPE: G/L SEQUENCE: ORGANIZATION

CO. CY-YR	DEPARTMENT TRANS DATE	T/C	ACCOUNT DESCRIPTION	J/E#	BATCH	REF#	SOURCE	PRIMARY REFERNCE/DOCUMENT	AMOUNT
000001	000199		TOTAL ENVIRONMENTAL SOULUTIONS 092135 OFFICE SUPPLIES & EXPENSES					BEGINNING BALANCE	.00
03-2006	03-23-2006	040	OFFICE DEPOT		23552		A	I/V 326798750- 14700	241.12
03-2006	03-23-2006	040	OFFICE DEPOT		23552		A	I/V 327144777- 14700	254.80
03-2006	03-30-2006	040	AMERICAN MAILING & SHIPPI		23552		A	I/V 327144778- 14700	33.26
03-2006	03-30-2006	040	AMERICAN MAILING & SHIPPI		23552		A	I/V 60703003 - 1828	699.97
03-2006	03-30-2006	040	BAZET PRINTING		23552		A	I/V 60703436 - 1828	124.08
03-2006	03-30-2006	040	OFFICE DEPOT		23552		A	I/V 23015 - 2225	269.16
03-2006	03-30-2006	040	OFFICE DEPOT		23552		A	I/V 328904668- 14700	22.03
03-2006	03-30-2006	040	OFFICE DEPOT		23552		A	I/V 328904669- 14700	678.92
03-2006	03-30-2006	040	OFFICE DEPOT		23552		A	I/V 329790170- 14700	228.90
03-2006	03-31-2006	040	COMMUNITY COFFEE		23552		A	I/V 329790171- 14700	50.74
03-2006	03-31-2006	040	WJS ENTERPRISES, INC		23552		A	I/V 060846067- 3600	79.99
03-2006	04-20-2006	040	OFFICE DEPOT		23552		A	I/V 350427 - 23600	458.25
03-2006	04-20-2006	040	OFFICE DEPOT		23552		A	I/V 326197610- 14700	1,253.49
03-2006	05-05-2006	520	RECORD ADJUSTMENTS		23552		A	I/V 330725874- 14700	302.62
04-2006	04-20-2006	040	KATAYA IRVING	131	51559		M		20.00-
04-2006	04-27-2006	040	OFFICE DEPOT		23590		A	I/V 041806 - 9505	238.04
04-2006	04-27-2006	040	OFFICE DEPOT		23590		A	I/V 331348237- 14700	315.02
04-2006	05-04-2006	040	OFFICE DEPOT		23590		A	I/V 331348239- 14700	13.73
04-2006	05-04-2006	040	OFFICE DEPOT		23590		A	I/V 332245859- 14700	103.92
04-2006	05-11-2006	040	COMMUNITY COFFEE		23590		A	I/V 332601278- 14700	599.41
04-2006	05-11-2006	040	COMMUNITY COFFEE COMPANY		23590		A	I/V 608460952- 3600	77.04
04-2006	05-11-2006	040	OFFICE DEPOT		23590		A	I/V 608461149- 3600	32.70
04-2006	05-11-2006	040	OFFICE DEPOT		23590		A	I/V 333129209- 14700	161.87
05-2006	05-11-2006	040	COMMUNITY COFFEE		23590		A	I/V 333129210- 14700	50.73
05-2006	05-18-2006	040	ABITA SPRINGS COMPANY		23629		A	I/V 608461237- 3600	67.71
05-2006	05-18-2006	040	OFFICE DEPOT		23629		A	I/V 3000292 - 1300	7.48
05-2006	05-18-2006	040	OFFICE DEPOT		23629		A	I/V 324182897- 14700	33.81
05-2006	05-18-2006	040	PEREGRINE CORPORATION		23629		A	I/V 334237883- 14700	210.09
05-2006	05-18-2006	040	PLATINUM PLUS FOR BUSINES		23629		A	I/V 322987 - 16175	2,498.71
05-2006	05-18-2006	040	SOUTHERN PAPER & JANITORI		23629		A	I/V 051006-MN- 16187	280.21
05-2006	05-25-2006	040	ABITA SPRINGS COMPANY		23629		A	I/V 18114 - 19585	189.28
05-2006	05-25-2006	040	OFFICE DEPOT		23629		A	I/V 300031490- 1300	22.89
05-2006	05-25-2006	040	PLATINUM PLUS FOR BUSINES		23629		A	I/V 335222905- 14700	445.53
05-2006	06-01-2006	040	KATAYA IRVING		23629		A	I/V 051006-JG- 16187	21.68
05-2006	06-08-2006	040	OFFICE DEPOT		23629		A	I/V 052606 - 9505	213.78
06-2006	06-15-2006	040	AMERICAN MAILING & SHIPPI		23629		A	I/V 336847399- 14700	601.11
06-2006	06-15-2006	040	COMMUNITY COFFEE		23669		A	I/V 60106592 - 1828	73.93
06-2006	06-15-2006	040	COMMUNITY COFFEE		23669		A	I/V 608461466- 3600	33.38
06-2006	06-15-2006	040	OFFICE DEPOT		23669		A	I/V 608461514- 3600	153.59
06-2006	06-15-2006	040	OFFICE DEPOT		23669		A	I/V 336847399- 14700	204.48
06-2006	06-15-2006	040	OFFICE DEPOT		23669		A	I/V 337748059- 14700	581.70
06-2006	06-15-2006	040	OFFICE DEPOT		23669		A	I/V 338368428- 14700	237.27
06-2006	06-15-2006	040	OFFICE DEPOT		23669		A	I/V 338970091- 14700	104.99
06-2006	06-15-2006	040	OFFICE DEPOT		23669		A	I/V 339878156- 14700	154.90
06-2006	06-15-2006	040	OFFICE DEPOT		23669		A	I/V 340310102- 14700	486.97
06-2006	06-15-2006	040	PEREGRINE CORPORATION		23669		A	I/V 327073 - 16175	2,189.83

ACCOUNT RANGE: 92135 - 92135 DEPARTMENT RANGE: 199 - 199
COMPANY 000001 SELECTIONS: ACCOUNTING CYCLES: FROM 01-2006 THRU 13-2006 ACCOUNT TYPE: G/L SEQUENCE: ORGANIZATION

CO. CY-YR	DEPARTMENT TRANS DATE	T/C	ACCOUNT DESCRIPTION	J/E#	BATCH	REF#	SOURCE	PRIMARY REFERNCE/DOCUMENT	AMOUNT
000001	000199		TOTAL ENVIRONMENTAL SOULUTIONS 092135 OFFICE SUPPLIES & EXPENSES					BEGINNING BALANCE	.00
06-2006	06-15-2006	040	SOUTHERN DRILLING SUPPLY		23669		A	I/V 21013 - 19560	230.48
06-2006	06-22-2006	040	PLATINUM PLUS FOR BUSINES		23669		A	I/V 061206-JB- 16187	68.65
06-2006	06-22-2006	040	PLATINUM PLUS FOR BUSINES		23669		A	I/V 061206-MN- 16187	365.99
06-2006	06-29-2006	040	KATAYA IRVING		23669		A	I/V 062606 - 9505	182.18
06-2006	06-29-2006	040	SOUTHERN PAPER & JANITORI		23669		A	I/V 21013 - 19585	230.48
06-2006	06-30-2006	040	ABITA SPRINGS		23669		A	I/V 300034720- 1300	38.15
06-2006	07-06-2006	040	AMERICAN EAGLE COMPUTER		23669		A	I/V 33070RE2 - 1825	356.26
06-2006	06-26-2006	046	A/P VOID CHECK		23669		A	I/V 21013 - 19560	230.48-
07-2006	07-13-2006	040	COMMUNITY COFFEE COMPANY		23709		A	I/V 608461792- 3600	91.01
07-2006	07-13-2006	040	OFFICE DEPOT		23709		A	I/V 340569938- 14700	521.70
07-2006	07-13-2006	040	OFFICE DEPOT		23709		A	I/V 341149722- 14700	2.93
07-2006	07-13-2006	040	OFFICE DEPOT		23709		A	I/V 341180131- 14700	408.13
07-2006	07-13-2006	040	WJS ENTERPRISES, INC		23709		A	I/V 354578 - 23600	453.37
07-2006	07-20-2006	040	OFFICE DEPOT		23709		A	I/V 342026859- 14700	166.53
07-2006	07-27-2006	040	KATAYA IRVING		23709		A	I/V 072606 - 9505	202.11
07-2006	07-27-2006	040	OFFICE DEPOT		23709		A	I/V 342657532- 14700	452.48
07-2006	07-27-2006	040	PLATINUM PLUS FOR BUSINES		23709		A	I/V 071006-TZ- 16187	159.02
07-2006	08-03-2006	040	ABITA SPRINGS COMPANY		23709		A	I/V 300035817- 1300	58.86
07-2006	08-03-2006	040	BAZET PRINTING		23709		A	I/V 23463 - 2225	258.74
07-2006	08-03-2006	040	BAZET PRINTING		23709		A	I/V 23464 - 2225	272.52
07-2006	08-03-2006	040	BAZET PRINTING		23709		A	I/V 23499 - 2225	13.67
07-2006	08-03-2006	040	BAZET PRINTING		23709		A	I/V 23514 - 2225	89.41
07-2006	08-03-2006	040	OFFICE DEPOT		23709		A	I/V 342657532- 14700	1.41
07-2006	08-03-2006	040	OFFICE DEPOT		23709		A	I/V 344309766- 14700	240.73
07-2006	08-03-2006	040	PEREGRINE CORPORATION		23709		A	I/V 333189 - 16175	744.44
07-2006	08-03-2006	040	SOUTHERN PAPER & JANITORI		23709		A	I/V 24424 - 19585	224.78
07-2006	08-03-2006	040	SOUTHERN PAPER & JANITORI		23709		A	I/V 24605 - 19585	34.75
07-2006	08-17-2006	040	COMMUNITY COFFEE COMPANY		23709		A	I/V 608462070- 3600	146.87
07-2006	08-17-2006	040	PLATINUM PLUS FOR BUSINES		23709		A	I/V 071006-MN- 16187	43.08
07-2006	08-24-2006	040	OFFICE DEPOT		23709		A	I/V 345724260- 14700	233.81
07-2006	08-24-2006	040	OFFICE DEPOT		23709		A	I/V 345724260- 14700	21.78
07-2006	08-24-2006	040	PLATINUM PLUS FOR BUSINES		23709		A	I/V 071006-PM- 16187	102.09
08-2006	08-24-2006	040	PLATINUM PLUS FOR BUSINES		23749		A	I/V 081006-SJ- 16187	32.70
08-2006	08-31-2006	040	ABITA SPRINGS COMPANY		23749		A	I/V 300036873- 1300	30.52
08-2006	08-31-2006	040	KATAYA IRVING		23749		A	I/V 082806 - 9505	194.91
08-2006	08-31-2006	040	NORTHROP GRUMMAN		23749		A	I/V 1-9588899- 14460	452.50
08-2006	08-31-2006	040	OFFICE DEPOT		23749		A	I/V 346415319- 14700	175.39
08-2006	08-31-2006	040	OFFICE DEPOT		23749		A	I/V 346415319- 14700	2.55
08-2006	08-31-2006	040	OFFICE DEPOT		23749		A	I/V 346990887- 14700	397.75
08-2006	08-31-2006	040	OFFICE DEPOT		23749		A	I/V 348294047- 14700	644.55
08-2006	08-31-2006	040	OFFICE DEPOT		23749		A	I/V 349322477- 14700	21.78-
08-2006	08-31-2006	040	PLATINUM PLUS FOR BUSINES		23749		A	I/V 081006-TZ- 16187	37.05
08-2006	09-14-2006	040	ABITA SPRINGS COMPANY		23749		A	I/V 300039206- 1300	36.62
08-2006	09-14-2006	040	COMMUNITY COFFEE COMPANY		23749		A	I/V 608462351- 3600	107.75
09-2006	09-21-2006	040	KATAYA IRVING		23798		A	I/V 092006 - 9505	148.80
09-2006	09-28-2006	040	ABITA SPRINGS COMPANY		23798		A	I/V 300040332- 1300	43.60

ACCOUNT RANGE: 92135 - 92135 DEPARTMENT RANGE: 199 - 199
COMPANY 000001 SELECTIONS: ACCOUNTING CYCLES: FROM 01-2006 THRU 13-2006 ACCOUNT TYPE: G/L SEQUENCE: ORGANIZATION

CO. CY-YR	DEPARTMENT TRANS-DATE	T/C	ACCOUNT DESCRIPTION	J/E#	BATCH	REF#	SOURCE	PRIMARY REFERNCE/DOCUMENT	AMOUNT
000001	000199		TOTAL ENVIRONMENTAL SOULUTIONS 092135 OFFICE SUPPLIES & EXPENSES					BEGINNING BALANCE	.00
12-2006	01-04-2007	040	OFFICE DEPOT		23949		A	I/V 366242330- 14700	1,134.73
12-2006	01-04-2007	040	SOUTHERN PAPER & JANITORI		23949		A	I/V 35511 - 19585	126.63
12-2006	12-07-2006	040	KATAYA IRVING		23940		A	I/V 120406 - 9505	135.83
12-2006	12-14-2006	040	ABITA SPRINGS COMPANY		23940		A	I/V 30-004656- 1300	35.97
12-2006	12-14-2006	040	WAYNE OWENS		23940		A	I/V 120806 - 15604	51.16
12-2006	12-21-2006	040	BAZET PRINTING		23940		A	I/V 24033 - 2225	459.96
12-2006	12-21-2006	040	OFFICE DEPOT		23940		A	I/V 362611491- 14700	545.45
12-2006	12-21-2006	040	OFFICE DEPOT		23940		A	I/V 363982753- 14700	37.02
12-2006	12-21-2006	040	OFFICE DEPOT		23940		A	I/V 363982753- 14700	91.54
12-2006	12-21-2006	040	PLATINUM PLUS FOR BUSINES		23940		A	I/V 121106-PM- 16187	5.00
12-2006	12-28-2006	040	ABITA SPRINGS COMPANY		23940		A	I/V 30-004758- 1300	30.52
12-2006	12-31-2006	040	EXECUTONE OF CENTRAL LA		23949		A	I/V 124885 - 5550	125.35
								ENDING BALANCE	54,947.73

SDF Exhibit No. 3
Attachment 8
4 pages

Total Environmental Solutions, Inc.
Treasure Lake Sewer Division

Statement of Net Operating Revenue Under the Existing Rates for the Twelve Months Ended December 31, 2006 and December 31, 2007, and Under the Proposed Rates
Answer to 52 Pa. Code § 53.52 (c)(1) - Sheet No. 1a

	Per Books Year Ended 12/31/06	Anticipated Revenue at Present Rates Year Ended 12/31/07 Adjustments	Amount	Anticipated Revenue at Proposed Rates Year Ended 12/31/07 Adjustment	Amount	Company Rebuttal Testimony — Adjustments — Note	Amount	Adjusted Total
Operating Revenues	$1,118,510	($146,733)	$971,777	$269,666	$1,241,443		($62,860)	$1,178,583
Operating Revenue Deductions:								
Operating Expenses	$788,902	$45,093	$833,995		$833,995		($65,949)	$768,046
Depreciation	111,026	(8,896)	102,130		102,130	a	598	102,728
Income Taxes:								
State Income Tax	0		0		0			0
Federal Income Tax	0		0		0			0
Regulatory Assessments	4,000	2,947	6,947	1,649	8,596		(385)	8,211
Payroll Taxes:								
F.I.C.A.	8,529	408	8,937		8,937	b	192	9,129
F.U.T.A.	626	(80)	546		546	b	71	617
Pa Unemployment	1,546	302	1,848		1,848	b	210	2,058
Property Taxes	6,055		6,055		6,055			6,055
Misc Taxes	1,149		1,149		1,149			1,149
Total Operating Revenue Deductions	$921,833	$39,774	$961,607	$1,649	$963,256		($65,263)	$897,993
Net Operating Revenues	$196,677	($186,507)	$10,170	$268,017	$278,187		$2,403	$280,590

Notes:
a) Refer to TESI-Sewer Statement No. 2R, page 1.
b) Refer to TESI-Sewer Statement No. 1R, page 4.

Revenue Increase (Adjusted Per Company Rebuttal Testimony)	
Adjusted Operating Revenue	**$1,178,583**
Operating Revenue at Present Rates (12/31/07)	**971,777**
Adjusted Revenue Increase	**$206,806**

Total Environmental Solutions, Inc.
Treasure Lake Sewer Division

Statement of Operating Expenses for the Twelve Months
Ended December 31, 2006 and December 31, 2007
Answer to 52 Pa. Code § 53.52 (c)(1) - Sheet 1b

Acct. No.	Account Description	Per Books Year Ended 12/31/06	Going-Level Adjustments No.	Going-Level Adjustments Amount	Future Test Year Ended 12/31/07	Company Rebuttal Testimony Adjustments No.	Company Rebuttal Testimony Adjustments Amount	Adjusted Future Test Year Ended 12/31/07
701.1	Salaries & Wages	$390	1	$73	$463			
701.2	Salaries & Wages	12,129	1	2,270	14,399			
701.3	Salaries & Wages	4,348	1	813	5,161			
701.5	Salaries & Wages	42,156	1	7,889	50,045			
701.6	Salaries & Wages	16,153	1	3,022	19,175			
701.7	Salaries & Wages	4,957	1	926	5,883			
701.8	Salaries & Wages	8,429	1	2,689	11,118			
	Total Salaries & Wages	$88,562		$17,682	$106,244	a	$8,967	$115,211
704.0	Employee P&B	$15,295			$15,295			$15,295
711.0	Sludge Removal	46,800	3	($6,866)	39,934			39,934
715.0	Purchased Power	161,968			161,968			161,968
718.0	Chemicals	18,451			18,451			18,451
720.5	Materials & Supplies	$9			$9			$9
720.6	Materials & Supplies	129			129			129
720.8	Materials & Supplies	16,835			16,835			16,835
	Total Material & Supplies	$16,973		$0	$16,973		$0	$16,973
731.0	Contract Services - Engineering	$7,227			$7,227			$7,227
733.0	Contract Services - Legal	1,495			1,495			1,495
734.0	Salaries & Benefits (AFS)	45,942			45,942			45,942
734.0	SLECA Management Fees (AFS)	18,761			18,761			18,761
734.0	Contract Srvc (AFS)	36,133			36,133			36,133
734.0	Telecommunications (AFS)	3,703			3,703			3,703
734.0	Depreciation (AFS)	2,122			2,122			2,122
735.0	Contract Services - Testing	14,842			14,842			14,842
736.0	Contract Services - Other	10,003			10,003			10,003
	Total Contractual Services	$140,228		$0	$140,228		$0	$140,228
741.0	Rental of Building	$7,339			$7,339	b	($4,049)	$3,290
742.0	Rental of Equipment	2,872			2,872			2,872
750.0	Transportation Expense	20,185			20,185			20,185
757.0	Insurance - General Liability	$83,956			$83,956	c	$1,833	$85,789
758.0	Insurance - Workman's Comp.	4,969			4,969			4,969
	Total Insurance	$88,925		$0	$88,925		$1,833	$90,758
766.0	Regulatory Commission Expense	$0	4	$53,333	$53,333			$53,333
770.0	Bad Debt Expense	129,056	5	(19,056)	110,000	d	($76,277)	33,723
775.0	Miscellaneous Other	$13,552			$13,552			$13,552
775.6	Computer Expense	604			604			604
775.6	Janitorial	1,569			1,569			1,569
775.6	Utilities	2,326			2,326			2,326
775.6	Office Supplies	11,664			11,664	e	($472)	11,192
775.6	Security	31			31			31
775.6	Telecommunications	0			0	b	4,049	4,049
775.9	Postage and Shipping	16,000			16,000			16,000
775.10	Dues and Subscriptions	2,258			2,258			2,258
775.12	Travel	3,789			3,789			3,789
775.13	Education and Training	455			455			455
	Total Miscellaneous Expenses	$52,248		$0	$52,248		$3,577	$55,825
	Total Operating Expenses	$783,902		$45,093	$833,995		($65,949)	$768,046

Notes:
a) Refer to TESI-Sewer Statement No 1R, page 3.
b) Refer to TESI-Sewer Statement No 1R, page 8.
c) Refer to TESI-Sewer Statement No 1R, page 6.
d) Refer to TESI-Sewer Statement No 2R, page 7.
e) Refer to TESI-Sewer Statement No 1R, page 9.

Total Environmental Solutions, Inc.
Treasure Lake Sewer Division

Statement of Calculation of the Rate of Return Under the Existing Rates for the Twelve Months Ended December 31, 2007 and Under the Proposed Rates
Answer to 52 Pa. Code § 53.52 (c)(1) - Sheet No. 2

	Original Cost 12/31/07 at Present Rates	Original Cost 12/31/07 at Proposed Rates	Company Rebuttal Testimony ----- Adjustments ----- Note	Amount	Adjusted Original Cost 12/31/07 at Proposed Rates
Total Utility Plant in Service	$7,452,239	$7,452,239	a	$25,595	$7,477,834
Less:					
Reserve for Depreciation (Net)	(3,225,441)	(3,225,441)	a	(598)	(3,226,039)
	----------------	----------------		----------------	----------------
Total Depreciated Utility Plant in Serv	$4,226,798	$4,226,798		$24,997	$4,251,795
Add:					
Materials & Supplies	9,309	9,309		0	9,309
Cash Working Capital 1)	89,260	89,260	b	1,273	90,533
Deduct:					
Contr. In Aid of Construction (Net)	(1,285,076)	(1,285,076)			(1,285,076)
	----------------	----------------		----------------	----------------
Total Measures of Value	$3,040,291	$3,040,291		$26,270	$3,066,561
	=========	=========		=========	=========
Pro Forma Return:					
Present:					
Dollars	$10,170				
Percent	0.33%				
Proposed [Indicated]:					
Dollars		$278,187			$280,590
Percent		9.15%			9.15%

Note:
1) Based on 45 days of pro forma operating and maintenance expenses.
45 x ($833,995 - $110,000) / 365 = $89,260
45 x ($768,046 - $33,723))/ 365 = $90,533 b)

a) Refer to TESI-Sewer Statement No. 2R, page 1.

Total Environmental Solutions, Inc.
Treasure Lake Sewer Division

Regulatory Assessments

Revenues at Proposed Rates		$1,178,583
Add: PennVest Surcharge		163,354
Total Operating Revenue		$1,341,937
Assessment Factors:		
PA. P.U.C.	0.004473555927	$6,003
Consumer Advocate	0.001473420785	1,977
Small Business Advocate	0.000172419378	231
Regulatory Assessments at Proposed Rates		$8,211
Regulatory Assessments at Present Rates (Going-Level)		(8,596)
Regulatory Assessments Adjustment		($385)

TESI-SEWER EXHIBIT NO. 1
WITNESS: PAULINE M. AHERN

4/17/08 JES
1086

TOTAL ENVIRONMENTAL SOLUTIONS, INC. –
TREASURE LAKE SEWER DIVISION

DOCKET NO. R-00072495

DOCUMENT FOLDER

EXHIBIT

TO ACCOMPANY THE

DIRECT TESTIMONY

OF

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AUS CONSULTANTS

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Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Derivation of Investment Risk Adjustment Based upon
Ibbotson Associates' Size Premia for the Decile Portfolios of the NYSE/AMEX/NASDAQ

Line No.		1 Total Capitalization (incl. Short-Term Debt) for the Year 2005 (millions)		1 (times larger)	2 Market Capitalization on February 8, 2008 (1) (millions)	2 (times larger)	3 Applicable Decile of the NYSE/AMEX/ NASDAQ	4 Applicable Size Premium		5 Spread from Applicable Size *Premium for (2)*
1.	Total Environmental Solutions, Inc. - Treasure Lake Water Division	$ 1.701	(3)							
a.	Based Upon the Proxy Group of Six AUS Utility Reports Water Companies				$ 1.624		10 (4)	5.82%	(5)	
b.	Based Upon the Proxy Group of Four Value Line (Standard Edition) Water Companies				$ 1.554		10 (4)	5.82%	(5)	
2.	Proxy Group of Six AUS Utility Reports Water Companies	$ 626.006	(6)	368.0 x	$ 745.405	459.0 x	8 - 9 (7)	2.38%	(8)	3.44%
3.	Proxy Group of Four Value Line (Standard Edition) Water Companies	$ 895.381	(9)	526.4 x	$ 1,058.678	681.3 x	7 - 8 (10)	1.85%	(11)	3.97%

Decile	Market Capitalization of Smallest Company (millions)	Market Capitalization of Largest Company (millions)	Midpoint (millions)
1 - Largest	$20,386.369	$472,518.672	$246,452.521
2	9,274.049	20,234.526	14,754.288
3	5,025.807	9,206.713	7,116.260
4	3,426.586	5,012.577	4,219.582
5	2,413.583	3,422.743	2,918.163
6	1,633.668	2,411.794	2,022.731
7	1,129.192	1,633.320	1,381.256
8	725.267	1,128.765	927.016
9	363.549	723.258	543.404
10 - Smallest	1.922	363.479	182.701

See page 4 for notes.

Total Environmental Solutions, Inc. – Treasure Lake Sewer Division
Derivation of Investment Risk Adjustment Based upon
Ibbotson Associates' Size Premia for the Decile Portfolios of the NYSE

Notes:

(1) From page 5 of this Schedule.

(2) Line No. 1 – Line No. 2 and Line No. 1 – Line No. 3 of Columns 3 and 4, respectively. For example, the 3.44% in Column 5, Line No. 2 is derived as follows 3.44%% = 5.82% - 2.38%.

(3) Pro Forma at December 31, 2007 from Supporting Schedule 8, page 2 of 2 for Supplement No. 1 to Tariff Water – Pa. P.U.C. No. 4, Docket No. R-00072493.

(4) With an estimated market capitalization of $2.936 million (based upon the proxy group of six AUS Utility Reports water companies) and $2.810 million (based upon the proxy group of four Value Line (Standard Edition) water companies), Total Environmental Solutions, Inc. – Treasure Lake Sewer Division falls in the 10th decile of the NYSE/AMEX/NASDAQ which has a midpoint market capitalization of $182.701 as shown in the table on the bottom half of page 3 of this Schedule.

(5) Size premium applicable to the 10th decile of the NYSE/AMEX/NASDAQ as shown on page 17 of this Schedule.

(6) From page 1 of Exhibit PMA-3.

(7) With an estimated market capitalization of $745.405 million, the proxy group of six AUS Utility Reports water companies falls in the between 8th and 9th deciles of the NYSE/AMEX/NASDAQ which have an average midpoint market capitalization of $735.210 million as shown in the table on the bottom half of page 3 of this Schedule.

(8) Average size premium applicable to the 8th and 9th deciles of the NYSE/AMEX/NASDAQ as can be gleaned from the information shown on page 17 of this Schedule.

(9) From page 1 of Exhibit PMA-4.

(10) With an estimated market capitalization of $1,058.678 million, the proxy group of four Value Line (Standard Edition) water companies falls between the 7th and 9th deciles of the NYSE/AMEX/NASDAQ which have an average midpoint market capitalization of $1,154.136 million as shown in the table on the bottom half of page 3 of this Schedule.

(11) Size premium applicable to the 7th decile of the NYSE/AMEX/NASDAQ as shown on page 15 of this Schedule.

Source of Information: 2008 Ibbotson Risk Premia Over Time Report – Estimates for 1926-2007, Morningstar, Inc., Chicago, IL, 2008

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Market Capitalization of Total Environmental Solutions, Inc. - Treasure Lake Water Division,
the Proxy Group of Six AUS Utility Reports Water Companies and
the Proxy Group of Four Value Line (Standard Edition) Water Companies and

Company	1 Common Stock Shares Outstanding at September 30, 2007 (millions)	2 Book Value per Share at September 30, 2007 (1)	3 Total Common Equity at September 30, 2007 (millions)	4 Closing Stock Market Price on February 8, 2008	5 Market-to-Book Ratio at February 8, 2008 (2)	6 Market Capitalization on February 8, 2008 (3) (millions)
Total Environmental Solutions, Inc. - Treasure Lake Water Division	NA	NA	$ 0.765 (4)	NA		
Based Upon the Proxy Group of Six AUS Utility Reports Water Companies					212.3 % (5)	$ 1.624 (6)
Based Upon the Proxy Group of Four Value Line (Standard Edition) Water Companies					203.2 % (7)	$ 1.554 (8)
Proxy Group of Six AUS Utility Reports Water Companies						
American States Water Co.	17.197	$ 17.384	$ 298.947	$ 32.990	189.8 %	$ 567.329
Aqua America, Inc.	133.834	7.210	964.939	19.980	277.1	2,674.003
Artesian Resources Corp.	7.425	11.450	85.013	18.790	164.1	139.516
California Water Services Group	20.691	18.539	383.596	34.870	188.1	721.495
Connecticut Water Service Inc.	8.293	12.027	99.737	24.010	199.6	199.115
York Water Company	11.248	5.953	66.954	15.200	255.3	170.970
Average	33.115	$ 12.094	$ 316.531	$ 24.307	212.3 %	$ 745.405
Proxy Group of Four Value Line (Standard Edition) Water Companies						
American States Water Co.	17.197	$ 17.384	$ 298.947	$ 32.990	189.8 %	$ 567.329
Aqua America, Inc.	133.834	7.210	964.939	19.980	277.1	2,674.003
California Water Services Group	20.691	18.539	383.596	34.870	188.1	721.495
Southwest Water Company	24.472	7.042	172.341	11.110	157.8	271.884
Average	49.049	$ 12.544	$ 454.956	$ 24.738	203.2 %	$ 1,058.678

NA = Not Available

Notes:
(1) Column 3 / Column 1.
(2) Column 4 / Column 2.
(3) Column 5 * Column 3.
(4) Pro Forma common equity at December 31, 2007 from Supporting Schedule 8, page 2 of 2 from Supplement No. 1 to Tariff Water - Pa. P.U.C. No. 4, Docket No. R-00072493.
(5) The market-to-book ratio of Total Environmental Solutions, Inc. - Treasure Lake Water Division at February 8, 2008 is assumed to be equal to the average market-to-book ratio at February 8, 2008 of the proxy group of six AUS Utility Reports water companies.
(6) Total Environmental Solutions, Inc. - Treasure Lake Water Division's common stock, if traded, would trade at a market-to-book ratio equal to the average market-to-book ratio at February 8, 2008 of the proxy group of six AUS Utility Reports water companies, 212.3%, and Total Environmental Solutions, Inc. - Treasure Lake Water Division's market capitalization at February 8, 2008 would therefore have been $0.765 million. ($1.624 =
(7) The market-to-book ratio of Total Environmental Solutions, Inc. - Treasure Lake Water Division at February 8, 2008 is assumed to be equal to the average market-to-book ratio at February 8, 2008 of the proxy group of four Value Line (Standard Edition) water companies.
(8) Total Environmental Solutions, Inc. - Treasure Lake Water Division's common stock, if traded, would trade at a market-to-book ratio equal to the average market-to-book ratio at February 8, 2008 of the proxy group of four Value Line (Standard Edition) water companies, 203.2%, and Total Environmental Solutions, Inc. - Treasure Lake Water Division's market capitalization at February 8, 2008 would therefore have been $1.554 million.

Source of Information: Quarterly Forms 10Q for the period ending September 30, 2007
EDGAR Online's I-Metrix Database, 2/11/08

2008 Ibbotson® Risk Premia Over Time Report

Estimates for 1926–2007

MORNINGSTAR

The information presented in the 2008 Ibbotson® Risk Premia Over Time Report has been obtained with the greatest of care from sources believed to be reliable, but is not guaranteed to be complete, accurate or timely.

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Key Variables in Estimating the Cost of Capital

2008 Ibbotson SBBI Valuation Yearbook: Appendix C, Table C-1, page 262
As of December 31, 2007

Yields (Riskless Rates)

Long-term (20-year) U.S. Treasury Coupon Bond Yield [1]	4.5%

Equity Risk Premium

Long-horizon expected equity risk premium (historical): Large company stock total returns minus long-term government bond income returns [2]	7.1%
Long-horizon expected equity risk premium (supply side): historical equity risk premium minus price-to-earnings ratio calculated using three-year average earnings [3]	6.2%

Size Premia (market capitalization in millions) [4]

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

[1] Maturity is approximate.

[2] Expected risk premium for equities is based on the difference of historical arithmetic mean returns for 1926-2007. Large company stocks are represented by the S&P 500.

[3] A supply side equity risk premium estimate was first published in Ibbotson's *2004 SBBI Valuation Edition Yearbook.*

[4] Return in excess of CAPM estimation. Mid-Cap stocks are defined here as the aggregate of size-deciles 3–5 of the NYSE/AMEX/NASDAQ; Low-Cap stocks are defined here as the aggregate of size-deciles 6–8 of the NYSE/AMEX/NASDAQ. Micro-Cap stocks are defined here as the aggregate of size-deciles 9–10 of the NYSE/AMEX/NASDAQ. The betas used in CAPM estimation were estimated from CRSP NYSE/AMEX/NASDAQ decile portfolio monthly total returns in excess of the 30-day U.S. Treasury bill total return versus the S&P 500 total returns in excess of the 30-day U.S. Treasury bill, January 1926–December 2007. Source of underlying NYSE/AMEX/NASDAQ decile returns and breakpoints: ©200801 CRSP®, *Center for Research in Security Prices, Graduate School of Business, The University of Chicago used with permission. All rights reserved* www.crsp.chicagogsb.edu

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Stocks, Bonds, Bills, and Inflation

Market Results for 1926–2006

2007 Yearbook
Valuation Edition

MORNINGSTAR

Chapter 7

Firm Size and Return

The Firm Size Phenomenon

One of the most remarkable discoveries of modern finance is that of a relationship between firm size and return. The relationship cuts across the entire size spectrum but is most evident among smaller companies, which have higher returns on average than larger ones. Many studies have looked at the effect of firm size on return.[1] In this chapter, the returns across the entire range of firm size are examined.

Construction of the Decile Portfolios

The portfolios used in this chapter are those created by the Center for Research in Security Prices (CRSP) at the University of Chicago's Graduate School of Business. CRSP has refined the methodology of creating size-based portfolios and has applied this methodology to the entire universe of NYSE/AMEX/NASDAQ-listed securities going back to 1926.

The New York Stock Exchange universe excludes closed-end mutual funds, preferred stocks, real estate investment trusts, foreign stocks, American Depository Receipts, unit investment trusts, and Americus Trusts. All companies on the NYSE are ranked by the combined market capitalization of their eligible equity securities. The companies are then split into 10 equally populated groups, or deciles. Eligible companies traded on the American Stock Exchange (AMEX) and the Nasdaq National Market (NASDAQ) are then assigned to the appropriate deciles according to their capitalization in relation to the NYSE breakpoints. The portfolios are rebalanced, using closing prices for the last trading day of March, June, September, and December. Securities added during the quarter are assigned to the appropriate portfolio when two consecutive month-end prices are available. If the final NYSE price of a security that becomes delisted is a month-end price, then that month's return is included in the quarterly return of the security's portfolio. When a month-end NYSE price is missing, the month-end value of the security is derived from merger terms, quotations on regional exchanges, and other sources. If a month-end value still is not determined, the last available daily price is used.

Base security returns are monthly holding period returns. All distributions are added to the month-end prices, and appropriate price adjustments are made to account for stock splits and dividends. The return on a portfolio for one month is calculated as the weighted average of the returns for its individual stocks. Annual portfolio returns are calculated by compounding the monthly portfolio returns.

Size of the Deciles

Table 7-1 reveals that the top three deciles of the NYSE/AMEX/NASDAQ account for most of the total market value of its stocks. Nearly two-thirds of the market value is represented by the first decile, which currently consists of 168 stocks, while the smallest decile accounts for just over one percent of the

1 Rolf W. Banz was the first to document this phenomenon. See Banz, Rolf W. "The Relationship Between Returns and Market Value of Common Stocks," *Journal of Financial Economics*, Vol. 9, 1981, pp. 3–18.

market value. The data in the second column of Table 7-1 are averages across all 81 years. Of course, the proportion of market value represented by the various deciles varies from year to year.

Columns three and four give recent figures on the number of companies and their market capitalization, presenting a snapshot of the structure of the deciles near the end of 2006.

Table 7-1
Size-Decile Portfolios of the NYSE/AMEX/NASDAQ Size and Composition
1926 through September 30, 2006

Decile	Historical Average Percentage of Total Capitalization	Recent Number of Companies	Recent Decile Market Capitalization (in thousands)	Recent Percentage of Total Capitalization
1-largest	63.26%	168	$9,586,846,750	61.64%
2	13.97%	179	2,148,609,950	13.81%
3	7.57%	198	1,126,434,240	7.24%
4	4.73%	184	624,621,080	4.02%
5	3.24%	209	492,840,110	3.17%
6	2.38%	264	428,711,640	2.76%
7	1.74%	291	333,661,890	2.15%
8	1.29%	355	284,415,720	1.83%
9	1.00%	660	298,400,730	1.92%
10-Smallest	0.82%	1,744	229,218,310	1.47%
Mid-Cap 3-5	15.54%	591	2,243,894,380	15.41%
Low-Cap 6-8	5.41%	910	1,046,789,110	7.19%
Micro-Cap 9-10	1.83%	2,404	527,619,100	3.62%

Source: © 200703 CRSP® Center for Research in Security Prices. Graduate School of Business, The University of Chicago. Used with permission. All rights reserved. www.crsp.uchicago.edu.

Historical average percentage of total capitalization shows the average, over the last 81 years, of the decile market values as a percentage of the total NYSE/AMEX/NASDAQ calculated each month. Number of companies in deciles, recent market capitalization of deciles, and recent percentage of total capitalization are as of September 30, 2006.

Table 7-2 gives the current breakpoints that define the composition of the NYSE/AMEX/NASDAQ size deciles. The largest company and its market capitalization are presented for each decile. Table 7-3 shows the historical breakpoints for each of the three size groupings presented throughout this chapter. Mid-cap stocks are defined here as the aggregate of deciles 3–5. Based on the most recent data (Table 7-2), companies within this mid-cap range have market capitalizations at or below $7,777,183,000 but greater than $1,946,588,000. Low-cap stocks include deciles 6–8 and currently include all companies in the NYSE/AMEX/NASDAQ with market capitalizations at or below $1,946,588,000 but greater than $626,955,000. Micro-cap stocks include deciles 9–10 and include companies with market capitalizations at or below $626,955,000. The market capitalization of the smallest company included in the micro-capitalization group is currently $2,247,000.

Table 7-2
Size-Decile Portfolios of the NYSE/AMEX/NASDAQ, Largest Company and Its Market Capitalization by Decile
September 30, 2006

Decile	Market Capitalization of Largest Company (in thousands)	Company Name
1-Largest	$371,187,368	Exxon Mobil Corp.
2	16,820,566	EOG Resources Inc.
3	7,777,183	Xcel Energy Inc.
4	4,095,184	First American Corp./CA
5	2,848,771	Scotts Miracle Gro Co.
6	1,946,588	DRS Technologies Inc.
7	1,378,476	ESCO Technologies Inc.
8	976,624	Knoll Inc.
9	626,955	Bandag Inc.
10-Smallest	314,433	M & F Worldwide Corp.

Source: Center for Research in Security Prices, University of Chicago

Presentation of the Decile Data

Summary statistics of annual returns of the 10 deciles over 1926–2006 are presented in Table 7-4. Note from this exhibit that both the average return and the total risk, or standard deviation of annual returns, tend to increase as one moves from the largest decile to the smallest. Furthermore, the serial correlations of returns are near zero for all but the smallest two deciles. Serial correlations and their significance will be discussed in detail later in this chapter.

Graph 7-1 depicts the growth of one dollar invested in each of three NYSE/AMEX/NASDAQ groups broken down into mid-cap, low-cap, and micro-cap stocks. The index value of the entire NYSE/AMEX/NASDAQ is also included. All returns presented are value-weighted based on the market capitalizations of the deciles contained in each subgroup. The sheer magnitude of the size effect in some years is noteworthy. While the largest stocks actually declined 9 percent in 1977, the smallest stocks rose more than 20 percent. A more extreme case occurred in the depression-recovery year of 1933, when the difference between the first and tenth decile returns was far more substantial, with the largest stocks rising 46 percent, and the smallest stocks rising 224 percent. This divergence in the performance of small and large company stocks is a common occurrence.

Table 7-3
Size-Decile Portfolios of the NYSE/AMEX/NASDAQ
Largest and Smallest Company by Size Group

from 1926 to1965

	Capitalization of Largest Company (in thousands)			Capitalization of Smallest Company (in thousands)		
Date (Sept 30)	*Mid-Cap* 3-5	Low-Cap 6-8	Micro-Cap 9-10	Mid-Cap 3-5	Low-Cap 6-8	Micro-Cap 9-10
1926	$61,490	$13,835	$4,263	$13,860	$4,278	$43
1927	$65,078	$14,522	$4,450	$14,664	$4,496	$65
1928	$81,095	$18,788	$5,119	$18,801	$5,170	$135
1929	$103,054	$24,300	$5,850	$24,328	$5,862	$118
1930	$66,750	$12,918	$3,356	$13,050	$3,359	$30
1931	$43,120	$8,142	$1,944	$8,222	$1,946	$15
1932	$12,667	$2,208	$468	$2,223	$469	$19
1933	$40,298	$7,280	$1,875	$7,346	$1,892	$120
1934	$38,019	$6,638	$1,691	$6,669	$1,722	$69
1935	$37,631	$6,549	$1,350	$6,605	$1,383	$38
1936	$46,980	$11,526	$2,800	$11,563	$2,801	$98
1937	$51,750	$13,635	$3,563	$13,793	$3,600	$68
1938	$36,102	$8,372	$2,195	$8,400	$2,200	$60
1939	$35,409	$7,478	$1,854	$7,500	$1,860	$75
1940	$30,930	$8,007	$1,872	$8,130	$1,929	$51
1941	$31,398	$8,336	$2,087	$8,357	$2,100	$72
1942	$26,037	$6,870	$1,778	$6,875	$1,788	$82
1943	$42,721	$11,403	$3,847	$11,475	$3,903	$395
1944	$46,221	$13,066	$4,812	$13,068	$4,820	$309
1945	$55,268	$17,575	$6,428	$17,584	$6,466	$225
1946	$77,784	$24,192	$10,149	$24,199	$10,168	$829
1947	$57,942	$17,735	$6,380	$17,872	$6,410	$747
1948	$67,238	$19,632	$7,329	$19,651	$7,348	$784
1949	$56,082	$14,549	$5,108	$14,577	$5,112	$379
1950	$66,143	$18,675	$6,225	$18,700	$6,243	$303
1951	$82,517	$22,750	$7,598	$22,860	$7,600	$668
1952	$97,936	$25,452	$8,480	$25,532	$8,551	$480
1953	$98,595	$25,374	$8,168	$25,395	$8,177	$459
1954	$125,834	$29,707	$8,488	$29,791	$8,502	$463
1955	$170,829	$41,681	$12,444	$41,861	$12,524	$553
1956	$183,792	$46,886	$13,623	$47,103	$13,659	$1,122
1957	$194,300	$47,658	$13,848	$48,509	$13,950	$925
1958	$195,536	$46,774	$13,816	$46,871	$14,015	$550
1959	$256,283	$64,110	$19,548	$64,221	$19,701	$1,604
1960	$252,292	$61,529	$19,344	$61,596	$19,385	$831
1961	$301,464	$77,996	$23,562	$78,976	$23,613	$2,455
1962	$250,786	$58,785	$18,744	$58,866	$18,952	$1,018
1963	$308,903	$71,846	$23,927	$71,971	$24,056	$296
1964	$349,675	$79,508	$25,595	$79,937	$25,607	$223
1965	$365,675	$84,600	$28,483	$85,065	$28,543	$250

Source: Center for Research in Security Prices, University of Chicago.

Table 7-3 (continued)
Size-Decile Portfolios of the NYSE/AMEX/NASDAQ
Largest and Smallest Company by Size Group

from 1966 to 2006

	Capitalization of Largest Company (in thousands)			Capitalization of Smallest Company (in thousands)		
Date (Sept 30)	Mid-Cap 3-5	Low-Cap 6-8	Micro-Cap 9-10	Mid-Cap 3-5	Low-Cap 6-8	Micro-Cap 9-10
1966	$403,137	$99,960	$34,884	$100,107	$34,966	$381
1967	$459,438	$118,988	$42,188	$119,635	$42,237	$381
1968	$531,306	$150,893	$60,543	$151,260	$60,719	$592
1969	$518,485	$146,792	$54,353	$147,311	$54,503	$2,119
1970	$382,884	$94,754	$29,916	$94,845	$29,932	$822
1971	$551,690	$147,426	$45,570	$147,810	$45,571	$865
1972	$557,181	$143,835	$46,728	$144,263	$46,757	$1,031
1973	$431,354	$96,699	$29,352	$96,710	$29,430	$561
1974	$356,876	$79,878	$23,355	$80,280	$23,400	$444
1975	$477,054	$102,313	$30,353	$103,283	$30,394	$540
1976	$566,296	$121,717	$34,864	$121,992	$34,901	$564
1977	$584,577	$139,196	$40,700	$139,620	$40,765	$513
1978	$580,881	$164,093	$47,927	$164,455	$48,038	$830
1979	$665,019	$177,378	$51,197	$177,769	$51,274	$948
1980	$762,195	$199,312	$50,496	$199,315	$50,544	$549
1981	$962,397	$264,690	$72,104	$264,783	$72,450	$1,446
1962	$770,517	$210,301	$55,336	$210,630	$55,423	$1,060
1983	$1,209,911	$353,889	$104,382	$356,238	$104,588	$2,025
1984	$1,075,436	$315,965	$91,004	$316,103	$91,195	$2,093
1985	$1,440,436	$370,224	$94,875	$370,729	$94,887	$760
1986	$1,857,621	$449,015	$110,617	$449,462	$110,953	$706
1987	$2,059,143	$468,948	$113,419	$470,662	$113,430	$1,277
1988	$1,957,926	$421,340	$94,449	$421,675	$94,573	$696
1989	$2,145,947	$480,975	$100,285	$483,623	$100,384	$96
1990	$2,171,217	$474,065	$93,750	$474,477	$93,790	$132
1991	$2,129,863	$457,958	$87,586	$458,853	$87,733	$278
1992	$2,428,671	$500,327	$103,352	$500,346	$103,500	$510
1993	$2,705,192	$603,588	$137,105	$607,449	$137,137	$602
1994	$2,470,244	$596,059	$148,104	$597,975	$148,216	$598
1995	$2,789,938	$647,210	$155,386	$647,253	$155,532	$89
1996	$3,142,657	$751,316	$193,001	$751,680	$193,016	$1,043
1997	$3,484,440	$813,923	$228,900	$814,355	$229,058	$585
1998	$4,216,707	$925,688	$252,553	$926,215	$253,031	$1,671
1999	$4,251,741	$875,309	$220,397	$875,582	$220,456	$1,502
2000	$4,143,902	$840,000	$192,083	$840,730	$192,439	$1,393
2001	$5,156,315	$1,108,224	$265,734	$1,108,969	$265,736	$443
2002	$4,930,326	$1,116,525	$308,980	$1,124,331	$309,245	$501
2003	$4,744,580	$1,163,369	$329,060	$1,163,423	$329,529	$332
2004	$6,241,953	$1,607,854	$505,437	$1,607,931	$506,410	$1,393
2005	$7,187,244	$1,728,888	$586,393	$1,729,364	$587,243	$1,079
2006	$7,777,183	$1,946,588	$626,955	$1,947,240	$627,017	$2,247

Source: Center for Research in Security Prices, University of Chicago.

Table 7-4
Size-Decile Portfolios of the NYSE/AMEX/NASDAQ, Summary Statistics of Annual Returns
1926–2006

Decile	Geometric Mean	Arithmetic Mean	Standard Deviation	Serial Correlation
1-Largest	9.6	11.3	19.06	0.09
2	11.0	13.3	21.72	0.03
3	11.3	13.8	23.51	–0.02
4	11.3	14.3	25.78	–0.02
5	11.7	14.9	26.61	–0.02
6	11.8	15.3	27.67	0.04
7	11.7	15.6	29.80	0.01
8	11.9	16.6	33.27	0.04
9	12.1	17.5	35.31	0.05
10-Smallest	14.0	21.6	45.16	0.15
Mid-Cap, 3–5	11.4	14.2	24.59	–0.02
Low-Cap, 6–8	11.8	15.7	29.34	0.03
Micro-Cap, 9–10	12.8	18.8	38.92	0.08
NYSE/AMEX/NASDAQ Total Value-Weighted Index	10.1	12.1	20.08	0.03

Source: Center for Research in Security Prices, University of Chicago.

Aspects of the Firm Size Effect

The firm size phenomenon is remarkable in several ways. First, the greater risk of small stocks does not, in the context of the capital asset pricing model (CAPM), fully account for their higher returns over the long term. In the CAPM only systematic, or beta risk, is rewarded; small company stocks have had returns in excess of those implied by their betas.

Second, the calendar annual return differences between small and large companies are serially correlated. This suggests that past annual returns may be of some value in predicting future annual returns. Such serial correlation, or autocorrelation, is practically unknown in the market for large stocks and in most other equity markets but is evident in the size premia.

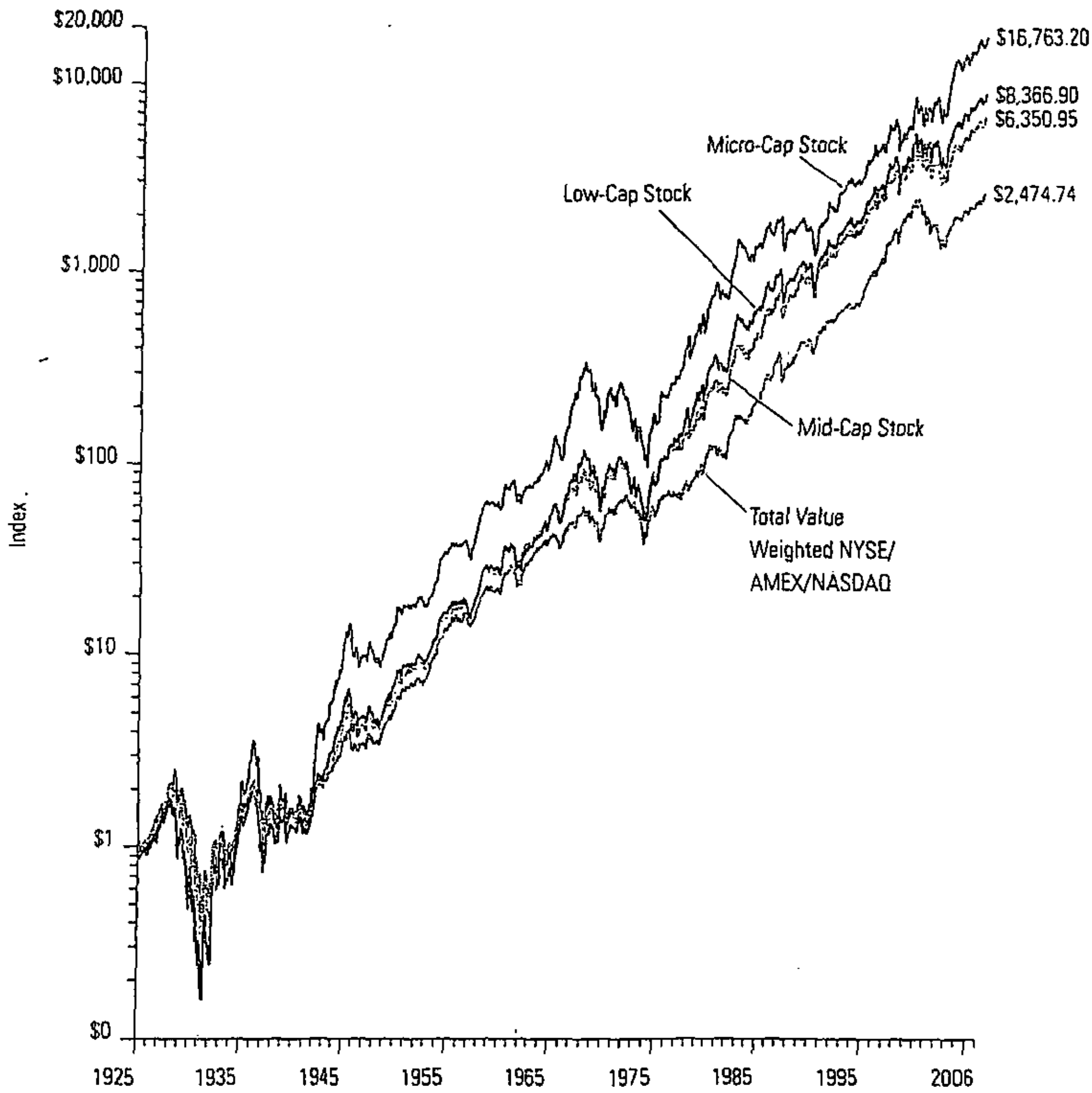
Third, the firm size effect is seasonal. For example, small company stocks outperformed large company stocks in the month of January in a large majority of the years. Such predictability is surprising and suspicious in light of modern capital market theory. These three aspects of the firm size effect—long-term returns in excess of systematic risk, serial correlation, and seasonality—will be analyzed thoroughly in the following sections.

Graph 7-1

Size-Decile Portfolios of the NYSE/AMEX/NASDAQ: Wealth Indices of Investments in Mid-, Low-, Micro- and Total Capitalization Stocks

Year-end 1925 = $1.00

1925–2006



Source: Center for Research in Security Prices, University of Chicago.

Long-Term Returns in Excess of Systematic Risk

The capital asset pricing model (CAPM) does not fully account for the higher returns of small company stocks. Table 7-5 shows the returns in excess of systematic risk over the past 81 years for each decile of the NYSE/AMEX/NASDAQ. Recall that the CAPM is expressed as follows:

$$k_s = r_f + (\beta_s \times ERP)$$

Table 7-5 uses the CAPM to estimate the return in excess of the riskless rate and compares this estimate to historical performance. According to the CAPM, the expected return on a security should consist of the riskless rate plus an additional return to compensate for the systematic risk of the security. The return in excess of the riskless rate is estimated in the context of the CAPM by multiplying the equity risk premium by β (beta). The equity risk premium is the return that compensates investors for taking on risk equal to the risk of the market as a whole (systematic risk).[2] Beta measures the extent to which a security or portfolio is exposed to systematic risk.[3] The beta of each decile indicates the degree to which the decile's return moves with that of the overall market.

A beta greater than one indicates that the security or portfolio has greater systematic risk than the market; according to the CAPM equation, investors are compensated for taking on this additional risk. Yet, Table 7-5 *illustrates that the smaller deciles have had returns that are not fully explained by their* higher betas. This return in excess of that predicted by CAPM increases as one moves from the largest companies in decile 1 to the smallest in decile 10. The excess return is especially pronounced for micro-cap stocks (deciles 9–10). This size-related phenomenon has prompted a revision to the CAPM, which includes a size premium. Chapter 4 presents this modified CAPM theory and its application in more detail.

This phenomenon can also be viewed graphically, as depicted in the Graph 7-2. The security market line is based on the pure CAPM without adjustment for the size premium. Based on the risk (or beta) of a security, the expected return lies on the security market line. However, the actual historic returns for the smaller deciles of the NYSE/AMEX/NASDAQ lie above the line, indicating that these deciles have had returns in excess of that which is appropriate for their systematic risk.

2 The equity risk premium is estimated by the 81-year arithmetic mean return on large company stocks, 12.34 percent, less the 81-year arithmetic mean income-return component of 20-year government bonds as the historical riskless rate, in this case 5.21 percent. (It is appropriate, however, to match the maturity, or duration, of the riskless asset with the investment horizon.) See Chapter 5 for more detail on equity risk premium estimation.

3 Historical betas were calculated using a simple regression of the monthly portfolio (decile) total returns in excess of the 30-day U.S. Treasury bill total returns versus the S&P 500 total returns in excess of the 30-day U.S. Treasury bill, January 1926–December 2006. See Chapter 6 for more detail on beta estimation.

Table 7-5
Long-Term Returns in Excess of CAPM Estimation for Decile Portfolios of the NYSE/AMEX/NASDAQ
1926–2006

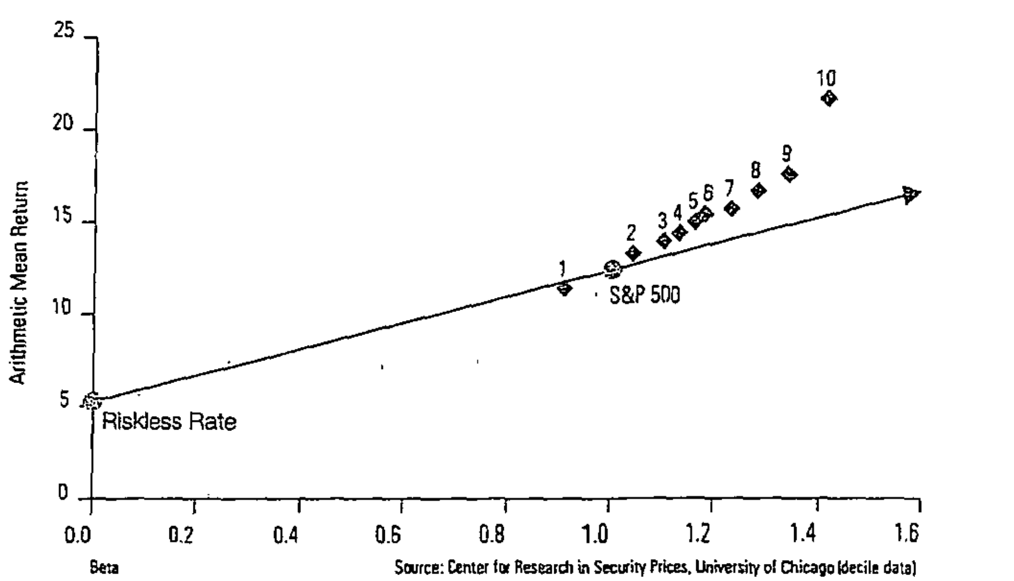
Decile	Beta*	Arithmetic Mean Return	Realized Return in Excess of Riskless Rate**	Estimated Return in Excess of Riskless Rate†	Size Premium (Return in Excess of CAPM)
1-Largest	0.91	11.35%	6.13%	6.49%	-0.36%
2	1.04	13.25%	8.04%	7.39%	0.65%
3	1.10	13.85%	8.64%	7.82%	0.81%
4	1.13	14.28%	9.07%	8.04%	1.03%
5	1.16	14.92%	9.71%	8.26%	1.45%
6	1.18	15.33%	10.11%	8.45%	1.67%
7	1.23	15.63%	10.42%	8.80%	1.62%
8	1.28	16.61%	11.39%	9.12%	2.28%
9	1.34	17.48%	12.27%	9.57%	2.70%
10-Smallest	1.41	21.57%	16.36%	10.09%	6.27%
Mid-Cap, 3-5	1.12	14.15%	8.94%	7.97%	0.97%
Low-Cap, 6-8	1.22	15.67%	10.46%	8.70%	1.76%
Micro-Cap, 9-10	1.36	18.77%	13.56%	9.68%	3.88%

*Betas are estimated from monthly portfolio total returns in excess of the 30-day U.S. Treasury bill total return versus the S&P 500 total returns in excess of the 30-day U.S. Treasury bill, January 1926–December 2006.

**Historical riskless rate is measured by the 81-year arithmetic mean income return component of 20-year government bonds (5.21 percent)

†Calculated in the context of the CAPM by multiplying the equity risk premium by beta. The equity risk premium is estimated by the arithmetic mean total return of the S&P 500 (12.34 percent) minus the arithmetic mean income return component of 20-year government bonds (5.21 percent) from 1926–2006.

Graph 7-2
Security Market Line versus Size-Decile Portfolios of the NYSE/AMEX/NASDAQ
1926–2006



Source: Center for Research in Security Prices, University of Chicago (decile data)

Further Analysis of the 10th Decile

The size premia presented thus far do a great deal to explain the return due solely to size in publicly traded companies. However, by splitting the 10th decile into two size groupings we can get a closer look at the smallest companies. This magnification of the smallest companies will demonstrate whether the company size to size premia relationship continues to hold true.

As previously discussed, the method for determining the size groupings for size premia analysis was to take the stocks traded on the NYSE and break them up into 10 deciles, after which stocks traded on the AMEX and NASDAQ were allocated into the same size groupings. This same methodology was used to split the 10th decile into two parts: 10a and 10b, with 10b being the smaller of the two. This is equivalent to breaking the stocks down into 20 size groupings, with portfolios 19 and 20 representing 10a and 10b.

Table 7-7 shows that the pattern continues; as companies get smaller their size premium increases. There is a noticeable increase in size premium from 10a to 10b, which can also be demonstrated visually in Graph 7-3. This can be useful in valuing companies that are extremely small. Table 7-6 presents the size, composition, and breakpoints of deciles 10a and 10b. First, the recent number of companies and total decile market capitalization are presented. Then the largest company and its market capitalization are presented.

Breaking the smallest decile down lowers the significance of the results compared to results for the 10th decile taken as a whole, however. The same holds true for comparing the 10th decile with the Micro-Cap aggregation of the 9th and 10th deciles. The more stocks included in a sample the more significance can be placed on the results. While this is not as much of a factor with the recent years of data, these size premia are constructed with data back to 1926. By breaking the 10th decile down into smaller components we have cut the number of stocks included in each grouping. The change over time of the number of stocks included in the 10th decile for the NYSE/AMEX/NASDAQ is presented in Table 7-8. With fewer stocks included in the analysis early on, there is a strong possibility that just a few stocks can dominate the returns for those early years.

While the number of companies included in the 10th decile for the early years of our analysis is low, it is not too low to still draw meaningful results even when broken down into subdivisions 10a and 10b. All things considered, size premia developed for deciles 10a and 10b are significant and can be used in cost of capital analysis. These size premia should greatly enhance the development of cost of capital analysis for very small companies.

Table 7-6
Size-Decile Portfolios 10a and 10b of the NYSE/AMEX/NASDAQ, Largest Company and Its Market Capitalization
September 30, 2006

Decile	Recent Number of Companies	*Recent Decile* Market Capitalization (in thousands)	*Market Capitalization* of Largest Company (in thousands)	Company Name
10a	511	124,268,473	314,433	M & F Worldwide Corp.
10b	1,237	103,630,389	173,439	Great Lakes Bancorp Inc. New

Note: These numbers may not aggregate to equal decile 10 figures.
Source: Center for Research in Security Prices, University of Chicago

Table 7-7

Long-Term Returns in Excess of CAPM Estimation for Decile Portfolios of the NYSE/AMEX/NASDAQ, with 10th Decile Split

1926–2006

	*Beta**	Arithmetic Mean *Return*	Realized Return in Excess of *Riskless Rate***	Estimated Return in Excess of *Riskless Rate†*	Size Premium (Return in Excess of *CAPM)*
1-Largest	0.91	11.35%	6.13%	6.49%	–0.36%
2	1.04	13.25%	8.04%	7.39%	0.65%
3	1.10	13.85%	8.64%	7.82%	0.81%
4	1.13	14.28%	9.07%	8.04%	1.03%
5	1.16	14.92%	9.71%	8.26%	1.45%
6	1.18	15.33%	10.11%	8.45%	1.67%
7	1.23	15.63%	10.42%	8.80%	1.62%
8	1.28	16.61%	11.39%	9.12%	2.28%
9	1.34	17.48%	12.27%	9.57%	2.70%
10a	1.43	19.74%	14.53%	10.17%	4.35%
10b-Smallest	1.39	24.78%	19.57%	9.89%	9.68%
Mid-Cap, 3-5	1.12	14.15%	8.94%	7.97%	0.97%
Low-Cap, 6-8	1.22	15.67%	10.46%	8.70%	1.76%
Micro-Cap, 9-10	1.36	18.77%	13.56%	9.68%	3.88%

*Betas are estimated from monthly portfolio total returns in excess of the 30-day U.S. Treasury bill total return versus the S&P 500 total returns *in excess of the 30-day U.S. Treasury bill, January 1926–December 2006*.

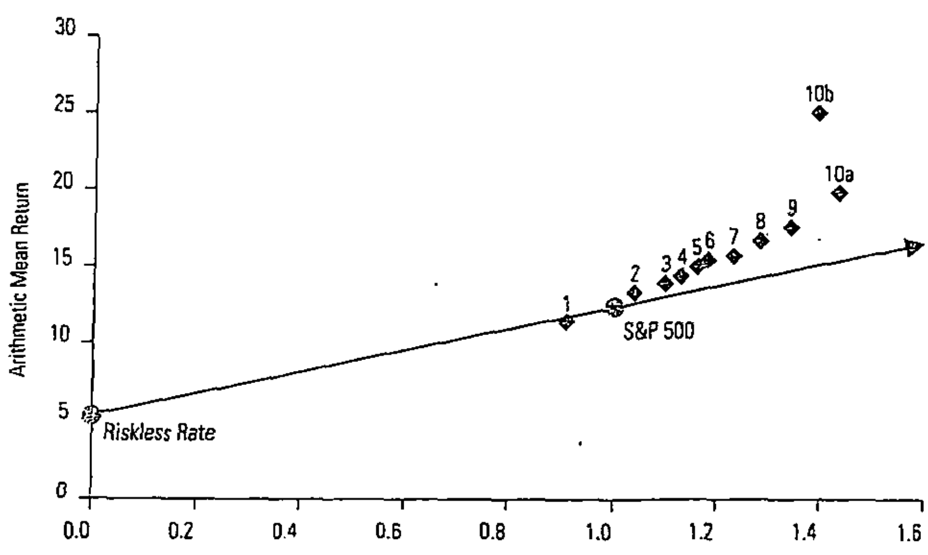
**Historical riskless rate is measured by the 81-year arithmetic mean income return component of 20-year government bonds (5.21 percent).

†Calculated in the context of the CAPM by multiplying the equity risk premium by beta. The equity risk premium is estimated by the arithmetic mean total return of the S&P 500 (12.34 percent) minus the arithmetic mean income return component of 20-year government bonds (5.21 percent) from 1926–2006.

Graph 7-3

Security Market Line versus Size-Decile Portfolios of the NYSE/AMEX/NASDAQ, with 10th Decile Split

1926-2006



Source: Center for Research in Security Prices, University of Chicago (decile data)

Table 7-8
Historical Number of Companies for NYSE/AMEX/NASDAQ Decile 10

Sept.	Number of Companies
1926	52*
1930	72
1940	78
1950	100
1960	109
1970	865
1980	685
1990	1,814
2000	1,927
2005	1,746
2006	1,744

*The fewest number of companies was 49 in March, 1926

Source: Center for Research in Security Prices, University of Chicago.

Alternative Methods of Calculating the Size Premia

The size premia estimation method presented above makes several assumptions with respect to the market benchmark and the measurement of beta. The impact of these assumptions can best be examined by looking at some alternatives. In this section we will examine the impact on the size premia of using a different market benchmark for estimating the equity risk premia and beta. We will also examine the effect on the size premia study of using sum beta or an annual beta.[4]

Changing the Market Benchmark

In the original size premia study, the S&P 500 is used as the market benchmark in the calculation of the realized historical equity risk premium and of each size group's beta. The NYSE total value-weighted index is a common alternative market benchmark used to calculate beta. Table 7-9 uses this market benchmark in the calculation of beta. In order to isolate the size effect, we require an equity risk premium based on a large company stock benchmark. The NYSE deciles 1–2 large company index offers a mutually exclusive set of portfolios for the analysis of the smaller company groups: mid-cap deciles 3–5, low-cap deciles 6–8, and micro-cap deciles 9–10. The size premia analyses using these benchmarks are summarized in Table 7-9 and depicted graphically in Graph 7-4.

For the entire period analyzed, 1926–2006, the betas obtained using the NYSE total value-weighted index are higher than those obtained using the S&P 500. Since smaller companies had higher betas using the NYSE benchmark, one would expect the size premia to shrink. However, as was illustrated in Chapter 5, the equity risk premium calculated using the NYSE deciles 1–2 benchmark results in a value of 6.41, as opposed to 7.13 when using the S&P 500. The effect of the higher betas and lower equity risk premium cancel each other out, and the resulting size premia in Table 7-9 are slightly higher than those resulting from the original study.

4 Sum beta is the method of beta estimation described in Chapter 6 that was developed to better account for the lagged reaction of small stocks to market movements. The sum beta methodology was developed for the same reason that the size premia were developed; small company betas were too small to account for all of their excess returns.

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Utilities

The utilities rating methodology encompasses two basic components: business risk analysis and financial analysis. Evaluation of industry characteristics, the utility's position within that industry, its regulation, and its management provides the context for assessing a firm's financial condition.

Historical analysis is a tool for identifying strengths and weaknesses, and provides a starting point for evaluating financial condition. Business position assessment is the qualitative measure of a utility's fundamental creditworthiness. It focuses on the forces that will shape the utilities' future.

Utilities credit analysis factors

Business risk	Financial risk
• Markets and service area economy	• Earnings protection
• Competitive position	• Capital structure
• Operations	• Cash flow adequacy
• Regulation	• Financial flexibility/capital attraction
• Management	
• Fuel, power, and water supply	
• Asset concentration	

The credit analysis of utilities is quickly evolving, as utilities are treated less as regulated monopolies and more as entities faced with a host of challengers in a competitive environment. Marketplace dynamics are supplanting the power of regulation, making it critically important to reduce costs and/or market new services in order to thwart competitors' inroads.

Markets and service area economy

Assessing service territory begins with the economic and demographic evaluation of the area in which the utility has its franchise. Strength of long-term demand for the product is examined from a macroeconomic perspective. This enables Standard & Poor's to evaluate the affordability of rates and the staying power of demand.

Standard & Poor's tries to discern any secular consumption trends and, more importantly, the reasons for them. Specific items examined include the size and growth rate of the market, strength of the franchise, historical and projected sales growth, income levels and trends in population, employment, and per capita income. A utility with a healthy economy and customer base—as illustrated by diverse employment opportunities, average or above-average wealth and income statistics, and low unemployment—will have a greater capacity to support its operations.

For electric and gas utilities, distribution by customer class is scrutinized to assess the depth and diversity of the utility's customer mix. For example, heavy industrial concentration is viewed cautiously, since a utility may have significant exposure to cyclical volatility. Alternatively, a large residential component yields a stable and more predictable revenue stream. The largest utility customers are identified to determine their importance to the bottom line and assess the risk of their loss and potential adverse effect on the utility's financial position. Credit concerns arise when individual customers represent more than 5% of revenues. The company or industry may play a significant role in the overall economic base of the service area. Moreover, large customers may turn to cogeneration or alternative power supplies to meet their energy needs, potentially leading to reduced cash flow for the utility (even in cases where a large customer pays discounted rates and is not a profitable account for the utility). Customer concentration is less significant for water and telecommunication utilities.

Competitive position

As competitive pressures have intensified in the utilities industry, Standard & Poor's analysis has deepened to include a more thorough review of competitive position.

Electric utility competition

For electric utilities, competitive factors examined include: percentage of firm wholesale revenues that are most vulnerable to competition; industrial load concentration; exposure of key customers to alternative suppliers; commercial concentrations; rates for various customer classes; rate design and flexibility; production costs, both marginal and fixed; the regional capacity situation; and transmission constraints. A regional focus is evident, but high costs and rates relative to national averages are also of significant concern because of the potential for electricity substitutes over time.

Mounting competition in the electric utility industry derives from excess generating capacity, lower barriers to entering the electric generating business, and marginal costs that are below embedded costs. Standard & Poor's has already witnessed declining prices in wholesale markets, as *de facto* retail competition is already being seen in several parts of the country. Standard & Poor's believes that over the coming years more and more customers will want and demand lower prices. Initial concerns focus on the largest industrial loads, but other customer classes will be increasingly vulnerable. Competition will not necessarily be driven by legislation. Other pressures will arise from global competition and improving technologies, whether it be the declining cost of incremental generation or advances in transmission capacity or substitute energy sources like the fuel cell. It is impossible to say precisely when wide-open retail competition will occur; this will be evolutionary. However, significantly greater competition in retail markets is inevitable.

Gas utility competition

Similarly, gas utilities are analyzed with regard to their competitive standing in the three major areas of demand: residential, commercial, and industrial. Although regulated as holders of monopoly power, natural gas utilities have for some time been actively competing for energy market share with fuel oil, electricity, coal, solar, wood, etc. The long-term staying power of market demand for natural gas cannot be taken for granted. In fact, as the electric utility industry restructures and reduces costs, electric power will become more cost competitive and threaten certain gas markets. In addition, independent gas marketers have made greater inroads behind the city gate and are competing for large gas users. Moreover, the recent trend by state regulators to unbundle utility services is creating opportunities for outsiders to market niche products. Distributors still have the upper hand, but those who do not reduce and control costs, and thus rates, could find competition even more difficult.

Natural gas pipelines are judged to carry a somewhat higher business risk than distribution companies because they face competition in every one of their markets. To the extent a pipeline serves utilities versus industrial end users, its stability is greater. Over the next five years, pipeline competition will heat up since many service contracts with customers are expiring. Most distributor or end-use customers are looking to reduce pipeline costs and are working to improve their load factor to do so. Thus, pipelines will likely find it difficult to recontract all capacity in coming years. Being the pipeline of choice is a function of attractive transportation rates, diversity and quality of services provided, and capacity available in each particular market. In all cases though, periodic discounting of rates to retain customers will occur and put pressure on profitability.

Water utility competition

As the last true utility monopoly, water utilities face very little competition and there is currently no challenge to the continuation of franchise areas. The only exceptions have been cases where investor-owned water companies have been subject to condemnation and municipalization because of poor service or political motivations. In that regard, Standard & Poor's pays close attention to costs and rates in relation to neighboring utilities and national averages. (In contrast, the privatization of public water facilities has begun, albeit at a slower pace than anticipated. This is occurring mostly in the form of operating contracts and public/private partnerships, and not in asset transfers. This trend should continue as cities look for ways to balance their tight budgets.) Also, water utilities are not fully immune to the forces of competition: in a few instances wholesale customers can access more than one supplier.

Telephone competition

The Telecommunications Act of 1996 accelerates the continuing challenge to the local exchange companies' (LECs) century-old monopoly in the local loop. Competitive access providers (CAPs), both facilities-based and resellers, are aggressively pursuing customers, generally targeting metropolitan areas, and promising lower rates and better service.

Most long-distance calls are still originated and terminated on the local telephone company network. To complete such a call, the long-distance provider (including AT&T, MCI, Sprint and a host of smaller interexchange carriers or "IXCs") must pay the local telephone company a steep "access" fee to compensate the local phone company for the use of its local network. CAPs, in contrast, build or lease facilities that directly connect customers to their long-distance carrier, bypassing the local telephone company and avoiding access fees, and thereby can offer lower long-distance rates. But the LECs are not standing still; they are combating the loss of business to CAPs by lowering access fees, thereby reducing the economic incentive for a high usage long-distance customer to use a CAP. LECs are attempting to make up for the loss of revenues from lower access fees by increasing basic local service rates (or at least not lowering them), since basic service is far less subject to competition. LECs are improving operating efficiency and marketing high margin, value-added new services. Additionally, in the wake of the Telecommunications Act, LECs will capture at least some of the inter-LATA long-distance market. As a result of these initiatives, LECs continue to rebuild themselves—from the traditional utility monopoly to leaner, more marketing oriented organizations.

While LECs, and indeed all segments of the telecommunications sector, face increasing competition, there are favorable industry factors that tend to offset heightened business risk and auger for overall ratings stability for most LECs. Importantly, telecommunications is a declining-cost business. With increased deployment of fiber optics, the cost of transport has fallen dramatically and digital switching hardware and software have yielded more capable, trouble-free and cost-efficient networks. As a result, the cost of network maintenance has dropped sharply, as illustrated by the ratio of employees per 10,000 access lines, an oft cited measurement of efficiency. Ratios as low as 25 employees per 10,000 lines are being seen, down from the typical 40 or more employees per 10,000 ratio of only a few years ago.

In addition, networks are far more capable. They are increasingly digitally switched and able to accommodate high-speed communications. The infrastructure needed to accommodate switched broadband services will be built into telephone networks over the next few years. These advanced networks will enable telephone companies to look to a greater variety of high-margin, value-added services. In addition to those current services such as call waiting or caller ID, the delivery of hundreds of broadcast and interactive video channels will be possible. While these services offer the potential of new revenue streams, they will simultaneously present a formidable challenge. LECs will be entering the new (to them) arena of multimedia entertainment and will have to develop expertise in marketing and entertainment programming acumen: such skills stand in sharp contrast to LECs' traditional strengths in engineering and customer service.

Operations

Standard & Poor's focuses on the nature of operations from the perspective of cost, reliability, and quality of service. Here, emphasis is placed on those areas that require management attention in terms of time or money and which, if unresolved, may lead to political, regulatory, or competitive problems.

Operations of electric utilities

For electrics, the status of utility plant investment is reviewed with regard to generating plant availability and utilization, and also for compliance with existing and contemplated environmental and other regulatory standards. The record of plant outages, equivalent availability, load factors, heat rates, and capacity factors are examined. Also important is efficiency, as defined by total megawatt hour per employee and customers per employee. Transmission interconnections are evaluated in terms of the number of utilities to which the utility in question has access, the cost structures and available generating capacity of these other utilities, and the price paid for wholesale power.

Because of mounting competition and the substantial escalation in decommissioning estimates, significant weight is given to the operation of nuclear facilities. Nuclear plants are becoming more vulnerable to high production costs that make their rates uneconomic. Significant asset concentration may expose the utility to poor performance, unscheduled outages or premature shutdowns, and large deferrals or regulatory assets that may need to be written off for the utility to remain competitive. Also, nuclear facilities tend to represent significant portions of their operators' generating capability and assets. The loss of a productive nuclear unit from both power supply and rate base can interrupt the revenue stream and create substantial additional costs for repairs and improvements and replacement power. The ability to keep these stations running smoothly and economically directly influences the ability to meet electric demand, the stability of revenues and costs, and, by extension, the ability to maintain adequate creditworthiness. Thus, economic operation, safe operation, and long-term operation are examined in depth. Specifically, emphasis is placed on operation and maintenance costs, busbar costs, fuel costs, refueling outages, forced outages, plant statistics, NRC evaluations, the potential need for repairs, operating licenses, decommissioning estimates and amounts held in external trusts, spent fuel storage capacity, and management's nuclear experience. In essence, favorable nuclear operations offer significant opportunities but, if a nuclear unit runs poorly or not at all, the attendant risks can be great.

Operations of gas utilities

For gas pipeline and distribution companies, the degree of plant utilization, the physical condition of the mains and lines, adequacy of storage to meet seasonal needs, "lost and unaccounted for" gas levels, and per-unit nongas operating and construction costs are important factors. Efficiency statistics such as load factor, operating costs per customer, and operating income per employee are also evaluated in comparison to other utilities and the industry as a whole.

Operations of water utilities

As a group, water utilities are continually upgrading their physical plant to satisfy regulations and to develop additional supply. Over the next decade, water systems will increasingly face the task of maintaining compliance, as drinking water regulations change and infrastructure ages. Given that the Safe Drinking Water Act was authorized in 1974, the first generation of treatment plants built to conform with these rules are almost 20 years old. Additionally, because the focus during this period was on satisfying environmental standards, deferred maintenance of distribution systems has been common, especially in older urban areas. The increasing cost of supplying treated water argues against the high level of unaccounted for water witnessed in the industry. Consequently, Standard & Poor's anticipates capital plans for rebuilding distribution lines and major renewal and replacement efforts aimed at treatment plants.

Operations of telephone companies

For telephone companies, cost-of-service analysis focuses on plant capability and measures of efficiency and quality of service. Plant capability is ascertained by looking at such parameters as percentage of digitally switched lines; fiber optic deployment, in particular in those portions of the plant key to network survival; and the degree of broadband capacity fiber and coaxial deployment and broadband switching capacity. Efficiency measures include operating margins, the ratio of employees per 10,000 access lines, and the extent of network and operations consolidation. Quality of service encompasses examination of quantitative measures, such as trouble reports and repeat service calls, as well as an assessment of qualitative factors, that may include service quality goals mandated by regulators.

Regulation

Regulatory rate-setting actions are reviewed on a case-by-case basis with regard to the potential effect on creditworthiness. Regulators' authorizing high rates of return is of little value unless the returns are earnable. Furthermore, allowing high returns based on noncash items does not benefit bondholders. Also, to be viewed positively, regulatory treatment should allow consistent performance from period to period, given the importance of financial stability as a rating consideration.

The utility group meets frequently with commission and staff members, both at Standard & Poor's offices and at commission headquarters, demonstrating the importance Standard & Poor's places on the regulatory arena for credit quality evaluation. Input from these meetings and from review of rate orders and their impact weigh heavily in Standard & Poor's analysis.

Standard & Poor's does not "rate" regulatory commissions. State commissions typically regulate a number of diverse industries, and regulatory approaches to different types of companies often differ within a single regulatory jurisdiction. This makes it all but impossible to develop inclusive "ratings" for regulators.

Standard & Poor's evaluation of regulation also encompasses the administrative, judicial, and legislative processes involved in state and federal regulation. These can affect rate-setting activities and other aspects of the business, such as competitive entry, environmental and safety rules, facility siting, and securities sales.

As the utility industry faces an increasingly deregulated environment, alternatives to traditional rate-making are becoming more critical to the ability of utilities to effectively compete, maintain earnings power, and sustain creditor protection. Thus, Standard & Poor's focuses on whether regulators, both state and federal, will help or hinder utilities as they are exposed to greater competition. There is much that regulators can do, from allocating costs to more captive customers to allowing pricing flexibility—and sometimes just stepping out of the way.

Under traditional rate-making, rates and earnings are tied to the amount of invested capital and the cost of capital. This can sometimes reward companies more for justifying costs than for containing them. Moreover, most current regulatory policies do not permit utilities to be flexible when responding to competitive pressures of a deregulated market. Lack of flexible tariffs for electric utilities may lure large customers to wheel cheaper power from other sources.

In general, a regulatory jurisdiction is viewed favorably if it permits earning a return based on the ability to sustain rates at competitive levels. In addition to performance-based rewards or penalties, flexible plans could include market-based rates, price caps, index-based prices, and rates premised on the value of customer service. Such rates more closely mirror the competitive environment that utilities are confronting.

Electric industry regulation

The ability to enter into long-term arrangements at negotiated rates without having to seek regulatory approval for each contract is also important in the electric industry. (While contracting at reduced rates constrains financial performance, it lessens the potential adverse impact in the event of retail wheeling. Since revenue losses associated with this strategy are not likely to be recovered from ratepayers, utilities must control costs well enough to remain competitive if they are to sustain current levels of bondholder protection.)

Natural gas industry regulation

In the gas industry, too, several state commission policies weigh heavily in the evaluation of regulatory support. Examples include stabilization mechanisms to adjust revenues for changes in weather or the economy, rate and service unbundling decisions, revenue and cost allocation between sales and transportation customers, flexible industrial rates, and the general supportiveness of construction costs and gas purchases.

Water industry regulation

In all water utility activities, federal and state environmental regulations continue to play a critical role. The legislative timetable to effect the 1986 amendments to the Safe Drinking Water Act of 1974 was quite aggressive. But environmental standards-setting has actually slowed over the past couple of years due largely to increasing sentiment that the stringent, costly standards have not been justified on the basis of public health. A moratorium on the promulgation of significant new environmental rules is anticipated.

Telecommunications industry regulation

Despite the advances in telecommunications deregulation, analysis of regulation of telephone operators will continue to be a key rating determinant for the foreseeable future. The method of regulation may be either classic rate-based rate of return or some form of price cap mechanism. The most important factor is to assess whether the regulatory framework—no matter which type—provides sufficient financial incentive to encourage the rated company to maintain its quality of service and to upgrade its plant to accommodate new services while facing increasing competition from wireless operators and cable television companies.

Where regulators do still set tariffs based on an authorized return, Standard & Poor's strives to explore with regulators their view of the rate-of-return components that can materially impact reported versus regulatory earnings. Specifically these include the allowable base upon which the authorized return can be earned, allowable expenses, and the authorized return. Since regulatory oversight runs the gamut from strict, adversarial relationships with the regulated operating companies to highly supportive postures, Standard & Poor's probes beyond the apparent regulatory environment to ascertain the actual impact of regulation on the rated company.

Management

Evaluating the management of a utility is of paramount importance to the analytical process since management's abilities and decisions affect all areas of a company's operations. While regulation, the economy, and other outside factors can influence results, it is ultimately the quality of management that determines the success of a company.

With emerging competition, utility management will be more closely scrutinized by Standard & Poor's and will become an increasingly critical component of the credit evaluation. Management strategies can be the key determinant in differentiating utilities and in establishing where companies lie on the business position spectrum. It is imperative that managements be adaptable, aggressive, and proactive if their utilities are to be viable in the future; this is especially important for utilities that are currently uncompetitive.

The assessment of management is accomplished through meetings, conversations, and reviews of company plans. It is based on such factors as tenure, industry experience, grasp of industry issues, knowledge of customers and their needs, knowledge of competitors, accounting and financing practices, and commitment to credit quality. Management's ability and willingness to develop workable strategies to address their systems' needs, to deal with the competitive pressures of free market, to execute reasonable and effective long-term plans, and to be proactive in leading their utilities into the future are assessed. Management quality is also indicated by thoughtful balancing of public and private priorities, a record of credibility, and effective communication with the public, regulatory bodies, and the financial community. Boards of directors will receive ever more attention with respect to their role in setting appropriate management incentives.

With competition the watchword, Standard & Poor's also focuses on management's efforts to enhance financial condition. Management can bolster bondholder protection by taking any number of discretionary actions, such as selling common equity, lowering the common dividend payout, and paying down debt. Also important for the electric industry will be creativity in entering into strategic alliances and working partnerships that improve efficiency, such as central dispatching for a number of utilities or locking up at-risk customers through long-term contracts or expanded flexible pricing agreements. Proactive management teams will also seek alternatives to traditional rate-base, rate-of-return rate-making, move to adopt higher depreciation rates for generating facilities, segment customers by individual market preferences, and attempt to create superior service organizations.

In general, management's ability to respond to mounting competition and changes in the utility industry in a swift and appropriate manner will be necessary to maintain credit health.

Fuel, power, and water supply

Assessment of present and prospective fuel and power supply is critical to every electric utility analysis, while gauging the long-term natural gas supply position for gas pipeline and distribution companies and the water resources of a water utility is equally important. There is no similar analytical category for telephone utilities.

Electric utilities

For electric utilities emphasis is placed on generating reserve margins, fuel mix, fuel contract terms, demand-side management techniques, and purchased power arrangements. The adequacy of generating margins is examined nationally, regionally, and for each individual company. However, the reserve margin picture is muddied by the imprecise nature of peak-load growth forecasting, and also supply uncertainty relating to such things as Canadian capacity availability and potential plant shutdowns due to age, new NRC rules, acid rain remedies, fuel shortages, problems associated with nontraditional technologies, and so forth. Even apparently ample reserves may not be what they seem. Moreover, the quality of capacity is just as important as the size of reserves. Companies' reserve requirements differ, depending upon individual operating characteristics.

Fuel diversity provides flexibility in a changing environment. Supply disruptions and price hikes can raise rates and ignite political and regulatory pressures that ultimately lead to erosion in financial performance. Thus, the ability to alter generating sources and take advantage of lower cost fuels is viewed favorably.

Dependence on any single fuel means exposure to that fuel's problems: electric utilities that rely on oil or gas face the potential for shortages and rapid price increases; utilities that own nuclear generating facilities face escalating costs for decommissioning; and coal-fired capacity entails environmental problems stemming from concerns over acid rain and the "greenhouse effect."

Buying power from neighboring utilities, qualifying facility projects, or independent power producers may be the best choice for a utility that faces increasing electricity demand. There has been a growing reliance on purchased power arrangements as an alternative to new plant construction. This can be an important advantage, since the purchasing utility avoids potential construction cost overruns as well as risking substantial capital. Also, utilities can avoid the financial risks typical of a multiyear construction program that are caused by regulatory lag and prudence reviews. Furthermore, purchased power may enhance supply flexibility, fuel resource diversity, and maximize load factors. Utilities that plan to meet demand projections with a portfolio of supply-side options also may be better able to adapt to future growth uncertainties. Notwithstanding the benefits of purchasing, such a strategy has risks associated with it. By entering into a firm long-term purchased power contract that contains a fixed-cost component, utilities can incur substantial market, operating, regulatory, and financial risks. Moreover, regulatory treatment of purchased power removes any upside potential that might help offset the risks. Utilities are not compensated through incentive rate-making; rather, purchased power is recovered dollar-for-dollar as an operating expense.

To analyze the financial impact of purchased power, Standard & Poor's first calculates the net present value of future annual capacity payments (discounted at 10%). This represents a potential debt equivalent—the off-balance-sheet obligation that a utility incurs when it enters into a long-term purchased power contract. However, Standard

& Poor's adds to the utility's balance sheet only a portion of this amount, recognizing that such a contractual arrangement is not entirely the equivalent of debt. What percentage is added is a function of Standard & Poor's qualitative analysis of the specific contract and the extent to which market, operating, and regulatory risks are borne by the utility (the risk factor). For unconditional, take-or-pay contracts, the risk factor range is from 40%-80%, with the average hovering around 60%. A lower risk factor is typically assigned for system purchases from coal-fired utilities and a higher risk factor is usually designated for unit-specific nuclear purchases. The range for take-and-pay performance obligations is between 10%-50%.

Gas utilities

For gas distribution utilities, long-term supply adequacy obviously is critical, but the supply role has become even more important in credit analysis since the Federal Energy Regulatory Commission's Order 636 eliminated the interstate pipeline merchant business. This thrust gas supply responsibilities squarely on local gas distributors. Standard & Poor's has always believed distributor management has the expertise and wherewithal to perform the job well, but the risks are significant since gas costs are such a large percentage of total utility costs. In that regard, it is important for utilities to get preapprovals of supply plans by state regulators or at least keep the staff and commissioners well informed. To minimize risks, a well-run program would diversify gas sources among different producers or marketers, different gas basins in the U.S. and Canada, and different pipeline routes. Also, purchase contracts should be firm, with minimal take-or-pay provisions, and have prices tied to an industry index. A modest percentage of fixed-price gas is not unreasonable. Contracts, whether of gas purchases or pipeline capacity, should be intermediate term. Staggering contract expirations (preferably annually) provides an opportunity to be an active market player. A modest degree of reliance on spot purchases provides flexibility, as does the use of market-based storage. Gas storage and on-property gas resources such as liquefied natural gas or propane air are effective peak-day and peak-season supply management tools.

Since pipeline companies no longer buy and sell natural gas and are just common carriers, connections with varied reserve basins and many wells within those basins are of great importance. Diversity of sources helps offset the risks arising from the natural production declines eventually experienced by all reserve basins and individual wells. Moreover, such diversity can enhance a pipeline's attractiveness as a transporter of natural gas to distributors and end users seeking to buy the most economical gas available for their needs.

Water utilities

Nearly all water systems throughout the U.S. have ample long-term water supplies. Yet to gain comfort, Standard & Poor's assesses the production capability of treatment plants and the ability to pump water from underground aquifers in relation to the usage demands from consumers. Having adequate treated water storage facilities has become important in recent years and has helped many systems meet demands during peak summer periods. Of interest is whether the resources are owned by the utility or purchased from other utilities or local authorities. Owning properties with water rights provides more supply security. This is especially so in states like California where water allocations are being reduced, particularly since recent droughts and environmental issues have created alarm. Since the primary cost for water companies is treatment, it makes little difference whether raw water is owned or bought. In fact, compliance with federal and state water regulations is very high, and the overall cost to deliver treated water to consumers remains relatively affordable.

Asset concentration in the electric utility industry

In the electric industry, Standard & Poor's follows the operations of major generating facilities to assess if they are well managed or troubled. Significant dependence on one generating facility or a large financial investment in a single asset suggests high risk. The size or magnitude of a particular asset relative to total generation, net plant in service, and common equity is evaluated. Where substantial asset concentration exists, the financial profile of a company may experience wide swings depending on the asset's performance. Heavy asset concentration is most prevalent among utilities with costly nuclear units.

Earnings protection

In this category, pretax cash income coverage of all interest charges is the primary ratio. For this calculation, allowance for funds used during construction (AFUDC) is removed from income and interest expense. AFUDC and other such noncash items do not provide any protection for bondholders. To identify total interest expense, the analyst reclassifies certain operating expenses. The interest component of various off-balance-sheet obligations, such as leases and some purchased-power contracts, is included in interest expense. This provides the most direct indication of a utility's ability to service its debt burden.

While considerable emphasis in assessing credit protection is placed on coverage ratios, this measure does not provide the entire earnings protection picture. Also important are a company's earned returns on both equity and capital, measures that highlight a firm's earnings performance. Consideration is given to the interaction of embedded costs, financial leverage, and pretax return on capital.

Capital structure

Analyzing debt leverage goes beyond the balance sheet and covers quasi-debt items and elements of hidden financial leverage. Noncapitalized leases (including sale/leaseback obligations), debt guarantees, receivables financing, and purchased-power contracts are all considered debt equivalents and are reflected as debt in calculating capital structure ratios. By making debt level adjustments, the analyst can compare the degree of leverage used by each utility company.

Furthermore, assets are examined to identify undervalued or overvalued items. Assets of questionable value are discounted to more accurately evaluate asset protection.

Some firms use short-term debt as a permanent piece of their capital structure. Short-term debt also is considered part of permanent capital when it is used as a bridge to permanent financing. Seasonal, self-liquidating debt is excluded from the permanent debt amount, but this situation is rare—with the exception of certain gas utilities. Given the long life of almost all utility assets, short-term debt may expose these companies to interest-rate volatility, remarketing risk, bank line backup risk, and regulatory exposure that cannot be readily offset. The lower cost of shorter-term obligations (assuming a positively sloped yield curve) is a positive factor that partially mitigates the risk of interest-rate variability. As a rule of thumb, a level of short-term debt that exceeds 10% of total capital is cause for concern.

Similarly, if floating-rate debt and preferred stock constitute over one-third of total debt plus preferred stock, this level is viewed as unusually high and may be cause for concern. It might also indicate that management is aggressive in its financial policies.

A layer of preferred stock in the capital structure is usually viewed as equity—since dividends are discretionary and the subordinated claim on assets provides a cushion for providers of debt capital. A preferred component of up to 10% is typically viewed as a permanent wedge in the capital structure of utilities. However, as rate-of-return regulation is phased out, preferred stock may be viewed by utilities—as many industrial firms would—as a temporary option for companies that are not current taxpayers that do not benefit from the tax deductibility of interest. Even now, floating-rate preferred and money market perpetual preferred are problematic; a rise in the rate due to deteriorating credit quality tends to induce a company to take out such preferred stock with debt. Structures that convey tax deductibility to preferred stock have become very popular and do generally afford such financings with equity treatment.

Cash flow adequacy

Cash flow adequacy relates to a company's ability to generate funds internally relative to its needs. It is a basic component of credit analysis because it takes cash to pay expenses, fund capital spending, pay dividends, and make interest and principal payments. Since both common and preferred dividend payments are important to maintain capital market access, Standard & Poor's looks at cash flow measures both before and after dividends are paid.

To determine cash flow adequacy, several quantitative relationships are examined. Emphasis is placed on cash flow relative to debt, debt service requirements, and capital spending. Cash flow adequacy is evaluated with respect to a firm's ability to meet all fixed charges, including capacity payments under purchased-power contracts. Despite the conditional nature of some contracts, the purchaser is obligated to pay a minimum capacity charge. The ratio used is funds from operations plus interest and capacity payments divided by interest plus capacity payments.

Financial flexibility/capital attraction

Financing flexibility incorporates a utility's financing needs, plans, and alternatives, as well as its flexibility to accomplish its financing program under stress without damaging creditworthiness. External funding capability complements internal cash flow. Especially since utilities are so capital intensive, a firm's ability to tap capital markets on an ongoing basis must be considered. Debt capacity reflects all the earlier elements: earnings protection, debt leverage, and cash flow adequacy. Market access at reasonable rates is restricted if a reasonable capital structure is not maintained and the company's financial prospects dim. The analyst also reviews indenture restrictions and the impact of additional debt on covenant tests.

Standard & Poor's assesses a company's capacity and willingness to issue common equity. This is affected by various factors, including the market-to-book ratio, dividend policy, and any regulatory restrictions regarding the composition of the capital structure.

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U.S. Utilities Ratings Analysis Now Portrayed In The S&P Corporate Ratings Matrix

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U.S. Utilities Ratings Analysis Now Portrayed In The S&P Corporate Ratings Matrix

The electric, gas, and water utility ratings ranking lists published today by Standard & Poor's U.S. Utilities & Infrastructure Ratings practice are categorized under the business risk/financial risk matrix used by the Corporate Ratings group. This is designed to present our rating conclusions in a clear and standardized manner across all corporate sectors. Incorporating utility ratings into a shared framework to communicate the fundamental credit analysis of a company furthers the goals of transparency and comparability in the ratings process. Table 1 shows the matrix.

Table 1

Business Risk/Financial Risk

	Financial Risk Profile				
Business Risk Profile	Minimal	Modest	Intermediate	Aggressive	Highly leveraged
Excellent	AAA	AA	A	BBB	BB
Strong	AA	A	A-	BBB-	BB-
Satisfactory	A	BBB+	BBB	BB+	B+
Weak	BBB	BBB-	BB+	BB-	B
Vulnerable	BB	B+	B+	B	B-

The utilities rating methodology remains unchanged, and the use of the corporate risk matrix has not resulted in any changes to ratings or outlooks. The same five factors that we analyzed to produce a business risk score in the familiar 10-point scale are used in determining whether a utility possesses an "Excellent," "Strong," "Satisfactory," "Weak," or "Vulnerable" business risk profile:

- Regulation,
- Markets,
- Operations,
- Competitiveness, and
- Management.

Regulated utilities and holding companies that are utility-focused virtually always fall in the upper range ("Excellent" or "Strong") of business risk profiles. The defining characteristics of most utilities--a legally defined service territory generally free of significant competition, the provision of an essential or near-essential service, and the presence of regulators that have an abiding interest in supporting a healthy utility financial profile--underpin the business risk profiles of the electric, gas, and water utilities.

As the matrix concisely illustrates, the business risk profile loosely determines the level of financial risk appropriate for any given rating. Financial risk is analyzed both qualitatively and quantitatively, mainly with financial ratios and other metrics that are calculated after various analytical adjustments are performed on financial statements prepared under GAAP. Financial risk is assessed for utilities using, in part, the indicative ratio ranges in table 2.

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Table 2

Financial Risk Indicative Ratios—U.S. Utilities

(Fully adjusted, historically demonstrated, and expected to consistently continue)

	Cash flow		Debt leverage
	(FFO/debt) (%)	(FFO/interest) (x)	(Total debt/capital) (%)
Modest	40 - 60	4.0 - 6.0	25 - 40
Intermediate	25 - 45	3.0 - 4.5	35 - 50
Aggressive	10 - 30	2.0 - 3.5	45 - 60
Highly leveraged	Below 15	2.5 or less	Over 50

The indicative ranges for utilities differ somewhat from the guidelines used for their unregulated counterparts because of several factors that distinguish the financial policy and profile of regulated entities. Utilities tend to finance with long-maturity capital and fixed rates. Financial performance is typically more uniform over time, avoiding the volatility of unregulated industrial entities. Also, utilities fare comparatively well in many of the less-quantitative aspects of financial risk. Financial flexibility is generally quite robust, given good access to capital, ample short-term liquidity, and the like. Utilities that exhibit such favorable credit characteristics will often see ratings based on the more accommodative end of the indicative ratio ranges, especially when the company's business risk profile is solidly within its category. Conversely, a utility that follows an atypical financial policy or manages its balance sheet less conservatively, or falls along the lower end of its business risk designation, would have to demonstrate an ability to achieve financial metrics along the more stringent end of the ratio ranges to reach a given rating.

Note that even after we assign a company a business risk and financial risk, the committee does not arrive by rote at a rating based on the matrix. The matrix is a guide—it is not intended to convey precision in the ratings process or reduce the decision to plotting intersections on a graph. Many small positives and negatives that affect credit quality can lead a committee to a different conclusion than what is indicated in the matrix. Most outcomes will fall within one notch on either side of the indicated rating. Larger exceptions for utilities would typically involve the influence of related unregulated entities or extraordinary disruptions in the regulatory environment.

We will use the matrix, the ranking list, and individual company reports to communicate the relative position of a company within its business risk peer group and the other factors that produce the ratings.

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PROXY GROUP OF SIX AUS UTILITY REPORTS WATER COMPANIES
CAPITALIZATION AND FINANCIAL STATISTICS (1)
2002 - 2006, INCLUSIVE

	2006	2005	2004	2003	2002	
			(MILLIONS OF DOLLARS)			
CAPITALIZATION STATISTICS						
AMOUNT OF CAPITAL EMPLOYED						
TOTAL PERMANENT CAPITAL	$598.290	$541.637	$506.048	$452.268	$403.976	
SHORT-TERM DEBT	$27.716	$30.125	$24.465	$31.600	$33.342	
TOTAL CAPITAL EMPLOYED	$626.006	$571.762	$530.513	$483.889	$437.318	
INDICATED AVERAGE CAPITAL COST RATES (2)						
TOTAL DEBT	6.39 %	6.17 %	6.21 %	6.37 %	6.52 %	
PREFERRED STOCK	3.03	2.96	4.30	14.37	5.38	
CAPITAL STRUCTURE RATIOS						5 YEAR AVERAGE
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	49.47 %	51.51 %	50.81 %	51.13 %	52.92 %	51.19 %
PREFERRED STOCK	0.18	0.20	0.21	0.23	0.26	0.21
COMMON EQUITY	50.35	48.29	48.88	48.64	46.82	48.60
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	51.09 %	53.42 %	52.85 %	54.65 %	55.57 %	53.52 %
PREFERRED STOCK	0.17	0.19	0.20	0.22	0.25	0.21
COMMON EQUITY	48.74	46.39	46.95	45.13	44.18	46.27
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
FINANCIAL STATISTICS						
FINANCIAL RATIOS - MARKET BASED						
EARNINGS / PRICE RATIO	3.56 %	4.00 %	4.40 %	4.00 %	4.92 %	4.18 %
MARKET / AVERAGE BOOK RATIO	264.27	258.69	233.18	235.36	226.95	243.69
DIVIDEND YIELD	2.71	2.86	3.14	3.23	3.53	3.09
DIVIDEND PAYOUT RATIO	76.99	70.89	71.41	81.91	72.36	74.73
RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY	9.05 %	10.00 %	10.06 %	9.48 %	10.83 %	9.88 %
FUNDS FROM OPERATIONS / INTEREST COVERAGE (3)	3.64 X	3.94 X	4.10 X	3.61 X	3.46 X	3.75 X
FUNDS FROM OPERATIONS / TOTAL DEBT (4)	16.65 %	17.39 %	18.62 %	16.10 %	15.20 %	16.79 %
TOTAL DEBT / TOTAL CAPITAL	51.09 %	53.42 %	52.85 %	54.65 %	55.57 %	53.52 %

See Page 2 for notes.

Proxy Group of Six AUS Utility Reports Water Companies
Capitalization and Financial Statistics
2002-2006, Inclusive

Notes:

(1) *All capitalization and financial statistics for the group are the arithmetic average of the achieved results* for each individual company in the group, and are based upon financial statements as originally reported in each year.

(2) *Computed by relating actual total debt interest or preferred stock dividends booked to average of* beginning and ending total debt or preferred stock reported to be outstanding.

(3) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC) plus interest charges divided by interest charges.

(4) Funds from operations (as defined in Note 3) as a percentage of total debt.

Selection Criteria:

The basis of selection was to include those water companies: 1) which are included in the Water Company Group of AUS Utility Reports (February 2008); 2) which have Value Line five-year EPS growth rate projections or Reuters consensus five-year EPS growth rate projections; and 3) which have more than 70% of their 2006 operating revenues derived from water operations. BIW, Ltd, Middlesex Water Co., Pennichuck Corp. and SJW Corp. were eliminated because Reuters was not reporting a consensus five-year EPS growth rate projections at the time of the selection of the proxy group. Southwest Water Company was eliminated because it did not derive more than 70% of its 2006 operating revenues from water operations.

The following six water companies met the above criteria:

American States Water Co.
Aqua America, Inc.
Artesian Resources, Inc.
California Water Service Group
Connecticut Water Service, Inc.
York Water Co.

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Database
EDGAR Online's I-Metrix Database
Company Annual Forms 10K

PROXY GROUP OF FOUR VALUE (STANDARD EDITION) LINE WATER COMPANIES
CAPITALIZATION AND FINANCIAL STATISTICS (1)
2002 - 2006, INCLUSIVE

	2006	2005	2004	2003	2002	5 YEAR AVERAGE
			(MILLIONS OF DOLLARS)			
CAPITALIZATION STATISTICS						
AMOUNT OF CAPITAL EMPLOYED						
TOTAL PERMANENT CAPITAL	$857.593	$773.683	$722.039	$628.903	$559.434	
SHORT-TERM DEBT	$37.788	$41.376	$32.529	$39.728	$46.623	
TOTAL CAPITAL EMPLOYED	$895.381	$815.059	$754.567	$668.632	$606.057	
INDICATED AVERAGE CAPITAL COST RATES (2)						
TOTAL DEBT	6.69 %	6.36 %	6.25 %	6.18 %	6.06 %	
PREFERRED STOCK	4.81	4.27	3.38	2.63	3.73	
CAPITAL STRUCTURE RATIOS						
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	46.87 %	49.45 %	49.71 %	51.43 %	56.90 %	50.87 %
PREFERRED STOCK	0.19	0.22	0.24	0.40	0.39	0.29
COMMON EQUITY	52.94	50.33	50.05	48.17	42.71	48.84
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	48.29 %	50.94 %	51.38 %	53.69 %	59.40 %	52.74 %
PREFERRED STOCK	0.19	0.21	0.24	0.39	0.38	0.28
COMMON EQUITY	51.52	48.85	48.38	45.92	40.22	46.98
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
FINANCIAL STATISTICS						
FINANCIAL RATIOS - MARKET BASED						
EARNINGS / PRICE RATIO	3.15 %	3.68 %	3.66 %	4.12 %	4.98 %	4.00 %
MARKET / AVERAGE BOOK RATIO	262.50	246.19	222.69	220.49	223.08	235.39
DIVIDEND YIELD	2.15	2.42	2.79	2.91	3.10	2.67
DIVIDEND PAYOUT RATIO	67.55	61.18	71.81	74.09	61.40	67.20
RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY	8.15 %	9.19 %	8.38 %	9.19 %	10.91 %	9.16 %
FUNDS FROM OPERATIONS / INTEREST COVERAGE (3)	3.94 X	4.18 X	4.34 X	3.84 X	3.66 X	3.99 X
FUNDS FROM OPERATIONS / TOTAL DEBT (4)	19.28 %	19.73 %	19.78 %	17.95 %	14.97 %	18.34 %
TOTAL DEBT / TOTAL CAPITAL	48.29 %	50.94 %	51.38 %	53.69 %	59.40 %	52.74 %

See Page 2 for notes.

Proxy Group of Four Value Line (Standard Edition) Water Companies
Capitalization and Financial Statistics
2002-2006, Inclusive

Notes:

(1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.

(2) Computed by relating actual total debt interest or preferred stock dividends booked to average of beginning and ending total debt or preferred stock reported to be outstanding.

(3) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC) plus interest charges divided by interest charges.

(4) Funds from operations (as defined in Note 3) as a percentage of total debt.

Selection Criteria:

The basis of selection was to include those water companies: 1) which are included in the Value Line (Standard Edition).

The following four water companies met the above criteria:

American States Water Co.
Aqua America, Inc.
California Water Service Group
Southwest Water Company

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Database
EDGAR Online's I-Metrix Database
Company Annual Forms 10K

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Capital Structure Based upon Total Capital for the
Proxy Group of Six AUS Utility Reports Water Companies
for the Years 2002 through 2006

	2006	2005	2004	2003	2002	5 YEAR AVERAGE
American States Water Company						
Long-Term Debt	45.95 %	48.03 %	44.83 %	46.21 %	55.89 %	48.18 %
Short-Term Debt	5.48	4.82	8.38	11.22	6.22	7.22
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	48.57	47.15	46.79	42.57	37.89	44.60
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Aqua America, Inc.						
Long-Term Debt	48.53 %	48.68 %	50.03 %	49.35 %	50.36 %	49.39 %
Short-Term Debt	5.88	7.47	5.10	6.47	9.39	6.86
Preferred Stock	0.09	0.08	0.08	0.06	0.06	0.08
Common Equity	45.50	43.77	44.79	44.12	40.19	43.67
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Artesian Resources Corp.						
Long-Term Debt	56.30 %	60.30 %	55.85 %	54.79 %	53.82 %	56.21 %
Short-Term Debt	6.03	2.08	7.38	9.39	3.24	5.62
Preferred Stock	0.00	0.00	0.00	0.07	0.17	0.05
Common Equity	37.67	37.62	36.77	35.75	42.77	38.12
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
California Water Service Group						
Long-Term Debt	43.47 %	48.07 %	48.66 %	51.77 %	51.25 %	48.64 %
Short-Term Debt	0.00	0.00	0.00	1.22	7.42	1.73
Preferred Stock	0.52	0.61	0.61	0.66	0.71	0.62
Common Equity	56.01	51.32	50.73	46.35	40.62	49.01
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Connecticut Water Service Inc.						
Long-Term Debt	43.14 %	44.44 %	41.42 %	40.92 %	42.54 %	42.49 %
Short-Term Debt	2.93	2.65	3.51	6.11	4.55	3.95
Preferred Stock	0.43	0.47	0.53	0.53	0.55	0.50
Common Equity	53.50	52.44	54.54	52.44	52.36	53.06
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
York Water Company						
Long-Term Debt	48.82 %	47.34 %	51.94 %	41.40 %	45.00 %	46.90 %
Short-Term Debt	0.00	6.65	0.00	9.07	3.77	3.90
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	51.18	46.01	48.06	49.53	51.23	49.20
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Proxy Group of Six AUS Utility Reports Water Companies						
Long-Term Debt	47.70 %	49.48 %	48.79 %	47.41 %	49.81 %	48.64 %
Short-Term Debt	3.39	3.95	4.06	7.24	5.76	4.88
Preferred Stock	0.17	0.19	0.20	0.22	0.25	0.21
Common Equity	48.74	46.38	46.95	45.13	44.18	46.27
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Source of Information:
EDGAR Online's I-Metrix Database
Standard & Poor's Compustat Services, Inc , PC Plus / Research Insight Data Base
Company Annual Forms 10-K and 10-Q

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Capital Structure Based upon Total Capital for
the Proxy Group of Four Value Line (Standard Edition) Water Companies
for the Years 2002 through 2006

	2006	2005	2004	2003	2002	5 YEAR AVERAGE
American States Water Co.						
Long-Term Debt	45 95 %	48 03 %	44 83 %	46 21 %	55 89 %	48.18 %
Short-Term Debt	5.48	4.82	8 38	11 22	6 22	7 22
Preferred Stock	0 00	0 00	0 00	0 00	0.00	0 00
Common Equity	48.57	47.15	46.79	42.57	37.89	44.60
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Aqua America						
Long-Term Debt	48.53 %	48 68 %	50 03 %	49.35 %	50 36 %	49.39 %
Short-Term Debt	5.88	7 47	5 10	6 47	9 39	6.86
Preferred Stock	0 09	0.08	0 08	0 06	0.06	0.08
Common Equity	45.50	43.77	44.79	44.12	40.19	43.67
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
California Water Service Group						
Long-Term Debt	43.47 %	48 07 %	48 66 %	51.77 %	51.25 %	48.64 %
Short-Term Debt	0.00	0.00	0 00	1.22	7 42	1.73
Preferred Stock	*0.52*	*0.61*	*0 61*	0 66	*0.71*	0 62
Common Equity	56.01	51.32	50.73	46.35	40.62	49.01
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Southwest Water Company						
Long-Term Debt	43.85 %	46.67 %	48 53 %	48.50 %	57 07 %	48.92 %
Short-Term Debt	0.00	0.00	0.00	0 00	0.00	0.00
Preferred Stock	0.15	0.17	0 28	0 85	0.74	0 44
Common Equity	*56.00*	*53.16*	*51.19*	*50.65*	*42.19*	*50.64*
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Proxy Group of Four Value Line (Standard Edition) Water Companies						
Long-Term Debt	45 45 %	47 86 %	48.01 %	48.96 %	53.64 %	48 79 %
Short-Term Debt	2 84	3 07	3.37	4.73	5 76	3.95
Preferred Stock	*0.19*	*0 22*	*0.24*	*0.39*	*0 38*	*0.28*
Common Equity	51.52	48.85	48.38	45.92	40.22	46.98
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Source of Information: *Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Data Base*

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Calculation of the Composite Cost Rate of Long-Term Debt Outstanding
Pro Forma at December 31, 2007

Series	Amount Outstanding	Effective Cost Rate	Annualized Cost	Composite Interest Rate
John Deere (2006)	$ 40,570	2.90% % (1)	$ 1,177	
John Deere (2007)	56,853	7.40% (1)	4,207	
John Deere (2006)	56,291	8.07% (1)	4,543	
Pro Forma Debt	1,536,573	6.41% (2)	98,494	
Total Long-Term Debt	$ 1,690,287		$ 108,421	6.41%

Notes: (1) From Supporting Schedule 8, page 2 of 2 from Supplement No. 1 to Tariff Water - Pa. P.U.C. No. 4, Docket No. R-00072495.
(2) From page 2 of this Schedule.

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Long-Term Debt Cost Rates of the
Proxy Group of Eight AUS Utility Reports Natural Gas Distribution Companies and the
Proxy Group of Six AUS Utility Reports Water Companies
Actual for the Fiscal Year 2006

Line No.	Proxy Group of Six AUS Utilities Reports Water Companies	Actual for the Fiscal Year 2006 (1)
	American States Water Company	7.04%
	Aqua America, Inc.	5 77%
	Artesian Resources Corp.	6.26%
	California Water Service Group	6.42%
	Connecticut Water Service Inc.	4.72%
	York Water Company	6.19%
1.	Average	6.07%
	Proxy Group of Four Value Line (Standard Edition) Water Companies	
	American States Water Company	7.04%
	Aqua America, Inc.	5.77%
	California Water Service Group	6.42%
	Southwest Water Company	6.56%
2.	Average	6.45%
3.	Midpoint of Long-Term Debt Cost Rates (2)	6.26%
4.	Provision for Estimated Issuance Costs	0.15%
5.	Conclusion of Long-Term Debt Cost Rate Applicable to NRG Energy Center Harrisburg LLC (3)	6.41%

Notes: (1) Supporting information on pages 3 through 9 of this Schedule.
(2) Average of Line Nos. 1 and 2.
(3) Sum of Line Nos. 3 and 4.

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Calculation of the Composite Cost Rate of Long-Term Debt Outstanding
for American States Water Company
Actual for the Fiscal Year 2006

Series	Amount Outstanding ($ 000s)	Effective Cost Rate (1)	Annualized Cost ($ 000s)	Composite Interest Rate
Notes / Debentures				
6.64% notes due 2013	$ 1,100	6.640%	$ 73	
6.80% notes due 2013	2,000	6.800%	136	
6.87% notes due 2023	5,000	6.870%	344	
7.00% notes due 2023	10,000	7.000%	700	
7.55% notes due 2025	8,000	7.550%	604	
7.65% notes due 2025	22,000	7.650%	1,683	
6.81% notes due 2028	15,000	6.810%	1,022	
6.59% notes due 2029	40,000	6.590%	2,636	
7.875% notes due 2030	20,000	7.875%	1,575	
7.23% notes due 2031	50,000	7.230%	3,615	
Private Placement Notes				
9.56% notes due 2031	28,000	9.560%	2,677	
5.87% notes due 2028	40,000	5.870%	2,348	
Tax-Exempt Obligations				
5.50% notes due 2026	7,915	5.500%	435	
Variable Rate Obligation due 2014	6,000	3.830% (2)	230	
State Water Project due 2035	4,904	7.040% (3)	345	
Other Debt Instruments				
8.50% fixed rate obligation due 2013	1,037	8.500%	88	
Variable Rate Obligation due 2018	410	3.830% (2)	16	
Capital lease obligations	205	7.040% (3)	14	
Chaparral City Water Company				
4% to 4.85% serial bonds due 2007	240	4.400% (4)	11	
5.20% term bonds due 2011	1,000	5.200%	52	
5.40% term bonds due 2022	4,610	5.400%	249	
5.30% term bonds due 2022	1,015	5.300%	54	
Total Long-Term Debt	$ 268,436		$ 18,907	7.04%

Notes: (1) *Fiscal year ends December 31,*
(2) Approximate rate at December 31, 2006.
(3) Assumed equal to the composite debt cost rate of all debt excluding State Water *Project and capital lease obligations.*
(4) Midpoint of 4% and 4.85%. (4.425% = (4% + 4.85%) / 2).

Source of Information: 2006 Annual Form 10K

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Calculation of the Composite Cost Rate of Long-Term Debt Outstanding
for Aqua America, Inc.
Actual for the Fiscal Year 2006

Series	Amount Outstanding ($ 000s)	Effective Cost Rate (1)	Annualized Cost ($ 000s)	Composite Interest Rate
Interest Rate Range				
0.00% to 2.49%	$ 25,740	1.25% (2)	$ 322	
2.50% to 2.99%	25,272	2.75% (2)	695	
3.00% to 3.49%	17,220	3.25% (2)	560	
3.50% to 3.99%	6,073	3.75% (2)	228	
4.00% to 4.99%	30,645	4.50% (2)	1,379	
5.00% to 5.49%	262,496	5.25% (2)	13,781	
5.50% to 5.99%	79,000	5.75% (2)	4,543	
6 00% to 6.49%	94,360	6.25% (2)	5,898	
6.50% to 6.99%	22,000	6.75% (2)	1,485	
7.00% to 7.49%	13,288	7.25% (2)	963	
7 50% to 7.99%	24,778	7.75% (2)	1,920	
8.00% to 8.49%	26,288	8.25% (2)	2,169	
8.50% to 8.99%	9,000	8.75% (2)	788	
9.00% to 9.49%	46,101	9.25% (2)	4,264	
9.50% to 9.99%	38,738	9.75% (2)	3,777	
10.00% to 10.50%	6,000	10.25% (2)	615	
Unsecured notes payable, 4.87%, maturing in 2010 - 2023	135,000	4.87%	6,575	
Unsecured notes payable, 5.95%, due 2023 through 2034	40,000	5.95%	2,380	
Unsecured notes payable, 5.64%, due 2014 through 2021	20,000	5.64%	1,128	
Unsecured notes payable, 5.54%, due 2013 through 2018	30,000	5.54%	1,662	
Unsecured notes payable, 5.01%, due 2015	18,000	5.01%	902	
Unsecured notes payable, 5.20%, due 2020	12,000	5.20%	624	
Note payable, 6.05% maturing in 2006 - 2008	816	6.05%	49	
Total Long-Term Debt	$ 982,815		$ 56,707	5.77%

Notes: (1) Fiscal year ends December 31,

(2) *Midpoint of respective interest rate ranges.*

Source of Information: 2006 Annual Form 10K

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Calculation of the Composite Cost Rate of Long-Term Debt Outstanding
for Artesian Resources Corporation
Actual for the Fiscal Year 2006

Series	Amount Outstanding ($ 000s)	Effective Cost Rate (1)	Annualized Cost ($ 000s)	Composite Interest Rate
First mortgage bonds				
Series O, 8.17%, due December 29, 2020	$ 20,000	8.17%	$ 1,634	
Series P, 6.58%, due January 31, 2018	25,000	6.58%	1,645	
Series Q, 4.75%, due December 1, 2043	15,400	4.75%	732	
Series R, 5.96%, due December 31, 2028	25,000	5.96%	1,490	
State revolving fund loans				
4.48%, due August 1, 2021	3,558	4.48%	159	
3.57%, due September 1, 2023	1,319	3.57%	47	
3.64%, due may 1, 2024	2,106	3.64%	77	
Total Long-Term Debt	$ 92,383		$ 5,784	6.26%

Notes: (1) Fiscal year ends December 31.

Source of Information: 2006 Annual Form 10K

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Calculation of the Composite Cost Rate of Long-Term Debt Outstanding
for California Water Service Group
Actual for the Fiscal Year 2006

Series	Amount Outstanding ($ 000s)	Effective Cost Rate (1)	Annualized Cost ($ 000s)	Composite Interest Rate
First Mortgage Bonds				
8 86% Series J, due 2023	$ 3,400	8 86%	$ 301	
6 94% Series K, due 2012	4,300	6 94%	298	
9 86 Series CC, due 2020	18,000	9 86%	1,775	
Senior Notes				
7.28% Series A, due 2025	20,000	7.28%	1,456	
6.77% Series B, due 2028	20,000	6.77%	1,354	
8.15% Series C, due 2030	20,000	8 15%	1,630	
7 13% Series D, due 2031	20,000	7.13%	1,426	
7 11% Series E, due 2032	20,000	7.11%	1,422	
5.90% Series F, due 2017	20,000	5.39%	1,078	
5.29% Series G, due 2022	20,000	5.29%	1,058	
5 29% Series H, due 2022	20,000	5 29%	1,058	
5 54% Series I, due 2023	10,000	5.54%	554	
5 44% Series J, due 2018	10,000	5 44%	544	
4.58% Series K, due 2010	10,000	4.58%	458	
5 48% Series L, due 2018	10,000	5 48%	548	
5 52% Series M, due 2013	20,000	5 52%	1,104	
5 55% Series N, due 2013	20,000	5.50%	1,100	
6.02% Series O, due 2031	20,000	6.02%	1,204	
California Department of Water Resources Loans - 3.0% to 8.0%, due 2008-2032	2,428	5.50% (2)	134	
Other long-term debt	5,464	6 42% (3)	351	
Total Long-Term Debt	$ 293,592		$ 18,853	6.42%

Notes: (1) Fiscal year ends December 31
(2) Midpoint of 3.0% and 8 0%, (5 50% = (3 0% + 8.0%) / 2).
(3) Assumed equal to the composite debt cost rate of all debt excluding other long-term debt at December 31, 2006

Source of Information: 2006 Annual Form 10K

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Calculation of the Composite Cost Rate of Long-Term Debt Outstanding
Connecticut Water Service, Inc
Actual for the Fiscal Year 2006

Series	Amount Outstanding ($ 000s)	Effective Cost Rate (1)	Annualized Cost ($ 000s)	Composite Interest Rate
Unsecured Water Facilities Revenue Bonds				
5 05% 1998 Series A, due 2028	$ 9,640	5.050% %	$ 487	
5.125% 1998 Series B, due 2028	7,635	5.125%	391	
4 40% 2003A Series, due 2020	8,000	4.400%	352	
5 00% 2003C Series, due 2022	14,930	5.000%	747	
Var 2004 Variable Rate, due 2029	12,500	3.730% (2)	466	
Var 2004 Series A, due 2028	5,000	4 720% (3)	236	
Var 2004 Series B, due 2028	4,550	4.720% (3)	215	
5 00% 2005 A Series, due 2040	15,000	5 000%	750	
Chester Realty				
Regulated Secured				
5 45% Westbank, due 2017	*99*	5.450%	*5*	
Total Long-Term Debt	$ 77,354		$ 3,649	4.72%

Notes: (1) *Fiscal year ends December 31*
(2) Fixed interest rate per an interest rate swap agreement.
(3) Assumed equal to the composite debt cost rate of all debt excluding variable rate debt at December 31, 2006

Source of Information: 2006 Annual Form 10K

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Calculation of the Composite Cost Rate of Long-Term Debt Outstanding
for Southwest Water Company
Actual for the Fiscal Year 2006

Series	Amount Outstanding ($ 000s)	Effective Cost Rate (1)	Annualized Cost ($ 000s)	Composite Interest Rate
$100 million revolving credit facility	$ 52,000	6.56% (2)	$ 3,411	
6.85% convertible subordinated debentures due 2021	12,060	6.85%	826	
Term Loans:				
Monarch Utilities, Inc.				
7.37% fixed rate term loan due 2022	11,229	7.37%	828	
5.77% fixed rate term loan due 2022	772	5 77%	45	
6.10% fixed rate term loan due 2022	20,000	6.10%	1,220	
First Mortgage Bonds:				
Suburban Water Systems:				
9.09% series B first mortgage bond due 2022	8,000	9.09%	727	
5.64% series D first mortgage bond due 2024	15,000	5.64%	846	
6.30% series E first mortgage bond due 2026	10,000	6.30%	630	
New Mexico Utilities, Inc.:				
6.10% series C First mortgage bond due 2024	12,000	6.10%	732	
Economic Development Revenue Bonds:				
ECO Resources, Inc.				
5.5% series 1998A due 2008	220	5.50%	12	
6.0% series 1998A due 2018	1,810	6.00%	109	
Acquisition-related indebtedness and other	709	6.56% (2)	47	
Total Long-Term Debt	$ 143,800		$ 9,433	6.56%

Notes: (1) Fiscal year ends September 30.
(2) Assumed equal to the composite debt cost rate of all debt excluding the $100 million revolving credit facility and acquisition-related indebtedness and other.

Source of Information: 2006 Annual Form 10K

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Calculation of the Composite Cost Rate of Long-Term Debt Outstanding
for York Water Company
Actual for the Fiscal Year 2006

Series	Amount Outstanding ($ 000s)	Effective Cost Rate (1)	Annualized Cost ($ 000s)	Composite Interest Rate
3.6% Industrial Development Authority Revenue Refunding Bonds, Series 1994, due 2009	$ 2,700	3.60% %	$ 97	
3.75% Industrial Development Authority Revenue Refunding Bonds, Series 1995, due 2010	4,300	3.75%	161	
4.05% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue	2,350	4.05%	95	
5.0%Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue	4,950	5.00%	248	
10.17% Senior Notes, Series A, due 2019	6,000	10.17%	610	
9.6% Senior Notes, Series B, due 2019	5,000	9.60%	480	
1.0% Pennvest Loan, due 2019	535	1.00%	5	
10.05% Senior Note, Series C, due 2020	6,500	10.05%	653	
8.43% Senior Notes, Series D, due 2022	7,500	8.43%	632	
Variable Rate Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Bonds, Series B, due 2029	12,000	3.16% (2)	379	
4.75% Industrial Development Authority Revenue Bonds, Series 2006, due 2036	10,500	4.75%	499	
Total Long-Term Debt	$ 62,335		$ 3,859	6.19%

Notes: (1) Fiscal year ends December 31.
(2) Fixed interest rate per an interest rate swap agreement.

Source of Information: 2006 Annual Form 10K

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Hypothetical Example of the Inadequacy of
A DCF Return Rate Related to Book Value
When Market Value is Greater / Less than Book Value

		1	2	3
Line No.		Market Value	Book Value with Market to Book Ratio of 180%	Book Value with Market to Book Ratio of 80%
1.	Per Share	$ 24.00	$ 13.33	$ 30.00
2.	DCF Cost Rate (1)	10.00%	10.00%	10.00%
3.	Return in Dollars	$ 2.400	$ 1.333	$ 3.000
4.	Dividends (2)	$ 0.840	$ 0.840	$ 0.840
5.	Growth in Dollars	$ 1.560	$ 0.493	$ 2.160
6.	Return on Market Value	10.00%	5.55% (3)	12.50% (4)
7.	Rate of Growth on Market Value	6.50% (5)	2.05% (6)	9.00% (7)

Notes:
(1) Comprised of 3.5% dividend yield and 6.5% growth.
(2) $24.00 * 3.5% yield = $0.840.
(3) $1.333 / $24.00 market value = 5.55%.
(4) $3.000 / $24.00 market value = 12.50%.
(5) Expected rate of growth per market based DCF model.
(6) Actual rate of growth when DCF cost rate is applied to book value ($1.333 possible earnings - $0.840 dividends = $0.493 for growth / $24.00 market value = 2.05%).
(7) Actual rate of growth when DCF cost rate is applied to book value ($3.000 possible earnings - $0.840 dividends = $2.160 for growth / $24.00 market value = 9.00%).

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Indicated Common Equity Cost Rate Through Use of the
Single Stage Discounted Cash Flow Model for
the Proxy Group of Six AUS Utility Reports Water Companies and the
Proxy Group of Four Value Line (Standard Edition) Water Companies

Based upon Historical and Projected Growth in DPS, EPS, and BR+SV

	1	2	3	4	5
	Average Dividend Yield (1)	Dividend Growth Component (2)	Adjusted Dividend Yield (3)	Growth Rate (4)	Indicated Common Equity Cost Rate (5)
Proxy Group of Six AUS Utility Reports Water Companies					
American States Water Co	2.84 %	0.08 %	2.92 %	5.33 %	8.25 %
Aqua America, Inc	2.44	0.10	2.54	7.81	10.35
Artesian Resources Corp	3.66	0.09	3.75	5.13	8.88
California Water Service Group	3.28	0.07	3.35	4.20	7.55
Connecticut Water Service Inc	3.63	0.13	3.76	7.24	11.00
York Water Co	3.14	0.09	3.23	5.92	9.15
Average	3.17 %	0.09 %	3.26 %	5.94 %	9.53 % (6)
Proxy Group of Four Value Line *(Standard Edition) Water* Companies					
American States Water Co	2.84 %	0.08 %	2.92 %	5.33 %	8.25 %
Aqua America, Inc	2.44	0.10	2.54	7.81	10.35
California Water Service Group	3.28	0.07	3.35	4.20	7.55
Southwest Water Company	2.07	0.10	2.17	10.10	12.27
Average	2.66 %	*0.09* %	2.75 %	6.86 %	9.30 % (6)

Based upon Projected Growth in EPS

	1	2	3	4	5
	Average Dividend Yield (1)	Dividend Growth Component (2)	Adjusted Dividend Yield (3)	Growth Rate (4)	Indicated Common Equity Cost Rate (5)
Proxy Group of Six AUS Utility *Reports Water Companies*					
American States Water Co	2.84 %	0.10 %	2.94 %	7.00 %	9.94 %
Aqua America, Inc	2.44	0.11	2.55	9.13	11.68
Artesian Resources Corp	3.66	0.09	3.75	5.00	8.75
California Water Service Group	3.28	0.12	3.40	7.59	10.99
Connecticut Water Service Inc.	3.63	0.27	3.90	15.00	18.90
York Water Co	3.14	0.11	3.25	7.00	10.25
Average	3.17 %	0.13 %	3.30 %	8.45 %	9.98 % (6)
Proxy Group of Four Value Line (Standard Edition) Water Companies					
American States Water Co	2.84 %	0.10 %	2.94 %	7.00 %	9.94 %
Aqua America, Inc	2.44	0.11	2.55	9.13	11.68
California Water Service Group	3.28	0.12	3.40	7.59	10.99
Southwest Water Company	2.07	0.14	2.21	13.25	15.48
Average	2.66 %	0.12 %	2.78 %	9.24 %	10.47 % (6)

Conclusion

Proxy Group of Six AUS Utility Reports Water Companies	
Indicated DCF Cost Rate	9.76 %
Conservative financial risk adjustment to reflect the application of a market based cost of common equity to a *book value common equity ratio*	0.60
Conclusion of DCF Cost Rate	10.36 %
Proxy Group of Four Value Line (Standard Edition) Water Companies	
Indicated DCF Cost Rate	9.89 %
Conservative financial risk adjustment to reflect the application of a market based cost of common equity to a book value common equity ratio	0.60
Conclusion of DCF Cost Rate	10.49 %

See pages 2 through4 4 for notes

Total Environmental Solutions, Inc. – Treasure Lake Sewer Division
Indicated Common Equity Cost Rate Through Use of the
Single Stage Discounted Cash Flow Model for
The Proxy Group of Six AUS Utility Reports Water Companies and the
Proxy Group of Four Value Line (Standard Edition) Water Companies

Notes:

(1) From Schedule PMA-9 of this Exhibit.

(2) This reflects a growth rate component equal to one-half the conclusion of growth rate (from page 1 of Schedule PMA-11) x Column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for American States Water Co. 2.84% x (½ x 5.33%) = 0.08%.

(3) Column 1 + Column 2.

(4) From page 1 of Schedule PMA-11 of this Exhibit.

(5) Column 3 & Column 4.

(6) Includes only those indicated common equity cost rates which are greater than 7.95%, i.e., 200 basis points above the prospective yield on A rated Moody's public utility bonds of 5.95% (from page 1 of Schedule PMA-12) and those indicated common equity cost rates which are less than 11.45%, i.e., 550 basis points above the prospective yield on A rated Moody's public utility bonds of 5.95% (from page 1 of Schedule PMA-12).

(7) Adjustment to reflect the added financial risk attributable to the application of a market based cost of common equity to a book value common equity ratio as made by the Pennsylvania Public Utility Commission (PaPUC) in Orders re: Pennsylvania-American Water Company (R-00016339) entered January 25, 2002, re: Pennsylvania-American Water Company (R-00038304) entered January 16, 2004, re: Aqua Pennsylvania, Inc. (formerly Pennsylvania Suburban Water Company) (R-00038805) entered August 5, 2004, and re: PPL Electric Utilities Corp. (R-00049255) entered December 22, 2004. Although adjustments of 87 basis points (0.87%) and 100 basis points (1.00%) to the DCF derived common equity cost rates of the proxy groups of six AUS Utility Reports water companies and four Value Line (Standard Edition) water companies are indicated to be appropriate as derived below, conservative adjustments of 60 basis points (60.0%) are being made consistent with the adjustments of between 60 and 76 basis points found reasonable by the PaPUC in the above mentioned water and electric utility dockets, respectively

The 9.76% and 9.89% DCF cost rates are relative to the average market value common equity of the proxy group of six AUS Utility Reports water companies and the proxy group of four Value Line (Standard Edition) water companies, respectively. The cost of common equity for a company with 100% common equity must first be calculated as follows:

$$k_u = k_e - [\{(k_u - I_{LTD}) * (1 - t) * (MD_{LTD} / ME)\} - \{(k_u - I_{STD}) * (1 - t) * (MD_{STD} / ME)\} - \{(k_u - d) * (MP / ME)\}]$$

For the proxy group of six AUS Utility Reports water companies:

$$8.84\% = 9.76\% - [\{(8.84\% - 6.05\%) * (1 - 35\%) * (30.97\% / 66.95\%)\} - \{(8.84\% - 5.21\%) * (1 - 35\%) * (1.91\% / 66.95\%)\} - \{(8.84\% - 6.11\%) * (0.11\% / 66.95\%)\}]$$

For the proxy group of four Value Line (Standard Edition) water companies:

Total Environmental Solutions, Inc. – Treasure Lake Sewer Division
Indicated Common Equity Cost Rate Through Use of the
Single Stage Discounted Cash Flow Model for
The Proxy Group of Six AUS Utility Reports Water Companies and the
Proxy Group of Four Value Line (Standard Edition) Water Companies

*8.97% = 9.89% - [{ (8.97% - 6.05%) * (1 – 35%) * (30.87% / 67.64%) } - { (8.97% - 5.21%) * (1 – 35%) * (1.38% / 67.64%) } – { (8.97% - 6.11%) * (0.11% / 67.64%) }]*

Where: k_u = cost of common equity for a firm with 100% common equity.
K_e = market determined cost of common equity, i.e., DCF cost rate, 9.77% (7 water cos.) / 9.89% (4 water cos.).
I_{LTD} = cost rate of long-term debt, i.e., 6.05%, the average of the Nov. '07 (5.97%), Dec. '07(6.16%) and Jan. '07(6.02%) yields on Moody's A rated public utility debt.
t = tax rate, i.e., 35%.
MD_{LTD} = average long-term debt ratio based upon a market-value capital structure, using the fair value of long-term debt December 31, 2006 from pages 6 and 7 of this Schedule.
I_{STD} = cost rate of short-term debt, i.e., 5.21%, the average of the Nov. '07 (5.52%), Dec. '07 (5.67%) and Jan. '07 (4.45%) 3-month Euro-Dollar Deposit Rate as a proxy for the 3-month LIBOR rate.
MD_{STD} = average short-term debt ratio based upon a market-value capital structure December 31, 2006, assuming short-term debt has a market-to-book ratio of 1.00, from pages 6 and 7 of this Schedule.
ME = average common equity ratio based upon a market-value capital structure at February 8, 2008 from pages 6 and 7 of this Schedule.
d = cost rate of preferred stock, i.e., 6.11%, the average of the Nov. '07 (6.17%), Dec. '07 (6.20%) and Jan. '07 (5.97%) yields on Moody's A rated public utility preferred stocks.
MP = average preferred stock ratio based upon a market-value capital structure at December 31, 2006, assuming preferred stock has a market-to-book ratio of 1.00, from pages 6 and 7 of this Schedule.

From these "unlevered" costs of common equity, 8.84% (8 LDCs) and 8.97% (6 water cos.), the cost of common equity using the average book value capital structure ratios of the proxy groups can be derived as follows:

$$k_u = k_e - [\{ (k_u - I_{LTD}) * (1 - t) * (BD_{LTD} / BE) \} - \{ (k_u - I_{STD}) * (1 - t) * (BD_{STD} / BE) \} - \{ (k_u - d) * (BP / BE) \}]$$

For the proxy group of six AUS Utility Reports water companies:

*10.76% = 8.84% + [{ (8.84% - 6.05%) * (1 – 35%) * (47.85% / 48.90%) } + [{ (8.84% - 5.21%) * (1 – 35%) * (3.09% / 48.90%) } + { (8.84% - 6.11%) * (0.16% / 48.90%) }]*

Thus, a 100 basis points (1.00%) adjustment is indicated. 1.00% = 10.76% - 9.76%.

For the proxy group of four Value Line (Standard Edition) water companies:

*10.76% = 8.97% + [{ (8.97% - 6.05%) * (1 – 35%) * (45.68% / 51.76%) } + [{ (8.97% - 5.21%) * (1 – 35%) * (2.39% / 51.76%) } + { (8.97% - 6.11%) * (0.17% / 51.76%) }]*

Thus, an 87 basis points (0.87%) adjustment is indicated. 0.87% = 10.76% - 9.89%.

Total Environmental Solutions, Inc. – Treasure Lake Sewer Division
Indicated Common Equity Cost Rate Through Use of the
Single Stage Discounted Cash Flow Model for
The Proxy Group of Six AUS Utility Reports Water Companies and the
Proxy Group of Four Value Line (Standard Edition) Water Companies

Where: k_u = cost of common equity for a firm with 100% common equity.
k_e = cost of common equity based upon book value capital structure ratios.
I_{LTD} = cost rate of long-term debt, i.e., 6.05%, the average of the Nov. '07 (5.97%), Dec. '07(6.16%) and Jan. '07(6.02%) yields on Moody's A rated public utility debt.
t = tax rate, i.e., 35%.
BD_{LTD} = average long-term debt ratio based upon the carrying value of long-term debt at December 31, 2006 from pages 6 and 7 of this Schedule.
I_{STD} = cost rate of short-term debt, i.e., 5.21%, the average of the Nov. '07 (5.52%), Dec. '07 (5.67%) and Jan. '07 (4.45%) 3-month Euro-Dollar Deposit Rate as a proxy for the 3-month LIBOR rate.
BD_{STD} = average short-term debt ratio based upon the carrying value of short-term debt at December 31, 2006 from pages 6 and 7 of this Schedule
BE = average common equity ratio based upon a book-value capital structure at December 31, 2006, from pages 6 and 7 of this Schedule.
d = cost rate of preferred stock, i.e., 6.11%, the average of the Nov. '07 (6.17%), Dec. '07 (6.20%) and Jan. '07 (5.97%) yields on Moody's A rated public utility preferred stocks.
BP = average preferred stock ratio based upon a book-value capital structure at December 31, 2006, from pages 6 and 7 of this Schedule.

Source of Information:
Mergent Bond Record, February 2008, Vol. 75, No. 2
Federal Reserve Statistical Release, Historical Series, February 11, 2008

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Capital Structure Based upon Total Capital for the
Proxy Group of Six AUS Utility Reports Water Companies
At December 2006 (1)

	Based Upon Book Value		Based Upon Market Value of Common Equity at February 8, 2008	
	Amount Outstanding ($ mill)	Ratios	Amount Outstanding ($ mill)	Ratios
American States Water Company				
Long-Term Debt	$ 268.44	46.83 %	$ 306.05	34.22 %
Short-Term Debt	21.00	3.67	21.00	2.35
Total Debt	289.44	50.50	327.05	36.57
Preferred Stock	0.00	0.00	0.00	0.00
Common Equity	283.73	49.50	567.33	63.43
Total Equity	283.73	49.50	567.33	63.43
Total Capital	$ 573.17	100.00 %	$ 894.38	100.00 %
Aqua America, Inc.				
Long-Term Debt	$ 982.82	48.57 %	$ 986.49	26.18 %
Short-Term Debt	119.15	5.89	119.15	3.16
Total Debt	1,101.97	54.46	1,105.64	29.34
Preferred Stock	0.00	0.00	0.00	0.00
Common Equity	921.63	45.54	2,661.96	70.66
Total Equity	921.63	45.54	2,661.96	70.66
Total Capital	$ 2,023.60	100.00 %	$ 3,767.60	100.00 %
Artesian Resources Corp.				
Long-Term Debt	$ 92.38	56.30 %	$ 91.72	38.31 %
Short-Term Debt	9.90	6.03	9.90	4.13
Total Debt	102.28	62.33	101.62	42.44
Preferred Stock	0.00	0.00	1.01	0.42
Common Equity	61.80	37.67	136.81	57.14
Total Equity	61.80	37.67	137.82	57.56
Total Capital	$ 164.08	100.00 %	$ 239.44	100.00 %
California Water Service Group				
Long-Term Debt	$ 293.59	43.47 %	$ 317.78	30.51 %
Short-Term Debt	-	0.00	-	0.00
Total Debt	293.59	43.47	317.78	30.51
Preferred Stock	3.48	0.52	3.48	0.33
Common Equity	378.30	56.01	720.31	69.16
Total Equity	381.78	56.53	723.79	69.49
Total Capital	$ 675.37	100.00 %	$ 1,041.56	100.00 %
Connecticut Water Service Inc.				
Long-Term Debt	$ 77.35	43.14 %	$ 78.58	27.55 %
Short-Term Debt	5.25	2.93	5.25	1.84
Total Debt	82.60	46.07	83.83	29.39
Preferred Stock	0.77	0.43	0.77	0.27
Common Equity	95.94	53.50	200.68	70.34
Total Equity	96.71	53.93	201.45	70.61
Total Capital	$ 179.31	100.00 %	$ 285.28	100.00 %

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Capital Structure Based upon Total Capital for the
Proxy Group of Six AUS Utility Reports Water Companies
At December 2006 (1)

	Based Upon Book Value		Based Upon Market Value of Common Equity at February 8, 2008	
	Amount Outstanding ($ mil)	Ratios	Amount Outstanding ($ mil)	Ratios
York Water Company				
Long-Term Debt	$ 62.34	48.82 %	$ 70.00	29.05 %
Short-Term Debt	-	0.00	-	0.00
Total Debt	62.34	48.82	70.00	29.05
Preferred Stock	0.00	0.00	0.00	0.00
Common Equity	65.36	51.18	170.97	70.95
Total Equity	65.36	51.18	170.97	70.95
Total Capital	$ 127.70	100.00 %	$ 240.97	100.00 %
Proxy Group of Six AUS Utility Reports Water Companies				
Long-Term Debt		47.85 %		30.97 %
Short-Term Debt		3.09		1.91
Total Debt		50.94		32.88
Preferred Stock		0.16		0.17
Common Equity		48.90		66.95
Total Equity		49.06		67.12
Total Capital		100.00 %		100.00 %

(1) Capital Structure Based upon Total Capital as of December 2006

Source of Information:

EDGAR Online's I-Metrix Database
Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Data Base
Company Annual Forms 10-K

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Capital Structure Based upon Total Capital for the
Proxy Group of Four Value Line (Standard Edition) Water Companies
At December 2006 (1)

	Based Upon Book Value		Based Upon Market Value of Common Equity at February 8, 2008	
	Amount Outstanding (*$ mill*)	Ratios	Amount Outstanding (*$ mill*)	Ratios
American States Water Company				
Long-Term Debt	$ 268.44	46.83 %	$ 306.05	34.22 %
Short-Term Debt	21.00	3.67	21.00	2.35
Total Debt	289.44	50.50	327.05	36.57
Preferred Stock	0.00	0.00	0.00	0.00
Common Equity	283.73	49.50	567.33	63.43
Total Equity	283.73	49.50	567.33	63.43
Total Capital	$ 573.17	100.00 %	$ 894.38	100.00 %
Aqua America, Inc.				
Long-Term Debt	$ 982.82	48.57 %	$ 986.49	26.18 %
Short-Term Debt	119.15	5.89	119.15	3.16
Total Debt	1,101.97	54.46	1,105.64	29.34
Preferred Stock	0.00	0.00	0.00	0.00
Common Equity	921.63	45.54	2,661.96	70.66
Total Equity	921.63	45.54	2,661.96	70.66
Total Capital	$ 2,023.60	100.00 %	$ 3,767.60	100.00 %
California Water Service Group				
Long-Term Debt	$ 293.59	43.47 %	$ 317.78	30.51 %
Short-Term Debt	-	0.00	-	0.00
Total Debt	293.59	43.47	317.78	30.51
Preferred Stock	3.48	0.52	3.48	0.33
Common Equity	378.30	56.01	720.31	69.16
Total Equity	381.78	56.53	723.79	69.49
Total Capital	$ 675.37	100.00 %	$ 1,041.56	100.00 %
Southwest Water Company				
Long-Term Debt	$ 130.05	43.85 %	$ 130.10	32.56 %
Short-Term Debt	-	0.00	0.00	0.00
Total Debt	130.05	43.85	130.10	32.56
Preferred Stock	0.46	0.15	0.46	0.12
Common Equity	168.07	56.00	268.96	67.32
Total Equity	168.53	56.15	269.42	67.44
Total Capital	$ 298.57	100.00 %	$ 399.52	100.00 %
Proxy Group of Four Value Line (Standard Edition) Water Companies				
Long-Term Debt		45.68 %		30.87 %
Short-Term Debt		2.39		1.38
Total Debt		48.07		32.25
Preferred Stock		0.17		0.11
Common Equity		51.76		67.64
Total Equity		51.93		67.75
Total Capital		100.00 %		100.00 %

(1) Capital Structure Based upon Total Capital as of December 2006

Source of Information:
EDGAR Online's I-Metrix Database
Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Data Base
Company Annual Forms 10-K

TESI-SEWER EXHIBIT NO. 1
Schedule PMA-9

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Derivation of Dividend Yield for Use in the
Discounted Cash Flow Model

	Dividend Yield		
	Spot (2/8/2008) (1)	Average of Last 3 Months (2)	Average Dividend Yield (3)
Proxy Group of Six AUS Utility Reports Water Companies			
American States Water Co.	3.03 %	2.65 %	2.84 %
Aqua America, Inc.	2.50	2.38	2.44
Artesian Resources Corp.	3.66	3.65	3.66
California Water Service Group	3.36	3.20	3.28
Connecticut Water Service Inc.	3.62	3.64	3.63
York Water Co.	3.18	3.10	3.14
Average	3.23 %	3.10 %	3.17 %
Proxy Group of Four Value Line (Standard Edition) Water Companies			
American States Water Co.	3.03 %	2.65 %	2.84 %
Aqua America, Inc.	2.50	2.38	2.44
California Water Service Group	3.36	3.19	3.28
Southwest Water Company	2.16	1.98	2.07
Average	2.76 %	2.55 %	2.66 %

Notes: (1) The spot dividend yield is the current annualized dividend per share divided by the spot market price on 2/8/08.

(2) The average 3-month dividend yield was computed by relating the indicated annualized dividend rate and market price on the last trading day of each of the three months ended January 31, 2008.

(3) Equal weight has been given to the 3-month average and spot dividend yield. This provides recognition of current conditions, but does not place undue emphasis thereon.

Source of Information: EDGAR Online's I-Metrix Database
Report Date: 2/11/2008

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Current Institutional Holdings (1) and Individual Holdings (2) for
the Proxy Group of Six AUS Utility Reports Water Companies,
the Proxy Group of Four Value Line (Standard Edition) Water Companies

	1	2
	February 2008 Percentage of Institutional Holdings	February 2008 Percentage of Individual Holdings (1)
Proxy Group of Six AUS Utility Reports Water Companies		
American States Water Co.	61.13	38.87 %
Aqua America	43.47	56.53
Artesian Resources Corp.	14.72	85.28
California Water Service Group	51.66	48.34
Connecticut Water Service Inc.	23.09	76.91
York Water Co.	14.63	85.37
Average	34.78 %	65.22 %
Proxy Group of Four Value Line (Standard Edition)Water Companies		
American States Water Co.	61.13 %	38.87 %
Aqua America	43.47	56.53
California Water Service Group	51.66	48.34
Southwest Water Company	48.45	51.55
Average	51.18 %	48.82 %

Notes: (1) (1 - column 1).

Source of Information: today.reuters.com, updated February 11, 2008

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Historical and Projected Growth

	1	2	3	4	5	6		7	8	9	10	11	12	13
	Value Line Historical Five Year Growth Rate (1)		Five Year Historical BR + SV (2)	Value Line Projected 2003-05 to 2009-'11 Growth Rate (1)		Reuters Mean Consensus Projected Five Year Growth Rate		Average Projected Five Year Growth Rate in EPS (3)	Projected Five Year BR + SV (4)	Range of Growth Rates			Average of all Growth Rates	Average of Midpoint and Average of all Growth Rates (9)
	DPS	EPS		DPS	EPS	EPS	No. of Est.			Low	High	Midpoint		
Proxy Group of Six AUS Utility Reports Water Companies														
American States Water Co.	1.00 %	(0.50) %	4.36 %	4.50 %	10.00 %	4.00	[1]	7.00 %	7.05 %	1.00 % (8)	10.00 % (8)	5.50 %	5.15 % (8)	5.33 %
Aqua America, Inc.	7.00	8.00	7.90	9.50	7.50	10.75	[4]	9.13	4.66	4.66	10.75	7.71	7.90	7.81
Artesian Resources Corp	3.76 (5)	6.34 (5)	5.70	NA	NA	5.00	[1]	5.00	NA	3.76	6.34	5.05	5.20	5.13
California Water Service Group	0.50	2.50	4.90	1.00	7.50	7.67	[3]	7.59	6.04	0.50	7.67	4.09	4.30	4.20
Connecticut Water Service Inc.	1.00	(2.50)	3.45	NA	NA	15.00	[1]	15.00	NA	1.00 (8)	15.00 (8)	8.00	6.46 (8)	7.24
York Water Co.	5.24 (5)	6.88 (5)	4.73	NA	NA	7.00	[1]	7.00	NA	4.73	7.00	5.87	5.96	5.92
Average	3.08 %	5.93 % (8)	5.17 %	5.00 %	8.33 %	8.24 %		8.45 %	5.92 %	2.61 %	9.46 %	6.04 %	5.83 %	5.94 %
Proxy Group of Four Value Line (Standard Edition) Water Companies														
American States Water Co.	1.00 %	(0.50) %	4.36 %	4.50 %	10.00 %	4.00 %	[1]	7.00 %	7.05 %	1.00 % (8)	10.00 % (8)	5.50 %	5.15 % (8)	5.33 %
Aqua America, Inc.	7.00	8.00	7.90	9.50	7.50	10.75	[4]	9.13	4.66	4.66	10.75	7.71	7.80	7.81
California Water Service Group	0.50	2.50	4.90	1.00	7.50	7.67	[3]	7.59	6.04	0.50	7.67	4.09	4.30	4.20
Southwest Water Company	9.00	(2.50)	11.92	7.50	14.00	12.50	[2]	13.25	6.05	6.05 (8)	14.00 (8)	10.03	10.16 (8)	10.10
Average	4.38 %	5.25 % (8)	7.27 %	5.63 %	9.75 %	8.73 %		9.24 %	5.95 %	3.05 %	10.61 %	6.83 %	6.88 %	6.86 %

Notes:
(1) As shown on pages 8 through 13 of this Schedule. Historical growth rates are five-year compound growth rates.
(2) From page 2 of this Schedule.
(3) Average of Columns 5 and 6.
(4) *From page 8 of this Schedule.*
(5) Calculated using the same methodology as Value Line Investment Survey, i.e., three-year base periods ending 2006.
(6) Average of Columns 1, 2, 3, 4, 5, 6, and 8.
(7) From Column 7.
(8) *Excludes negatives.*
(9) Average of Column 11 and Column 12.

Source of Information: Value Line Investment Survey, January 25, 2008
stocks.us.reuters.com, *February 11, 2008*

TESI-SEWER EXHIBIT NO. 1
Schedule PMA-11

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Calculation of Historical BR + SV

	1	2	3	4	5
	BR (1)	S Factor (2)	V Factor (3)	SV (4)	BR + SV (5)
Proxy Group of Six AUS Utility Reports Water Companies					
American States Water Co.	3.18 %	2.50 %	47.13 %	1.18 %	4.36 %
Aqua America, Inc.	5.11	4.02	69.46	2.79	7.90
Artesian Resources Corp.	2.73	6.24	47.59	2.97	5.70
California Water Service Group	1.49	6.49	52.58	3.41	4.90
Connecticut Water Service Inc.	2.52	1.58	58.76	0.93	3.45
York Water Co.	2.40	3.48	66.82	2.33	4.73
Average	2.91 %	4.05 %	57.06 %	2.27 %	5.17 %
Proxy Group of Four Value Line (Standard Edition) Water Companies					
American States Water Co.	3.18 %	2.50 %	47.13 %	1.18 %	4.36 %
Aqua America, Inc.	5.11	4.02	69.46	2.79	7.90
California Water Service Group	1.49	6.49	52.58	3.41	4.90
Southwest Water Company	3.83	15.18	53.29	8.09	11.92
Average	3.40 %	7.05 %	55.62 %	3.87 %	7.27 %

Notes:
(1) From column 6, page 3 of this Schedule.
(2) From column 12, page 4 of this Schedule.
(3) From column 7, page 5 of this Schedule.
(4) Column 2 * column 3.
(5) Column 1 + column 4.

Total Environmental Solutions Inc. - Treasure Lake Sewer Division
Historical Internal Growth Rate (1), i e , BR, for
the Proxy Group of Six AUS Utility Reports Water Companies, the
Proxy Group of Four Value Line (Standard Edition) Water Companies
for the Years 2002 -2006

	1	2	3	4	5	6
	2006	2005	2004	2003	2002	Five-Year Average 2002-2006 Internal Growth Rate, i.e., BR
Proxy Group of Six AUS Utility Reports Water Companies						
American States Water Co.						
Common Equity Return Rate	8 43 %	10 38 %	7 99 %	5 59 %	9 83 %	
Retention Ratio	32 40	43 59	25 17	(12 98)	35 04	
Internal Growth Rate (1)	2 73	4 52	2 01	(0 73)	3 44	3 18 % (2)
Aqua America, Inc.						
Common Equity Return Rate	10 61 %	11 69 %	11 39 %	12 30 %	13 92 %	
Retention Ratio	36 93	43 90	42.75	43 61	45 22	
Internal Growth Rate (1)	3 92	5 13	4 87	5 36	6 29	5 11
Artesian Resources Corp.						
Common Equity Return Rate	10 15 %	8 93 %	8 18 %	7 41 %	9 67 %	
Retention Ratio	38 62	31 08	25 60	19 24	34 96	
Internal Growth Rate (1)	3 94	2 78	2 11	1 43	3 38	2 73
California Water Service Group						
Common Equity Return Rate	7 56 %	9 31 %	9 72 %	8 68 %	9 56 %	
Retention Ratio	14 21	25 81	22 97	8 79	10 13	
Internal Growth Rate (1)	1 07	2 40	2 23	0 76	0 97	1 49
Connecticut Water Service Inc.						
Common Equity Return Rate	7 02 %	7 84 %	10 93 %	11 23 %	11 60 %	
Retention Ratio	(5 16)	4 98	29 02	28 82	28 20	
Internal Growth Rate (1)	(0 36)	0 39	3 17	3 24	3 27	2 52 (2)
York Water Co.						
Common Equity Return Rate	10 52 %	11 85 %	12.17 %	11 66 %	10 37 %	
Retention Ratio	20 87	24 70	25 86	21 04	12 32	
Internal Growth Rate (1)	2 20	2 93	3 15	2 45	1 28	2.40
Average						2.91 %
Proxy Group of Four Value Line (Standard Edition) Water Companies						
American States Water Co.						
Common Equity Return Rate	8 43 %	10 38 %	7.99 %	5 59 %	9 83 %	
Retention Ratio	32 40	43 59	25 17	(12 98)	35 04	
Internal Growth Rate (1)	2 73	4 52	2 01	(0 73)	3 44	3 18 % (2)
Aqua America, Inc.						
Common Equity Return Rate	10 61 %	11 69 %	11 39 %	12 30 %	13 92 %	
Retention Ratio	36 93	43 90	42.75	43 61	45 22	
Internal Growth Rate (1)	3 92	5 13	4 87	5 36	6 29	5 11
California Water Service Group						
Common Equity Return Rate	7 56 %	9 31 %	9 72 %	8 68 %	9 56 %	
Retention Ratio	14 21	25 81	22 97	8 79	10 13	
Internal Growth Rate (1)	1 07	2 40	2 23	0 76	0 97	1 49
Southwest Water Company						
Common Equity Return Rate	5 99 %	5 38 %	4 40 %	10 20 %	10 32 %	
Retention Ratio	46 26	42 00	21 86	64 23	64 02	
Internal Growth Rate (1)	2 77	2 26	0 96	6 55	6 61	3.83
Average						3.40 %

Notes: (1) The internal growth rate is calculated by multiplying the common equity return rate by the *retention ratio (100% minus the dividend payout ratio) All data are on a consolidated basis*

(2) Excludes negatives

Source of Information: Standard & Poor's Compustat Services, Inc , PC Plus / Research Insight Database

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Calculation of Five Year Average Growth in Common Shares Outstanding (1), i.e., S Factor

	1	2	3	4	5	6	7	8	9	10	11	12
	2001 Common Shares Outstanding (1)	01-02 Growth	2002 Common Shares Outstanding (1)	02-03 Growth	2003 Common Shares Outstanding (1)	03-04 Growth	2004 Common Shares Outstanding (1)	04-05 Growth	2005 Common Shares Outstanding (1)	05-06 Growth	2006 Common Shares Outstanding (1)	Five Year Average Common Share Growth
Proxy Group of Six AUS Utility Reports Water Companies												
American States Water Co.	15.120	0.40 %	15.181	0.20 %	15.212	10.12 %	16.752	0.27 %	16.798	1.49 %	17.049	2.50 %
Aqua America, Inc.	113.977	(0.69)	113.195	9.06	123.452	3.02	127.180	1.41	128.969	2.60	132.325	4.02 (2)
Artesian Resources Corp.	4.590	26.23	5.794	1.00	5.852	1.40	5.934	1.47	6 021	1.08	6 086	6.24
California Water Service Group	15.182	0.00	15.182	11.53	16.932	8.48	18.367	0.13	18 390	12.33	20.657	6.49
Connecticut Water Service Inc.	7.649	3.80	7.940	0.34	7.967	0.85	8.035	1.68	8.170	1.23	8.270	1.58
York Water Co.	9.462	0.90	9.547	0.86	9.629	7.29	10.331	0.67	10.400	7.70	11.201	3.48
Average												4.05 %
Proxy Group of Four Value Line (Standard Edition) Water Companies												
American States Water Co.	15.120	0.40 %	15.181	0.20 %	15.212	10.12 %	16.752	0.27 %	16.788	1.49 %	17.049	2.50 %
Aqua America, Inc.	113.977	(0.69)	113.195	9.06	123.452	3.02	127.180	1.41	128.969	2.60	132.325	4 02 (2)
California Water Service Group	15.182	0.00	15.182	11.53	16.932	8.48	18.367	0.13	18.390	12.33	20.657	6.49
Southwest Water Company	14.174	(3.61)	13.662	18.38	16.173	25.92	20.365	3.75	21.129	12.65	23 802	15.18 (2)
Average												7.05 %

Notes: (1) Year-end shares outstanding.
(2) Excludes negatives.

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Database

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Calculation of the Premium/Discount of a
Company's Stock Price Relative to its Book Value, i.e., V Factor

	1	2	3	4	5	6	7
	2002 Market to Book Ratio (1)	2003 Market to Book Ratio (1)	2004 Market to Book Ratio (1)	2005 Market to Book Ratio (1)	2006 Market to Book Ratio (1)	Five Year Average Market to Book Ratio	V Factor (2)
Proxy Group of Six AUS Utility Reports Water Companies							
American States Water Co.	180.60 %	180.32 %	164.33 %	191.52 %	228.93 %	189.14 %	47.13 %
Aqua America, Inc.	289.79	295.63	291.42	383.81	376.47	327.42	69.46
Artesian Resources Corp.	162.05	184.47	192.85	211.12	203.62	190.82	47.59
California Water Service Group	181.57	199.83	212.55	231.58	228.96	210.90	52.58
Connecticut Water Service Inc.	266.17	265.03	250.50	223.07	207.66	242.49	58.76
York Water Co.	281.50	286.90	287.48	311.01	339.98	301.37	66.82
Average						243.69 %	57.06 %
Proxy Group of Four Value Line (Standard Edition) Water Companies							
American States Water Co.	180.60 %	180.32 %	164.33 %	191.52 %	228.93 %	189.14 %	47.13 %
Aqua America, Inc.	289.79	295.63	291.42	383.81	376.47	327.42	69.46
California Water Service Group	181.57	199.83	212.55	231.58	228.96	210.90	52.58
Southwest Water Company	240.34	206.16	222.48	185.84	215.62	214.09	53.29
Average						235.39 %	55.62 %

Notes: (1) Market to Book Ratio = average of yearly high-low market price divided by the average of beginning and ending year's balance of book common equity per share.
(2) (1 - (100 / column 6)).

Source of Information: Standard & Poor's Compustat Services, Inc., *PC Plus / Research Insight Database*
EDGAR Online's I-Metrix Database
Company Annual Forms 10-K

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Calculation of Projected BR + SV

	1	2	3	4	5	6	7	8	9	10	11
	Common Shares Outstanding (1) (000,000)			Projected 2010 - 2012 (1)							
	Actual 2006	Projected 2010-2012	S Factor (2)	High Stock Price	Low Stock Price	Book Value	Average Stock Price (3)	V Factor (4)	SV (5)	BR (6)	BR + SV (7)
Proxy Group of Six AUS Utility Reports Water Companies											
American States Water Co.	17.05	19.00	2.19 %	$55.00	$35.00	$19.10	$45.00	57.56 %	1.26 %	5.79 %	7.05 %
Aqua America, Inc.	132.33	140.00	1.13	30.00	20.00	9.30	25.00	62.80	0.71	3.95	4.66
Artesian Resources Corp.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
California Water Service Group	20.66	22.50	1.72	55.00	35.00	20.50	45.00	54.44	0.94	5.10	6.04
Connecticut Water Service Inc.	8.27	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
York Water Co.	11.20	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Average			1.68 %					58.27 %	0.97 %	4.95 %	5.92 %
Proxy Group of Four Value Line (Standard Edition) Water											
American States Water Co.	17.05	19.00	2.19 %	$55.00	$35.00	$19.10	$45.00	57.56 %	1.26 %	5.79 %	7.05 %
Aqua America, Inc.	132.33	140.00	1.13	30.00	20.00	9.30	25.00	62.80	0.71	3.95	4.66
California Water Service Group	20.66	22.50	1.72	55.00	35.00	20.50	45.00	54.44	0.94	5.10	6.04
Southwest Water Company	23.80	30.00	4.74	20.00	14.00	10.50	17.00	38.24	1.81	4.24	6.05
Average			2.45 %					53.26 %	1.18 %	4.77 %	5.95 %

NA = Not Available

Notes:
(1) From pages 8 through 13 of this Schedule.
(2) The S Factor is the six or five year compound growth rate between the 2006 and 2011 (mid-point of 2010-2012 projection) common shares outstanding.
(3) The Average Stock Price is the average of column 4 and column 5.
(4) (1 - (column 6 / column 7))
(5) Column 3 * column 8.
(6) From page 7, column 14 of this Schedule.
(7) Column 9 + column 10.

Source of Information: Value Line Investment Survey, January 25, 2008

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Projected Internal Growth Rate

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	2006			2010-2012					2010-2012					
	Common Equity (%) (1)	Total Capital ($ mill) (1)	Common Equity ($ mill) (2)	Common Equity (%) (1)	Total Capital ($ mill) (1)	Common Equity ($ mill) (3)	Annual Common Equity Growth Rate (4)	ROE Adjustment Factor (5)	Return on Common Equity (1)	Return on Average Common Equity (6)	EPS (1)	DPS (1)	Retention Ratio (7)	Projected Internal Growth (8)
Proxy Group of Six AUS Utility Reports Water Companies														
American States Water Co.	51.40 %	$551.60	$283.52	50.00 %	$725.00	$362.50	5.04 %	1.02 %	12.00 %	12.24 %	$2.20	$1.16	47.27 %	5.79 %
Aqua America, Inc.	48.40	1,904.40	921.73	49.00	2,550.00	1,249.50	6.27	1.03	11.50	11.85	1.05	0.70	33.33	3.95
Artesian Resources Corp.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
California Water Service Group	55.90	670.10	374.59	51.00	900.00	459.00	4.15	1.02	11.00	11.22	2.20	1.20	45.45	5.10
Connecticut Water Service Inc.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
York Water Co.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Average														4.95 %
Proxy Group of Four Value Line (Standard Edition) Water Companies														
American States Water Co.	51.40 %	$551.60	$283.52	50.00 %	$725.00	$362.50	5.04 %	1.02 %	12.00 %	12.24 %	$2.20	$1.16	47.27 %	5.79 %
Aqua America, Inc.	48.40	1,904.40	921.73	49.00	2,550.00	1,249.50	6.27	1.03	11.50	11.85	1.05	0.70	33.33	3.95
California Water Service Group	55.90	670.10	374.59	51.00	900.00	459.00	4.15	1.02	11.00	11.22	2.20	1.20	45.45	5.10
Southwest Water Company	56.30	295.20	166.20	56.50	560.00	316.40	13.74	1.06	7.00	7.42	0.70	0.30	57.14	4.24
Average														4.77 %

NA = Not Available

Notes:
(1) From pages 8 through 13 of this Schedule.
(2) Column 1 * column 2.
(3) Column 4 * column 5.
(4) Five year compound growth rate in common equity from 2006 to 2010-2012 or ((((column 6 / column 3) ^ (1/5)) - 1)).
(5) 2 * ((1 + column 7) / (2 + column 7)).
(6) Column 8 * column 9.
(7) 1 - (column 12 / column 11).
(8) Column 10 * column 13.

Source of Information: Value Line Investment Survey, January 25, 2008

TESI-SEWER EXHIBIT NO. 1
Schedule PMA-11

AMER. STATES WATER NYSE-AWR

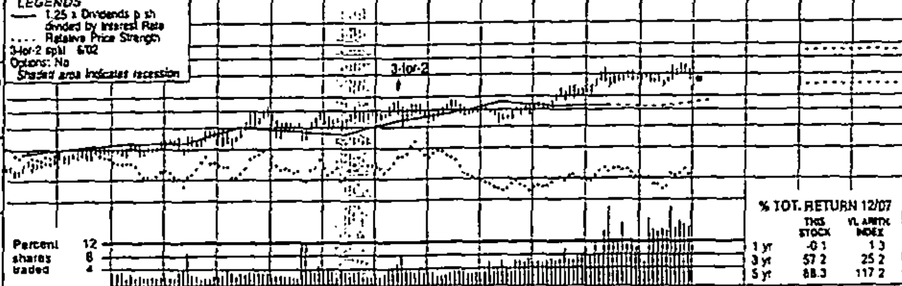
RECENT PRICE 37.23 | P/E RATIO 21.6 (Trailing: 25.3 Median: 18.0) | RELATIVE P/E RATIO 1.36 | DIV'D YLD 2.7% | VALUE LINE

TIMELINESS 3 Raised 8/17/07
SAFETY 3 New 2/4/00
TECHNICAL 1 Raised 1/25/08
BETA 1.00 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High:	16 1	17 1	19 5	26 5	25 3	26 4	29 0	29 0	26 8	34 6	43 8	46.1	
Low:	12.5	13.5	14.1	14 8	16.7	19 0	20 3	21 6	20 8	24 3	30 3	33 6	

Target Price Range 2010 | 2011 | 2012

LEGENDS
—— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 6/02
Options: No
Shaded area indicates recession



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+50%)	13%
Low	35	(-5%)	2%

Insider Decisions

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

Institutional Decisions

	1Q2007	2Q2007	3Q2007
to Buy	57	65	63
to Sell	47	44	53
Hld's(000)	9282	9778	10424

Percent shares traded 12 8 4

% TOT. RETURN 12/07

	THIS STOCK	VL ARITH. INDEX
1 yr	-0 1	1 3
3 yr	57 2	25 2
5 yr	88.3	117 2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
9.15	10 10	9 27	10.43	11.03	11.37	11 44	11 02	12.91	12 17	13 06	13 78	13.98	13 61	14 06	15.75	17.40	18.00	Revenues per sh	20 55
1 78	1 81	1 67	1.68	1 75	1.75	1 65	2 04	2 26	2 20	2.53	2 54	2 08	2.23	2 64	2 90	3.30	3 55	"Cash Flow" per sh	3.90
1.19	1.15	1.11	.95	1 03	1.13	1 04	1.08	1.19	1 28	1.35	1 34	78	1.05	1 32	1 33	1.63	1.80	Earnings per sh A	2.20
.73	.77	.79	.80	.81	.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.02	Div'd Decl'd per sh B■	1.16
2 77	2 31	1 90	2 43	2 19	2 40	2 58	3 11	4 30	3 03	3.18	2 68	3 76	5.03	4 24	3.91	3.00	3.00	Cap'l Spending per sh	3.25
8.39	8.65	9.95	10.07	10.29	11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.70	18.00	Book Value per sh	19.10
9.91	9.96	11.71	11.77	11.77	13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.25	17.50	Common Shs Outst'g C	19.00
8 8	10 6	13 4	12 8	11 6	12 6	14 5	15 5	17.1	15.9	16 7	18 3	31 9	23 2	21 9	27.7	23.9		Avg Ann'l P/E Ratio	21.0
.56	.64	.79	84	.78	.79	84	81	97	1 03	86	1 00	1.82	1 23	1.17	1 47	1.27		Relative P/E Ratio	1 40
7.0%	6.3%	5.3%	6.6%	6.7%	5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.4%	2.5%		Avg Ann'l Div'd Yield	2.6%
						153.8	148.1	173 4	184.0	197.5	209 2	212.7	228 0	236 2	268 6	300	315	Revenues ($mill)	390
						14.1	14.6	16.1	18.0	20.4	20.3	11.9	16.5	22.5	23.1	29.0	33.0	Net Profit ($mill)	43.0
						41.1%	40 9%	46 0%	45.7%	43 0%	38.9%	43 5%	37 4%	47.0%	40 5%	40.5%	41.0%	Income Tax Rate	42.0%
						--	--	--	--	--	--	--	--	--	--	Nil	Nil	AFUDC % to Net Profit	Nil
						43.0%	43.6%	51.0%	47 5%	54 9%	52 0%	52.0%	47.7%	50 4%	48 6%	47.0%	48.0%	Long-Term Debt Ratio	50.0%
						56.3%	55.7%	48.4%	51.9%	44.7%	48.0%	48.0%	52.3%	49.6%	51.4%	53.0%	52.0%	Common Equity Ratio	50.0%
						268.4	277.1	328.2	371.1	447 6	444.4	442 3	480 4	532 5	551 6	575	605	Total Capital ($mill)	725
						383.6	414.8	449.6	509.1	539.8	563.3	602.3	664.2	713.2	750.6	770	800	Net Plant ($mill)	900
						6 9%	7.0%	6.6%	6.4%	6 1%	6.5%	4 6%	5.2%	5 4%	6.0%	7.0%	7.5%	Return on Total Cap'l	8.0%
						9 2%	9.4%	10 0%	9 2%	10 1%	9.5%	5 6%	6.6%	8.5%	8.1%	9.5%	10.5%	Return on Shr. Equity	12.0%
						9.2%	9.4%	10.1%	9.3%	10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.5%	10.5%	Return on Com Equity	12.0%
						1 8%	2.1%	2 9%	3 0%	3 6%	3.3%	NMF	1 0%	2 8%	2.7%	5.5%	5.0%	Retained to Com Eq	6.0%
						80%	78%	72%	68%	65%	65%	113%	84%	67%	67%	57%	54%	All Div'ds to Net Prof	51%

CAPITAL STRUCTURE as of 9/30/07
Total Debt $297.2 mill. Due in 5 Yrs $20.0 mill.
LT Debt $267 6 mill LT Interest $24.0 mill
(LT interest earned: 3 5x: total interest coverage: 3 4x) (47% of Cap'l)

Leases, Uncapitalized: None
Pension Assets-12/06 $64.3 mill.
Oblig. $86.1 mill.
Pfd Stock None. Pfd Div'd None

Common Stock 17,197,055 shs
MARKET CAP: $650 million (Small Cap)

CURRENT POSITION ($MILL.)	2005	2006	9/30/07
Cash Assets	13.0	3.2	3.6
Receivables	13.3	14 8	19.6
Inventory (Avg Cst)	1.4	1.6	1 8
Other	41.2	44.8	44.2
Current Assets	68.9	64 4	69.2
Accts Payable	19.7	24.0	25.3
Debt Due	27.6	32 6	29 6
Other	30.3	29.3	34.1
Current Liab.	77.6	85.9	89.0
Fix. Chg. Cov.	413%	268%	330%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	3 0%	2 5%	6.0%
"Cash Flow"	4 0%	2.0%	7.0%
Earnings	1.5%	-0.5%	10.0%
Dividends	1.0%	1.0%	4.5%
Book Value	4 0%	4.5%	3.0%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2004	46.7	59.3	69.0	53.0	228.0
2005	49 8	60 5	68.1	57.8	236.2
2006	64.3	63.0	75.0	66.3	268 6
2007	72.3	79.2	75 8	72.7	300
2008	77.0	82.0	81.0	75.0	315

Calendar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2004	08	30	.52	.15	1.05
2005	.22	.34	.47	.29	1.32
2006	35	.36	.32	30	1.33
2007	31	42	44	.46	1.63
2008	.37	.45	.57	.41	1.80

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

BUSINESS: American States Water Co operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Acquired Chaparral City Water of Arizona (10/00). Has roughly 555 employees. Officers & directors own 3.1% of common stock (4/07 Proxy). *Chairman: Lloyd Ross. President & CEO: Floyd Wicks Inc: CA. Addr.:* 630 East Foothill Boulevard, San Dimas, CA 91773. Tele.: 909-394-3600. Internet: www.aswater.com

We've raised our near-term expectations for American States Water. The California Public Utilities Commission (CPUC) recently announced that it approved the company's general rate case appeal for its Region II service area as well as the request to recover general office expenses. The decision, which is retroactive to January 1, 2007, and will be recorded in the company's fourth-quarter 2007 results (set to be released as we headed to press), ought to increase revenue by roughly $6.4 million and add more than a dime to share earnings for the quarter. We now look for *the company to earn $0.46 a share in the* final quarter of 2007. Note that our estimate would have been higher if not for the unfavorable weather conditions that have limited usage rates in recent months. **There may be additional regulatory backing on the horizon.** Although the regulatory climate is much improved from years ago, the CPUC is mulling over the idea of instituting a few of the proposals included in the Water Action Plan of 2005. *Doing so would likely further streamline* the decision making process, while remov*ing some earnings* volatility through the adoption of a weather normalization clause.

Even still, we advise investors to look elsewhere at this time. The aforementioned changes at the CPUC are still speculation and are not being factored into our estimates just yet. That said, earnings growth will probably slow considerably in 2008. Even if adopted, we suspect that a fair portion of the benefits coming from these changes would likely be offset by capital constraints. Indeed, American is *highly leveraged and had only $3.6 million* in cash on hand at the end of the most *recent quarter. Infrastructure costs are ex*pected to remain high, given aging systems and tighter EPA regulations, forcing management to look to outside financiers for help. The higher interest costs associated with taking on more debt and/or additional shares will likely limit shareholder gains, as well. Meanwhile, the once robust dividend yield pales in comparison to years past, despite the recent 6% hike. **These shares offer limited 3- to 5-year total-return appeal,** *despite the 10%* drop in price since our October review.

Andre J. Costanzo *January 25, 2008*

(A) Primary earnings. Excludes nonrecurring gains: '91, 73¢; '92, 13¢; '04, 14¢; '05, 25¢; '06, 6¢. Next earnings report due early February.
(B) Dividends historically paid in early March, *June, September, and December* ■ *Div'd reinvestment plan available.*
(C) In millions, adjusted for splits

Company's Financial Strength	B++
Stock's Price Stability	75
Price Growth Persistence	75
Earnings Predictability	50

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AQUA AMERICA NYSE-WTR

RECENT PRICE 20.42 | P/E RATIO 23.2 (Trailing: 28.4; Median: 24.0) | RELATIVE P/E RATIO 1.46 | DIV'D YLD 2.5% | VALUE LINE

TIMELINESS 4 Raised 3/9/07
SAFETY 3 Lowered 8/1/03
TECHNICAL 2 Raised 1/11/08
BETA .90 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High:	5.7	8.5	11.5	11.5	12.0	14.8	15.0	16.8	18.5	29.2	29.8	26.6
Low:	3.9	4.4	7.2	7.6	8.3	9.4	9.6	11.8	14.2	17.5	20.1	18.9

Target Price Range 2010 | 2011 | 2012

LEGENDS
— 1.60 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
5-for-4 split 7/96
4-for-3 split 1/98
5-for-4 split 12/00
5-for-4 split 12/01
5-for-4 split 12/03
5-for-4 split 12/03
4-for-3 split 12/05
Options: Yes
Shaded area indicates recession

2010-12 PROJECTIONS

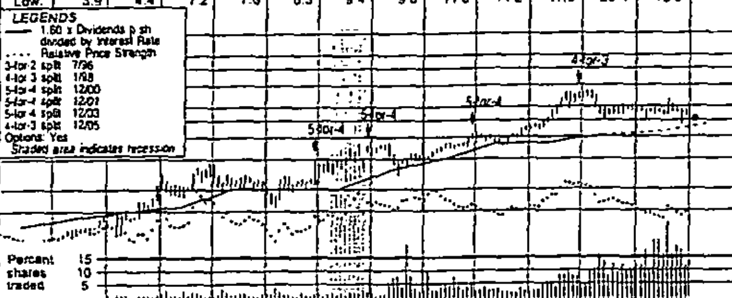
	Price	Gain	Ann'l Total Return
High	30	(+45%)	13%
Low	20	(Nil)	3%

Insider Decisions

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

Institutional Decisions

	1Q2007	2Q2007	3Q2007
to Buy	108	109	84
to Sell	95	109	114
Hld's(000)	56295	64821	55922



% TOT. RETURN 12/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	-5.0	1.3
3 yr.	21.5	25.2
5 yr.	90.3	117.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
2.14	1.82	1.70	1.82	1.84	1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.55	4.80	Revenues per sh	5.35
.45	.39	.42	.42	.47	.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.45	1.55	"Cash Flow" per sh	1.80
.25	.24	.24	.26	.29	.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.75	.90	Earnings per sh A	1.05
.19	.20	.21	.21	.22	.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.55	Div'd Decl'd per sh B■	.70
.54	.60	.47	.46	.52	.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	2.10	2.15	Cap'l Spending per sh	2.30
2.07	2.09	2.29	2.41	2.46	2.69	2.84	3.21	3.42	3.65	4.15	4.36	5.34	5.89	6.30	6.95	7.15	7.45	Book Value per sh	9.30
41.42	51.20	59.40	59.77	63.74	65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	134.00	136.00	Common Shs Outst'g C	140.00
10.8	12.5	14.4	13.5	12.0	15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	30.3		Avg Ann'l P/E Ratio	25.0
.69	.76	.85	.89	.80	.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.60		Relative P/E Ratio	1.65
7.2%	6.8%	5.9%	6.0%	6.2%	4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%		Avg Ann'l Div'd Yield	2.7%

CAPITAL STRUCTURE as of 9/30/07
Total Debt $1062.3 mill Due in 5 Yrs $150.0 mill.
LT Debt $1038.0 mill LT Interest $66.5 mill
(LT interest earned: 3.6x; total interest coverage: 3.4x) (52% of Cap'l)

Pension Assets-12/06 $126.5 mill
Oblig. $178.3 mill.

Pfd Stock None
Common Stock 133,249,378 shares as of 10/23/07

MARKET CAP: $2.7 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
136.2	151.0	257.3	275.5	307.3	322.0	367.2	442.0	496.8	533.5	610	650	Revenues ($mill)	750
23.2	28.8	45.0	50.7	58.5	62.7	67.3	80.0	91.2	92.0	100	115	Net Profit ($mill)	150
40.6%	40.5%	38.4%	38.9%	39.3%	38.5%	39.3%	39.4%	38.4%	39.6%	39.5%	39.0%	Income Tax Rate	39.0%
--	--	--	--	--	--	--	--	2.9%	2.0%	2.0%	2.0%	AFUDC % to Net Profit	2.0%
54.4%	52.7%	52.9%	52.0%	52.2%	54.2%	51.4%	50.0%	52.0%	51.6%	52.0%	52.0%	Long-Term Debt Ratio	51.0%
44.8%	46.6%	46.7%	47.8%	47.7%	45.8%	48.6%	50.0%	48.0%	48.4%	48.0%	48.0%	Common Equity Ratio	49.0%
427.2	496.6	782.7	901.1	990.4	1076.2	1355.7	1497.3	1690.4	1904.4	2000	2110	Total Capital ($mill)	2550
534.5	609.8	1135.4	1251.4	1368.1	1490.8	1824.3	2069.8	2280.0	2506.0	2750	2900	Net Plant ($mill)	3500
7.4%	7.6%	7.6%	7.4%	7.8%	7.6%	6.4%	6.7%	6.9%	6.4%	6.5%	7.0%	Return on Total Cap'l	7.5%
11.9%	12.3%	12.2%	11.7%	12.3%	12.7%	10.2%	10.7%	11.2%	10.0%	10.5%	11.0%	Return on Shr. Equity	11.5%
12.0%	12.4%	12.3%	11.7%	12.4%	12.7%	10.2%	10.7%	11.2%	10.0%	10.5%	11.0%	Return on Com Equity	11.5%
3.6%	4.5%	4.3%	4.7%	5.1%	5.2%	4.2%	4.6%	4.9%	3.7%	3.5%	3.5%	Retained to Com Eq	4.0%
70%	64%	65%	60%	59%	59%	59%	57%	56%	63%	64%	61%	All Div'ds to Net Prof	67%

CURRENT POSITION ($MILL.)	2005	2006	9/30/07
Cash Assets	11.9	44.0	15.6
Receivables	62.7	72.1	94.4
Inventory (AvgCst)	7.8	10.2	9.6
Other	7.6	8.4	9.1
Current Assets	90.0	134.7	128.7
Accts Payable	55.5	49.4	27.4
Debt Due	163.1	150.4	24.3
Other	44.7	55.6	263.7
Current Liab.	263.3	255.6	315.4
Fix. Chg. Cov.	377%	360%	360%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	7.5%	8.5%	6.0%
"Cash Flow"	10.0%	9.0%	7.0%
Earnings	9.0%	8.0%	7.5%
Dividends	6.5%	7.0%	9.5%
Book Value	9.5%	11.0%	6.5%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	99.8	106.5	120.3	115.4	442.0
2005	114.0	123.1	136.8	122.9	496.8
2006	118.0	131.7	147.0	136.8	533.5
2007	137.3	150.6	165.5	156.6	610
2008	145	165	185	155	650

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.13	.14	.20	.17	.64
2005	.15	.17	.22	.17	.71
2006	.13	.17	.21	.19	.70
2007	.13	.18	.22	.22	.75
2008	.20	.24	.24	.22	.90

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

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately 2.8 million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '06: residential, 60%; commercial, 14%; industrial & other, 26%. Officers and directors own 1.2% of the common stock (4/07 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com

We have lowered our share-net estimate for Aqua America's recently completed fourth quarter. Due to the struggling housing market and the inability of the company to raise its rates in a few markets, we now believe that the company earned $0.22 a share during the December period, down from our previous estimate of $0.24 (WTR will release its fourth-quarter financial results within the next few weeks). On the bright side,

We expect a healthy share-net advance this year. Aqua's profits will likely be fueled by its recent acquisition activities. Over the last several months, it has purchased a number of water companies that have expanded its market reach to new areas in Florida, New Jersey, Indiana, Pennsylvania, and Texas. Moreover, management continues to implement rate hikes throughout the nation, which will help advance the operating margin and profits this year. In sum, Aqua will likely post share earnings of $0.90 this year, 20% better than our estimate for 2007.

The company's balance sheet should be able to support a few more purchases. Although Aqua does not have a huge stash of cash (only $15 million), and already possesses an ample amount of debt, it probably generates enough funds to complete a few more acquisitions this year. Aqua will likely seek opportunities to bolster its water utility businesses in Texas, Pennsylvania, and Virginia.

These shares are not particularly appealing at this time. Although recent acquisitions should help Aqua America register a solid share-earnings advance in 2008, our Timeliness Ranking System suggests that this issue will lag the year-ahead market. Furthermore, looking long term, this stock already trades at the low end of our projected Target Price Range for 2010–2012, limiting appreciation potential out to that time frame. That said, our share-net estimates would likely be raised if Aqua can complete a few additional acquisitions over the next few years. Lastly, **Income-oriented accounts can probably find better options elsewhere.** Although Aqua has raised its quarterly dividend every year over the past decade, its current yield of 2.5% is probably not a good enough reason to look here.

Ian Gendler *January 25, 2008*

(A) Primary shares outstanding through '96; diluted thereafter. Excl. nonrec. gains (losses): '91, (34¢); '92, (38¢); '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Next earnings report due early Feb.
(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd reinvestment plan available (5% discount).
(C) In millions, adjusted for stock splits.

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

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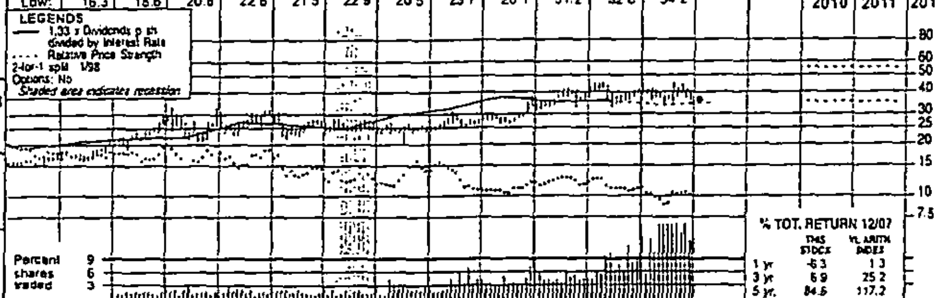
CALIFORNIA WATER NYSE-CWT

RECENT PRICE 36.23 | P/E RATIO 24.2 (Trailing: 25.5; Median: 20.0) | RELATIVE P/E RATIO 1.52 | DIV'D YLD 3.2% | VALUE LINE

TIMELINESS 4 Lowered 11/9/07
SAFETY 3 Lowered 7/27/07
TECHNICAL 1 Raised 1/25/08
BETA 1.15 (1.00 = Market)

High:	21.9	29.6	33.8	32.0	31.4	28.6	26.9	31.4	37.9	42.1	45.8	45.4
Low:	16.3	18.6	20.8	22.6	21.5	22.9	20.5	23.7	26.1	31.2	32.8	34.2

Target Price Range 2010 | 2011 | 2012



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+50%)	13%
Low	35	(-5%)	3%

Insider Decisions

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

Institutional Decisions

	1Q2007	2Q2007	3Q2007
to Buy	51	54	45
to Sell	39	43	46
Hld's(000)	6626	9544	9581

% TOT. RETURN 12/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	-6.3	1.3
3 yr.	6.9	25.2
5 yr.	84.5	117.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
11.18	12.29	13.34	12.59	13.17	14.48	15.48	14.76	15.96	16.16	16.26	17.33	16.37	17.18	17.44	16.20	17.40	18.15	Revenues per sh	21.80
1.98	1.92	2.25	2.02	2.07	2.50	2.92	2.60	2.75	2.52	2.20	2.65	2.51	2.83	3.03	2.71	3.10	3.30	"Cash Flow" per sh	3.95
1.21	1.09	1.35	1.22	1.17	1.51	1.83	1.45	1.53	1.31	.94	1.25	1.21	1.46	1.47	1.34	1.43	1.65	Earnings per sh A	2.20
.90	.93	.96	.99	1.02	1.04	1.06	1.07	1.09	1.10	1.12	1.12	1.12	1.13	1.14	1.15	1.16	1.17	Div'd Decl'd per sh B ■	1.20
3.03	3.69	2.53	2.26	2.17	2.83	2.61	2.74	3.44	2.45	4.09	5.82	4.39	3.73	5.14	5.05	4.05	3.85	Cap'l Spending per sh	4.00
10.35	10.51	10.90	11.56	11.72	12.22	13.00	13.38	13.43	12.90	12.95	13.12	14.44	15.66	15.79	18.15	19.05	19.05	Book Value per sh C	20.50
11.38	11.38	11.38	12.49	12.54	12.62	12.62	12.62	12.94	15.15	15.18	15.18	16.93	18.37	18.39	20.66	21.00	21.50	Common Shs Outst'g D	22.50
11.2	14.1	13.6	14.1	13.7	11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	27.3		Avg Ann'l P/E Ratio	21.0
.72	.86	.80	.92	.92	.75	.73	.93	1.01	1.27	1.39	1.09	1.26	1.06	1.33	1.58	1.44		Relative P/E Ratio	1.40
6.6%	6.1%	5.2%	5.8%	6.4%	5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%		Avg Ann'l Div'd Yield	2.7%

CAPITAL STRUCTURE as of 9/30/07
Total Debt $292.9 mill. Due in 5 Yrs $12.0 mill.
LT Debt $291.1 mill. LT Interest $21.5 mill.

(LT Interest earned: 3.3x; total Int. cov.: 3.2x)

Pension Assets-12/06 $78.4 mill.
Oblig. $109.1 mill.
Pfd Stock $3.5 mill. Pfd Div'd $.15 mill.
139,000 shares, 4.4% cumulative ($25 par).

Common Stock 20,666,869 shs
as of 11/1/07
MARKET CAP: $750 million (Small Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
195.3	186.3	206.4	244.8	246.8	263.2	277.1	315.6	320.7	334.7	365	390	Revenues ($mill)	490
23.3	18.4	19.9	20.0	14.4	19.1	19.4	26.0	27.2	25.6	30.0	35.0	Net Profit ($mill)	50.0
37.4%	36.4%	37.9%	42.3%	39.4%	39.7%	39.9%	39.6%	42.4%	37.4%	40.0%	41.0%	Income Tax Rate	41.0%
--	--	--	--	--	--	10.3%	3.2%	3.3%	10.6%	5.0%	5.0%	AFUDC % to Net Profit	5.0%
45.4%	44.2%	46.9%	48.9%	50.3%	55.3%	50.2%	48.6%	48.3%	43.5%	44.5%	46.0%	Long-Term Debt Ratio	48.5%
53.5%	54.7%	52.0%	50.2%	48.8%	44.0%	49.1%	50.8%	51.1%	55.9%	55.5%	53.5%	Common Equity Ratio	51.0%
306.7	308.6	333.8	388.8	402.7	453.1	498.4	565.9	558.1	670.1	720	765	Total Capital ($mill)	900
460.4	478.3	515.4	582.0	624.3	697.0	759.5	800.3	862.7	941.5	995	1050	Net Plant ($mill)	1175
9.4%	7.8%	7.8%	6.8%	5.3%	5.9%	5.6%	6.1%	6.3%	5.2%	5.5%	6.0%	Return on Total Cap'l	7.5%
13.9%	10.7%	11.2%	10.0%	7.2%	9.4%	7.8%	8.9%	9.3%	6.8%	7.5%	8.5%	Return on Shr. Equity	11.0%
14.1%	10.8%	11.4%	10.1%	7.2%	9.5%	7.9%	9.0%	9.3%	6.8%	7.5%	8.5%	Return on Com Equity	11.0%
6.0%	2.8%	3.5%	1.6%	NMF	1.0%	.7%	2.1%	2.1%	1.0%	1.5%	2.5%	Retained to Com Eq	5.0%
58%	74%	70%	82%	119%	90%	91%	77%	78%	86%	81%	72%	All Div'ds to Net Prof	54%

CURRENT POSITION ($MILL.)	2005	2006	9/30/07
Cash Assets	9.5	60.3	26.5
Other	42.7	49.3	61.9
Current Assets	52.2	109.6	88.4
Accts Payable	36.1	33.1	39.1
Debt Due	1.1	1.8	1.8
Other	39.6	35.3	40.8
Current Liab.	76.8	70.2	81.7
Fix. Chg. Cov.	361%	317%	380%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	2.5%	1.0%	4.5%
"Cash Flow"	2.5%	3.0%	5.5%
Earnings	1.0%	2.5%	7.5%
Dividends	1.0%	.5%	1.0%
Book Value	3.5%	5.0%	3.5%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	60.2	88.9	97.1	69.4	315.6
2005	60.3	81.5	101.1	77.8	320.7
2006	65.2	81.1	107.8	80.6	334.7
2007	71.6	95.8	113.9	83.7	365
2008	76.0	102	120	92.0	390

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.08	.59	.59	.20	1.46
2005	.03	.41	.71	.32	1.47
2006	.04	.31	.68	.31	1.34
2007	.07	.37	.67	.32	1.43
2008	.09	.42	.77	.37	1.65

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

BUSINESS: California Water Service Group provides regulated and *nonregulated water service to over 2 million people (483,900 customers)* in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired National Utility Company (5/04); Rio Grande Corp. (11/00). Revenue breakdown, '06: residential, 70%; business, *18%; public authorities, 5%; industrial, 5%; other, 2%. '06 reported* deprec. rate: 3.3%. Has roughly 870 employees. Chairman: Robert W. Foy. President & CEO: Peter C. Nelson. Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

We've softened our outlook for California Water Service Group a bit since our October report. The water utility provider ran into some unforeseen problems in the third quarter 2007, when unfavorable weather conditions, and lower usage rates, caused it to post earnings of $0.67 a share, a penny off the prior year's mark. Meanwhile, there has been an unexpected holdup on the regulatory front. The California Public Utilities Commission, which appeared to have turned over a new leaf and had been handing out more timely and favorable rulings in recent memory, has yet to rule on the company's 2006 general rate case. Also, approval of parts of the Water Action Plan, namely of a Water Revenue Adjustment Mechanism (WRAM) and modified cost-balancing accounting was postponed. As a result, we've reduced our fourth-quarter 2007 share-net estimate by a few pennies to $0.32 and our full-year 2008 figure by a dime to $1.65. Note, that our 2008 figure would receive a boost if any of the WRAM amendments are implemented before the third quarter.
The stock has given back most of the gains it enjoyed last year . . . Indeed, it has fallen from its $45-plus perch, trading down more than 10% since our October report. The issue is now ranked 4 (Below Average) for Timeliness based on our momentum-driven system.
. . . however, we still think it is richly valued according to current market conditions. The stock is currently trading at nearly 25 times 12-month earnings (through June), a premium compared to our 2010-2012 projections. Although we suspect that recent regulatory lag is just a hiccup, and that an improving landscape paints a favorable backdrop for the industry as a whole, we think that the current share price accounts for these potential changes. Meanwhile, capital constraints continue to concern us. Infrastructure costs are likely to continue rising as systems and pipelines age and EPA requirements grow tougher. However, California does not have the cash to fund these endeavors and will probably have to issue more shares and/or debt, thereby limiting shareholders' gains. Although the dividend provides some downside risk, income-minded investors have better options.
Andre J. Costanza *January 25, 2008*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (7¢); '01, 4¢; 02, 8¢. Next earnings report due early February
(B) Dividends historically paid in mid-Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(C) Incl. deferred charges. In '06: $69.6 mill., $3.36/sh.
(D) In millions, adjusted for split.

Company's Financial Strength	B++
Stock's Price Stability	65
Price Growth Persistence	75
Earnings Predictability	70

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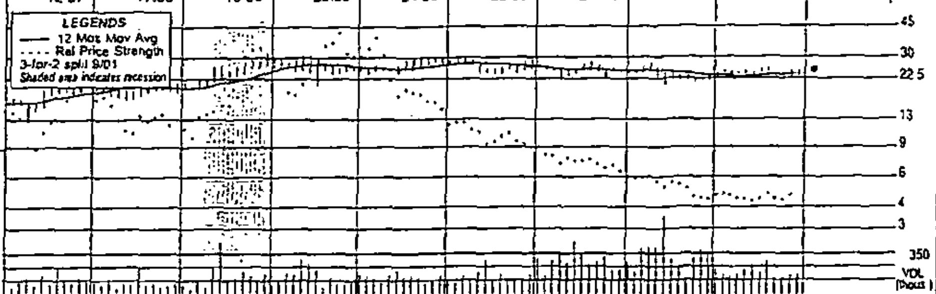
CONN. WATER SERVICES NDQ-CTWS

RECENT PRICE 25.21 | TRAILING P/E RATIO 28.0 | RELATIVE P/E RATIO 1.67 | DIV'D YLD 3.5% | VALUE LINE

RANKS										
High	24.67	23.50	32.21	31.09	30.41	29.76	28.17	27.71	25.61	
Low	12.67	17.00	19.50	20.35	24.00	23.83	21.91	20.29	22.40	

PERFORMANCE 3 Average
Technical 3 Average
SAFETY 3 Average
BETA .85 (1.00 = Market)

Financial Strength B+
Price Stability 85
Price Growth Persistence 40
Earnings Predictability 85



© VALUE LINE PUBLISHING, INC.	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008/2009
SALES PER SH	5.87	5.70	5.93	5.77	5.91	6.04	5.81	5.68	–	
"CASH FLOW" PER SH	1.65	1.73	1.78	1.78	1.89	1.91	1.62	1.52	–	
EARNINGS PER SH	1.03	1.09	1.13	1.12	1.15	1.16	.88	.81	*1.10* [A,B]	*1.17* [C]*/NA*
DIV'DS DECL'D PER SH	.79	.79	.80	.81	.83	.84	.85	.86	–	
CAP'L SPENDING PER SH	1.42	1.43	1.86	1.98	1.49	1.58	1.96	1.96	–	
BOOK VALUE PER SH	8.61	8.92	9.25	10.06	10.46	10.94	11.52	11.80	–	
COMMON SHS OUTST'G (MILL)	7.26	7.28	7.65	7.94	7.97	8.04	8.17	8.27	–	
AVG ANN'L P/E RATIO	18.2	18.2	21.5	24.3	23.5	22.9	28.6	29.0	22.9	21.5/NA
RELATIVE P/E RATIO	1.04	1.18	1.10	1.33	1.34	1.21	1.51	1.57	–	
AVG ANN'L DIV'D YIELD	4.2%	4.0%	3.3%	3.0%	3.0%	3.1%	3.4%	3.6%	–	
SALES ($MILL)	42.6	41.5	45.4	45.8	47.1	48.5	47.5	46.9	–	*Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.*
OPERATING MARGIN	48.7%	48.8%	56.1%	57.7%	52.1%	51.0%	48.3%	43.7%	–	
DEPRECIATION ($MILL)	4.5	4.7	5.0	5.4	5.8	6.0	6.1	5.9	–	
NET PROFIT ($MILL)	7.5	8.0	8.7	8.8	9.2	9.4	7.2	6.7	–	
INCOME TAX RATE	40.1%	35.7%	36.1%	33.8%	17.8%	22.9%	–	23.5%	–	
NET PROFIT MARGIN	17.6%	19.2%	19.1%	19.2%	19.5%	19.4%	15.1%	14.3%	–	
WORKING CAP'L ($MILL)	d3.8	.3	d3.3	d5.1	d3.9	d.7	13.0	1.2	–	
LONG-TERM DEBT ($MILL)	65.4	64.7	64.0	64.8	64.8	66.4	77.4	77.3	–	
SHR. EQUITY ($MILL)	63.3	65.7	71.6	80.7	84.2	88.7	94.9	96.7	–	
RETURN ON TOTAL CAP'L	7.4%	7.6%	7.9%	7.4%	7.5%	7.0%	5.0%	4.9%	–	
RETURN ON SHR. EQUITY	11.8%	12.1%	12.1%	10.9%	10.9%	10.6%	7.5%	6.9%	–	
RETAINED TO COM EQ	3.1%	3.2%	3.6%	3.1%	3.2%	3.1%	.3%	NMF	–	
ALL DIV'DS TO NET PROF	74%	74%	71%	72%	71%	71%	95%	105%	–	

[A] No. of analysts changing earn. est. in last 12 days: 0 up, 0 down; consensus 5-year earnings growth not available. [B] Based upon 2 analysts' estimates. [C] Based upon 2 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	–	-2.5%
"Cash Flow"	-0.5%	-6.0%
Earnings	-2.5%	-8.0%
Dividends	1.0%	1.0%
Book Value	5.0%	0.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/05	10.9	11.0	14.1	11.5	47.5
12/31/06	10.5	11.4	13.3	11.7	46.9
12/31/07	13.2	14.4	17.0		
12/31/08					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/04	.24	.26	.47	.19	1.16
12/31/05	.24	.15	.41	.08	.88
12/31/06	.21	.12	.45	.03	.81
12/31/07	.18	.22	.47	*.23*	
12/31/08	*.20*	*.27*			

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2005	.21	.21	.213	.213	.85
2006	.213	.213	.215	.215	.86
2007	.215	.215	.218	.218	.87
2008					

INSTITUTIONAL DECISIONS

	1Q'07	2Q'07	3Q'07
to Buy	18	17	20
to Sell	11	12	9
Hld's(000)	1461	1717	1828

ASSETS ($mill.)	2005	2006	9/30/07
Cash Assets	4.4	1.4	.3
Receivables	5.9	9.5	13.2
Inventory (Avg cost)	.9	.9	1.1
Other	14.9	2.4	4.0
Current Assets	26.1	14.2	18.6
Property, Plant & Equip, at cost	345.0	370.5	--
Accum Depreciation	97.3	102.4	--
Net Property	247.7	268.1	276.0
Other	32.2	32.9	35.3
Total Assets	306.0	315.2	329.9
LIABILITIES ($mill.)			
Accts Payable	4.8	6.0	7.1
Debt Due	7.1	5.3	11.5
Other	1.3	1.7	2.4
Current Liab	13.2	13.0	21.0

LONG-TERM DEBT AND EQUITY as of 9/30/07

Total Debt $88.8 mill. Due in 5 Yrs. NA
LT Debt $77.3 mill.
Including Cap. Leases NA
(43% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability None in '06 vs None in '05

Pfd Stock $.8 mill. Pfd Div'd Paid NMF

Common Stock 8,358,436 shares
(57% of Cap'l)

INDUSTRY: *Water Utility*

BUSINESS: Connecticut Water Service, Inc. primarily operates as a water utility company in Connecticut. It operates through three segments: Water Activities, Real Estate Transactions, and Services and Rentals. The Water Activities segment supplies public drinking water to its customers. The Real Estate Transactions segment involves in the sale of its limited excess real estate holdings. The Services and Rentals segment provides contracted services to water and wastewater utilities and other clients, as well as leases certain of its properties to third parties. This segment's services include contract operations of water and wastewater facilities; Linebacker, its service line protection plan for public drinking water customers; and provision of bulk deliveries of emergency drinking water to businesses and residences via tanker truck. As of November 7, 2007, Connecticut Water provided water to approximately 83,000 or 286,000 customers in 41 towns in Connecticut. Has about 200 employees. Chairman, C.E.O. & President: Eric W. Thornburg. Inc.: CT. Address: 93 West Main Street, Clinton, CT 06413. Tel.: (860) 669-8630. Internet: http://www.ctwater.com. *L.Y.*

January 25, 2008

TOTAL SHAREHOLDER RETURN
Dividends plus appreciation as of 12/31/2007

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
2.10%	-1.46%	7.36%	-1.17%	10.40%

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YORK WATER CO NDQ-YORW

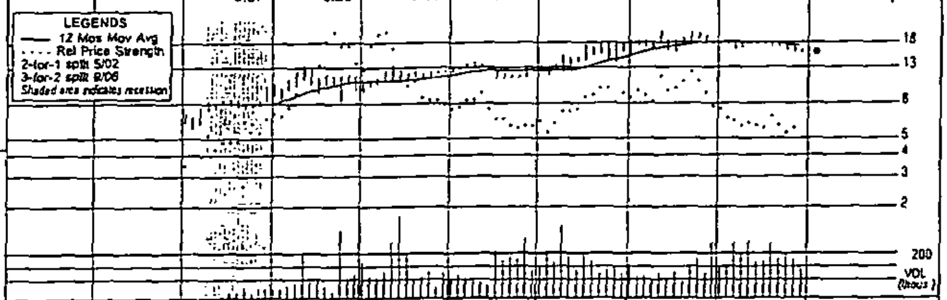
RECENT PRICE 15.73 | TRAILING P/E RATIO 27.6 | RELATIVE P/E RATIO 1.65 | DIV'D YLD 3.1% | VALUE LINE

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008/2009
High			10.22	13.45	13.49	14.03	17.87	20.99	18.55	
Low			5.67	8.20	9.33	11.00	11.67	15.33	15.45	

RANKS

PERFORMANCE 3 Average
Technical 2 Above Average
SAFETY 3 Average
BETA .50 (1.00 = Market)

Financial Strength B+
Price Stability 65
Price Growth Persistence 40
Earnings Predictability 90



© VALUE LINE PUBLISHING, INC.	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008/2009
REVENUES PER SH	–	–	2.05	2.05	2.17	2 18	2.58	2 56	–	
"CASH FLOW" PER SH	–	–	.59	.57	.65	.65	.79	.77	–	
EARNINGS PER SH	–	–	.43	.40	47	.49	.56	.58	.57 [A,B]	.67 [C]/NA
DIV'D DECL'D PER SH	–	–	.34	.35	.37	.39	.42	.45	–	
CAP'L SPENDING PER SH	–	–	.75	.66	1.07	2 50	1.69	1.85	–	
BOOK VALUE PER SH	–	–	3.79	3.90	4.06	4.65	4.85	5.84	–	
COMMON SHS OUTST'G (MILL)	–	–	9.46	9.55	9.63	10.33	10.40	11.20	–	
AVG ANN'L P/E RATIO	–	–	17.9	26 9	24.5	25.7	26.3	31.2	27.6	23.5/NA
RELATIVE P/E RATIO	–	–	.92	1.47	1.40	1.36	1.39	1.68	–	
AVG ANN'L DIV'D YIELD	–	–	4.3%	3.3%	3.2%	3.1%	2.9%	2.5%	–	
REVENUES ($MILL)	–	18.5	19.4	19.6	20 9	22.5	26.8	28.7	–	*Bold figures*
NET PROFIT ($MILL)	–	3.8	4.0	3.8	4.4	4.8	5.8	6.1	–	*are consensus*
INCOME TAX RATE	–	35.7%	35.8%	34.9%	34.8%	36.7%	36.7%	34.4%	–	*earnings*
AFUDC % TO NET PROFIT	–	–	2.2%	3.7%	–	–	–	7.2%	–	*estimates*
LONG-TERM DEBT RATIO	–	50.2%	47.7%	46.7%	43.4%	42.5%	44.1%	48.3%	–	*and, using the*
COMMON EQUITY RATIO	–	49.8%	52.3%	53.3%	56.6%	57.5%	55.9%	51.7%	–	*recent prices,*
TOTAL CAPITAL ($MILL)	–	65 2	68.6	68.9	69.0	83.6	90.3	126.5	–	*P/E ratios.*
NET PLANT ($MILL)	–	97.0	102.3	106.7	116.5	140.0	155.3	174.4	–	
RETURN ON TOTAL CAP'L	–	7.9%	7.9%	7.4%	8.5%	7.6%	8 4%	6.2%	–	
RETURN ON SHR. EQUITY	–	11.6%	11.2%	10.2%	11 4%	10 0%	11.6%	9.3%	–	
RETURN ON COM EQUITY	–	11.6%	11.2%	10.2%	11.4%	10.0%	11.6%	9.3%	–	
RETAINED TO COM EQ	–	2.5%	2.5%	1.3%	2.6%	2.1%	3.0%	2.2%	–	
ALL DIV'DS TO NET PROF	–	78%	78%	88%	77%	79%	74%	77%	–	

[A] No. of analysts changing earn. est. in last 12 days: 0 up, 0 down, consensus 5-year earnings growth 11.3% per year. [B] Based upon 3 analysts' estimates [C] Based upon 3 analysts' estimates

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Revenues	3.5%	-0.5%
"Cash Flow"	4.5%	-2.5%
Earnings	4 5%	3.5%
Dividends	-3 0%	7.0%
Book Value	8 0%	20 5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/05	6.2	6.7	7.2	6 7	26 8
12/31/06	6 6	7 0	7 7	7 4	28 7
12/31/07	7 4	8 0	8 3		
12/31/08					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/04	.12	.11	.12	.14	49
12/31/05	.12	14	17	.13	.56
12/31/06	.12	14	.17	15	.58
12/31/07	.12	15	15	.15	
12/31/08	.14	.17			

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

INSTITUTIONAL DECISIONS

	1Q'07	2Q'07	3Q'07
to Buy	13	14	10
to Sell	1	5	4
Hld's(000)	1222	1416	1595

ASSETS ($mill.)	2005	2006	9/30/07
Cash Assets	0	0	0
Receivables	3 8	4 8	5 5
Inventory (Avg cost)	8	8	.8
Other	.5	1.1	.8
Current Assets	5 1	6.7	7 1
Property, Plant & Equip, at cost	182 4	202.7	--
Accum Depreciation	27.1	28.3	--
Net Property	155 3	174 4	184 4
Other	11.9	15.0	14.9
Total Assets	172.3	196.1	206 4
LIABILITIES ($mill.)			
Accts Payable	2 6	1 6	3 3
Debt Due	19 3	1.2	6 3
Other	2.8	3.1	3.6
Current Liab	24.7	5.9	13 2

LONG-TERM DEBT AND EQUITY
as of 9/30/07

Total Debt $67.3 mil Due in 5 Yrs. NA
LT Debt $61.1 mill.
Including Cap. Leases NA
(48% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability $5 9 mil in '06 vs. $3 9 mil in '05

Pfd Stock None *Pfd Div'd Paid None*

Common Stock 11,247,944 shares
(52% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: The York Water Company engages in the impounding, purification, and distribution of water in York County and Adams County, Pennsylvania. It supplies water for residential, commercial, industrial, and other customers. The company has two reservoirs, Lake Williams and Lake Redman, which together hold approximately 2.2 billion gallons of water. It also has a 15-mile pipeline from the Susquehanna River to Lake Redman that provides access to an additional supply of water. The company serves 34 *municipalities in York County and four municipalities in* Adams County. Has 106 employees. C.E.O. & President: Jeffrey S. Osman. Inc.: PA. Address: 130 East Market Street, York, PA 17401. Tel.: (717) 845-3601. Internet: http://www.yorkwater.com.

L.Y.

January 25, 2008

TOTAL SHAREHOLDER RETURN
Dividends plus appreciation as of 12/31/2007

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-7.26%	-11.40%	-10.84%	29.93%	88.84%

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SOUTHWEST WATER NDQ-SWWC

RECENT PRICE 12.11 | P/E RATIO 31.1 (Trailing: 35.7; Median: 21.0) | RELATIVE P/E RATIO 1.96 | DIV'D YLD 2.0% | VALUE LINE

TIMELINESS 4 Lowered 11/23/07
SAFETY 3 New 10/28/05
TECHNICAL 2 Raised 12/28/07
BETA 1.00 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High:	3.7	5.0	5.6	9.2	8.3	10.2	12.4	11.2	14.3	15.2	19.1	16.4	
Low:	2.0	2.6	3.5	3.6	5.1	6.9	7.6	8.1	10.3	9.0	10.8	11.5	

Target Price Range 2010 | 2011 | 2012

2010-12 PROJECTIONS

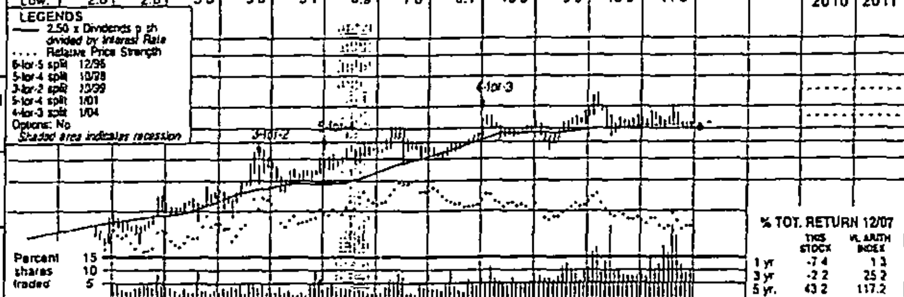
	Price	Gain	Ann'l Total Return
High	20	(+65%)	15%
Low	14	(+15%)	6%

Insider Decisions

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

Institutional Decisions

	1Q2007	2Q2007	3Q2007
to Buy	34	33	34
to Sell	26	29	27
Hld's(000)	11936	12590	10913



% TOT. RETURN 12/07

	THIS STOCK	VL ARITH INDEX
1 yr	-7.4	1.3
3 yr	-2.2	25.2
5 yr.	43.2	117.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
3.34	3.77	4.03	4.20	4.84	5.31	5.61	5.63	6.16	7.49	8.15	9.12	10.70	9.23	9.10	9.42	9.00	9.05	Revenues per sh	11.00
.28	.44	.38	.38	.44	.46	.53	.59	.65	.76	.87	.86	.91	.67	.78	.85	.90	1.10	"Cash Flow" per sh	1.40
.02	.19	.08	.09	.12	.15	.21	.25	.31	.38	.42	.39	.44	.23	.34	.40	.30	.50	Earnings per sh A	.70
.18	.18	.14	.08	.08	.09	.09	.10	.11	.13	.14	.15	.16	.18	.20	.21	.23	.24	Div'd Decl'd per sh B	.30
.39	.42	.60	.72	.84	.85	.74	.79	.53	.55	1.06	1.78	1.14	1.26	1.66	1.87	1.90	1.95	Cap'l Spending per sh	2.05
2.41	2.42	2.31	2.31	2.45	2.40	2.52	2.70	3.05	3.44	3.84	4.27	4.90	6.17	6.49	6.98	7.15	8.45	Book Value per sh D	10.50
11.60	11.80	11.97	12.13	11.74	12.45	12.65	12.83	13.12	13.99	14.17	14.35	16.17	20.36	22.33	23.80	24.50	26.00	Common Shs Outst'g C	30.00
NMF	14.5	35.8	22.3	14.6	16.5	16.9	17.2	19.6	17.0	19.8	24.8	21.2	51.6	35.5	34.8	43.5		Avg Ann'l P/E Ratio	25.0
NMF	.88	2.11	1.46	.98	1.03	.97	.89	1.12	1.11	1.01	1.35	1.21	2.73	1.89	1.88	2.30		Relative P/E Ratio	1.65
5.5%	6.6%	4.7%	4.2%	4.7%	3.4%	2.7%	2.3%	1.8%	2.0%	1.7%	1.5%	1.7%	1.5%	1.6%	1.5%	2.3%		Avg Ann'l Div'd Yield	1.7%

CAPITAL STRUCTURE as of 9/30/07
Total Debt $144.6 mill. Due in 5 Yrs $60.0 mill.
LT Debt $143.1 mill. LT Interest $8.4 mill.
(Total interest coverage: 2.7x) (46% of Cap'l)

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

Pfd Stock $.458 mill. Pfd Div'd $.018 mill.
Common Stock 24,232,637 shs. as of 11/2/07

MARKET CAP: $300 million (Small Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
71.0	72.2	80.9	104.7	115.5	130.8	173.0	188.0	203.2	224.2	220	235	Revenues ($mill)	330
2.6	3.4	4.2	5.4	6.2	6.0	7.2	4.5	7.3	9.3	8.0	14.0	Net Profit ($mill)	22.0
41.6%	39.5%	39.0%	37.0%	36.0%	34.9%	35.9%	36.1%	36.0%	35.0%	36.0%	36.0%	Income Tax Rate	35.5%
--	--	--	--	14.4%	3.2%	--	11.0%	9.5%	12.5%	11.5%	12.0%	AFUDC % to Net Profit	12.5%
47.9%	48.7%	45.2%	48.8%	51.4%	56.7%	47.9%	47.9%	44.7%	43.6%	44.5%	44.0%	Long-Term Debt Ratio	43.5%
51.3%	50.5%	54.1%	50.7%	48.2%	42.9%	51.8%	52.0%	55.1%	56.3%	55.5%	56.0%	Common Equity Ratio	56.5%
62.2	68.5	73.9	95.0	113.0	142.8	152.8	242.0	262.9	295.2	315	380	Total Capital ($mill)	560
102.1	109.2	113.7	157.8	171.1	203.9	219.5	302.6	344.8	389.6	430	510	Net Plant ($mill)	750
5.8%	7.1%	7.6%	7.6%	7.6%	5.8%	6.2%	3.1%	4.1%	4.5%	4.0%	5.0%	Return on Total Cap'l	5.0%
8.0%	9.5%	10.3%	11.1%	11.4%	9.7%	9.0%	3.6%	5.0%	5.6%	4.5%	6.0%	Return on Shr. Equity	7.0%
8.1%	9.6%	10.4%	11.1%	11.4%	9.7%	9.1%	3.6%	5.0%	5.6%	4.5%	6.0%	Return on Com Equity	7.0%
4.5%	6.0%	7.0%	7.8%	7.8%	6.3%	5.8%	.8%	2.1%	2.6%	1.5%	3.0%	Retained to Com Eq	3.5%
45%	38%	33%	31%	32%	36%	36%	78%	58%	54%	77%	46%	All Div'ds to Net Prof	43%

CURRENT POSITION ($MILL.)	2005	2006	9/30/07
Cash Assets	3.0	4.3	2.4
Receivables	26.5	27.5	27.4
Inventory (Avg Cst)	--	--	--
Other	18.2	16.5	11.9
Current Assets	47.7	48.3	41.7
Accts Payable	10.0	12.7	9.7
Debt Due	9.5	1.4	1.5
Other	21.1	21.7	22.6
Current Liab	40.6	35.8	33.8

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	7.0%	5.0%	3.0%
"Cash Flow"	6.0%	0.5%	10.5%
Earnings	10.5%	-2.5%	14.0%
Dividends	9.0%	9.0%	7.5%
Book Value	10.5%	13.5%	8.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2004	39.8	45.7	55.0	47.5	188.0
2005	45.2	51.3	54.7	52.0	203.2
2006	50.8	55.4	60.1	57.9	224.2
2007	48.1	55.0	57.4	59.5	220
2008	55.0	58.0	60.0	62.0	235

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2004	--	.13	.11	d.01	.23
2005	d.01	.15	.14	.06	.34
2006	.03	.08	.16	.13	.40
2007	.03	.09	.08	.10	.30
2008	.05	.15	.18	.11	.50

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.044	.044	.044	.046	.18
2005	.048	.048	.048	.052	.20
2006	.052	.052	.052	.058	.21
2007	.058	.058	.058	.058	.23
2008	.06				

BUSINESS: Southwest Water Company provides a broad range of services including water production, treatment and distribution; wastewater collection and treatment; utility billing and collection; utility infrastructure construction management; and public works services. It operates out of two groups, Utility (38% of 2006 revenues) and Services (62%). Utility owns and manages rate-regulated public water utilities in California, New Mexico, Oklahoma, and Texas. Services does mostly maintenance work on a contract basis. Off. & dir. own 6.3% of com. shs.; Stein Roe Investment Council, 9.7% (4/07 proxy). CEO and Chairman: Mark Swatek. Inc.: DE. Addr.: One Wilshire Building, 624 S. Grand Ave Ste 2900, Los Angeles, CA 90017. Tel.: 213-929-1800. Internet: www.swwc.com.

Southwest Water has struggled of late. A couple of months ago, it reported weak September-period financial results. For the quarter, due to record rainfall in Texas and the weak housing market, share net came in at just $0.08, well below our estimate of $0.15. In addition, for the recently completed fourth quarter, we have lowered our share-net estimate by $0.03 to $0.10. Along with the struggles of *the housing market, which probably* limited construction and repair opportunities for SWWC, profits were likely hampered by increased operating costs, stemming from its restructuring initiative.

On the bright side, the situation should improve this year. Although the housing market has shown few signs of rebounding, Southwest will likely begin to benefit from the improvement of its operations. *It recently introduced a new in-*tegrated operating system, which has helped improve its communication processes and should help lower operating expenses. Thus, we estimate that this new *system will help widen the operating mar-*gin by about 50 basis points this year.

Profits will be fueled by Southwest's recent acquisition activity, as well. A few months ago, it purchased Diamond Water Company, which provides services to approximately 7,500 residents near San Antonio. This purchase helped SWWC expand its market reach and customer base in the Lone Star State. Moreover, the company is currently attempting to implement rate hikes in several of its markets. This action will help margins and profits this year. *All told,* we believe that 2008 share net will be $0.50, about 67% better than last year's 2007 probable results.

These shares do not stand out for the short or long term. Although its restructuring initiative and recent acquisitions may well help the company achieve a large share-net gain this year, our Timeliness Ranking System suggests that this issue will lag the year-ahead market. In addi-*tion, looking out to the 2010–2012 period,* this stock offers below average appreciation potential to that timeframe. That said, Southwest will probably remain active on the acquisition front. Additional *purchases would probably cause us to* raise our earnings projections.

Ian Gendler *January 25, 2008*

(A) Diluted earnings. Excludes nonrecurring gains (losses): '00, (3¢); '01, (5¢); '02, 1¢; '05, (23¢). *Next earnings report due mid-Mar.*
(B) Dividends historically paid in late January, April, July, and October.
(C) In millions, adjusted for splits.
(D) Includes intangibles. In 2006: $35.0 million, $1.51/share.

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

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Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

Line No.		Proxy Group of Six AUS Utility Reports Water Companies	Proxy Group of Four Value Line (Standard Edition) Water Companies
1	Prospective Yield on Aaa Rated Corporate Bonds (1)	5.32 %	5.32 %
2	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds	0.63 (2)	0.63 (2)
3	Adjusted Prospective Yield on A Rated Public Utility Bonds	5.95 %	5 95 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	0.00 (3)	0.00 (3)
5.	Adjusted Prospective Bond Yield	5.95	5.95
6.	Equity Risk Premium (4)	4.99	5.39
7.	Risk Premium Derived Common Equity Cost Rate	10.94 %	11.34 %

Notes:
(1) Derived in Note (3) on page 6 of this Schedule.
(2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0 63% from page 4 of this Schedule.
(3) No adjustment necessary as the average Moody's bond rating of the proxy group is A2 as shown on page 2 of this Schedule.
(4) From page 5 of this Schedule.

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Comparison of Bond Ratings, business risk and financial risk profiles for
the Proxy Group of Six AUS Utility Reports Water Companies, the
Proxy Group of Four Value Line (Standard Edition) Water Companies

	Moody's Bond Rating January 2008		Standard & Poor's Bond Rating January 2008				Standard & Poor's			
	Bond Rating	Numerical Weighting (1)	Bond Rating	Numerical Weighting (1)	Credit Rating	Numerical Weighting (1)	Business Risk Profile (2)	Numerical Weighting (1)	Financial Risk Profile (2)	Numerical Weighting (1)
Proxy Group of Six AUS Utility Reports Water Companies										
American States Water Co. (3)	A2	6	A	6	A	6	Excellent	1.0	Intermediate	2.0
Aqua America, Inc. (4)	NR	--	AA-	4	A+	5	Excellent	1.0	Intermediate	2.0
Artesian Resources Corp. (5)	NR	--	NR	--	NR	--	NR	--	NR	--
California Water Service Group (6)	NR	--	NR	--	A+	5	Excellent	1.0	Intermediate	2.0
Connecticut Water Service Inc. (7)	NR	--	AAA	1	A	6	Excellent	1.0	Intermediate	2.0
York Water Company	NR	--	A-	7	A-	7	Excellent	1.0	Intermediate	2.0
Average	A2	6.0	AA- / A+	4.5	A	5.8	Excellent	1.0	Intermediate	2.0
Proxy Group of Four Value Line (Standard Edition) Water										
American States Water Co. (3)	A2	6	A	6	A	6	Excellent	1.0	Intermediate	2.0
Aqua America, Inc. (4)	NR	--	AA-	4	A+	5	Excellent	1.0	Intermediate	2.0
California Water Service Group (6)	NR	--	NR	--	A+	5	Excellent	1.0	Intermediate	2.0
Southwest Water Company (8)	NR	--	NR	--	NR	--	NR	--	NR	--
Average	A2	6.0	A+	5.0	A+	5.3	Excellent	1.0	Intermediate	2.0

Notes: (1) From page 3 of this Schedule.
(2) From Standard & Poor's Issuer Ranking: *U.S. Investor-Owned Water Utilities, Strongest to Weakest*, February 7, 2008.
(3) Ratings, business risk and financial risk profiles are those of Golden State Water Company
(4) Ratings, business risk and financial risk profiles are those of Aqua Pennsylvania, Inc.
(5) Ratings, business risk and financial risk profiles are a composite of those of Artesian Water Company and Southwood Water Company.
(6) Ratings, business risk and financial risk profiles are those of California Water Service Company.
(7) Ratings, business risk and financial risk profiles are those of The Connecticut Water Company
(8) Ratings, business risk and financial risk profiles are a composite of those of Hornsby Bend Utility Co., New Mexico Utilities, Inc., Suburban Water Systems, and Windermere Utility Co.

Source of Information: Moody's Investors Service
Standard & Poor's Global Utilities Rating Service

Total Environmental Solutions, Inc. – Treasure Lake Sewer Division
Numerical Assignment for
Moody's and Standard & Poor's Bond Ratings
Standard & Poor's Business and Financial Risk Profiles

Moody's Bond Rating	Numerical Bond Weighting	Standard & Poor's Bond Rating
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-

Standard & Poor's

Business Risk Profile	Numerical Weighting	Financial Risk Profile	Numerical Weighting
Excellent	1	Modest	1
Strong	2	Intermediate	2
Satisfactory	3	Aggressive	3
Weak	4	Highly Leveraged	4
Vulnerable	4		

Moody's
Comparison of Interest Rate Trends
for the Three Months Ending January 2008 (1)

Years	Corporate Bonds Aaa Rated	Public Utility Bonds Aa Rated	Public Utility Bonds A Rated	Public Utility Bonds Baa Rated	Spread - Corporate v. Public Utility Bonds: Aa (Pub. Util.) over Aaa (Corp.)	Spread - Corporate v. Public Utility Bonds: A (Pub. Util.) over Aaa (Corp.)	Spread - Corporate v. Public Utility Bonds: Baa (Pub. Util.) over Aaa (Corp.)	Spread - Public Utility Bonds: A over Aa	Spread - Public Utility Bonds: Baa over A
November-07	5.44 %	5.87 %	5.97 %	6.27 %					
December-07	5.49	6.03	6.16	6.51					
January-08	5.33	5.80	6.02	6.35					
Average of Last 3 Months	5.42 %	5.90 %	6.05 %	6.38 %	0.48 %	0.63 %	0.96 %	0.15 %	0.33 %

Notes: (1) All yields are distributed yields.

Source of Information: Mergent Bond Record, Feburary 2008, Vol. 75, No. 2

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Judgment of Equity Risk Premium for
the Proxy Group of Six AUS Utility Reports Water Companies, the
Proxy Group of Four Value Line (Standard Edition) Water Companies

Line No.		Proxy Group of Six AUS Utility Reports Water Companies	Proxy Group of Four Value Line (Standard Edition) Water Companies
1.	Calculated equity risk premium based on the total market using the beta approach (1)	5.46 %	6.26 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	4.51	4.51
3.	Average equity risk premium	4.99 %	5.39 %

Notes: (1) *From page 6 of this Schedule.*
(2) From page 8 of this Schedule.

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
the Proxy Group of Six AUS Utility Reports Water Companies, the
Proxy Group of Four Value Line (Standard Edition) Water Companies

Line No.		Proxy Group of Six AUS Utility Reports Water	Proxy Group of Four Value Line (Standard Edition) Water Companies
1.	Arithmetic mean total return rate on the Standard & Poor's 500 Composite Index - 1926-2007 (1)	12 30 %	12.30 %
2	Arithmetic mean yield on Aaa and Aa Corporate Bonds 1926-2007 (2)	(6.10)	(6.10)
3	Historical Equity Risk Premium	6.20 %	6.20 %
4.	Forecasted 3-5 year Total Annual Market Return (3)	15 06 %	15 06 %
5	Prospective Yield an Aaa Rated Corporate Bonds (4)	(5.32)	(5.32)
6	Forecasted Equity Risk Premium	9.74 %	9.74 %
7	Conclusion of Equity Risk Premium (5)	6 20 % (6)	6 20 % (6)
8.	Adjusted Value Line Beta (7)	0.88	1.01
9	Beta Adjusted Equity Risk Premium	5.46 %	6.26 %

Notes: (1) From 2008 Ibbotson Risk Premia Oveer Time Report - Estiamtes for 1926-2007, Morningstar, Inc , Chicago, IL, 2008.

(2) From Moody's Industrial Manual and Mergent Bond Record Monthly Update.

(3) *From page 3 of Schedule PMA-13.*

(4) Average forecast based upon six quarterly estimates of Aaa rated corporate bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated February 1, 2008 (see page 7 of *this Schedule). The estimates are detailed below.*

First Quarter 2008	5.20 %
Second Quarter 2008	5.10
Third Quarter 2008	5.20
Fourth Quarter 2008	5 30
First Quarter 2009	5 50
Second Quarter 2009	5.60
Average	5.32 %

(5) Average of the Historical Equity Risk Premium of 6 20% from Line No 3 and the Forecasted Equity Risk Premium of 9.74% from Line No. 6 ((6 20% + 9.74%) / 2 = 7.01%.

(6) In Ms. Ahern's opinion, the current and recent substantial decline in the stock market is extraordinary and not representative of the expected long-term Consequently, in this instance, Ms Ahern will not consider what she believes is an extraordinary expected capital appreciation and instead will rely only upon the 6 20% historical market premium

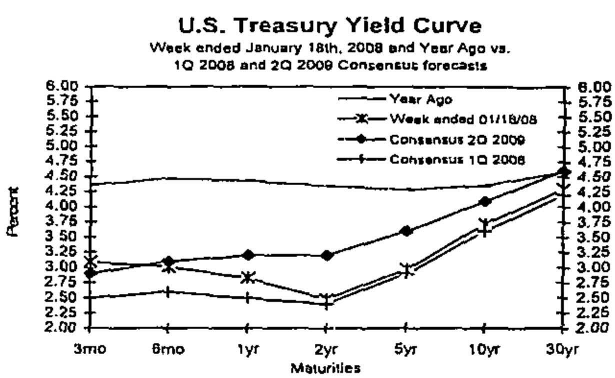
(7) From page 9 of this Schedule

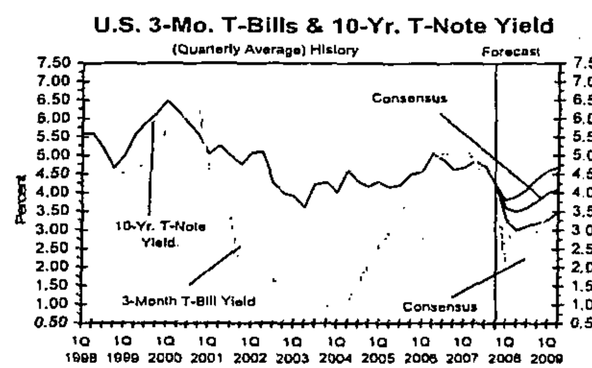
Consensus Forecasts Of U.S. Interest Rates And Key Assumptions[1]

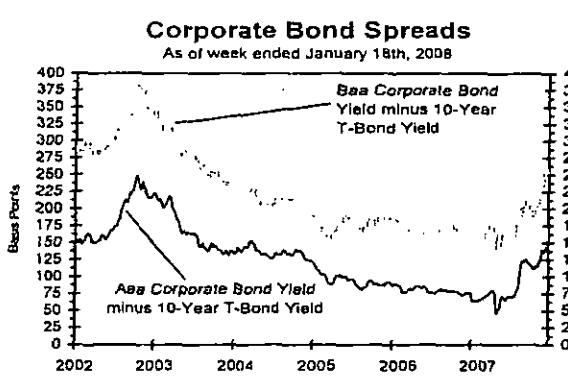
	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week End				Average For Month			Latest Q	1Q	2Q	3Q	4Q	1Q	2Q
Interest Rates	Jan.18	Jan.11	Jan.4	Dec.28	Dec.	Nov.	Oct.	4Q 2007	2008	2008	2008	2008	2009	2009
Federal Funds Rate	4.24	4.23	3.77	4.21	4.24	4.49	4.76	4.50	3.3	2.7	2.6	2.7	2.8	3.1
Prime Rate	7.25	7.25	7.25	7.25	7.33	7.50	7.74	7.52	6.3	5.7	5.6	5.7	5.9	6.1
LIBOR, 3-mo.	3.93	4.43	4.66	4.80	4.98	4.96	5.15	5.03	3.6	3.0	2.9	3.0	3.2	3.4
Commercial Paper, 1-mo.	3.75	4.03	4.13	4.19	4.25	4.48	4.70	4.48	3.4	2.9	2.9	3.0	3.2	3.5
Treasury bill, 3-mo.	3.09	3.21	3.27	3.25	3.07	3.35	4.00	3.47	2.5	2.2	2.2	2.3	2.6	2.9
Treasury bill, 6-mo.	3.01	3.21	3.33	3.51	3.34	3.58	4.16	3.69	2.6	2.3	2.3	2.5	2.8	3.1
Treasury bill, 1 yr.	2.83	3.04	3.18	3.42	3.26	3.50	4.10	3.62	2.5	2.3	2.4	2.5	2.8	3.2
Treasury note, 2 yr.	2.48	2.70	2.88	3.23	3.12	3.34	3.97	3.48	2.4	2.3	2.4	2.6	2.9	3.2
Treasury note, 5 yr.	2.97	3.13	3.29	3.63	3.49	3.67	4.20	3.79	2.9	2.8	2.9	3.1	3.3	3.6
Treasury note, 10 yr.	3.72	3.85	3.94	4.21	4.10	4.15	4.53	4.26	3.6	3.5	3.6	3.8	4.0	4.1
Treasury note, 30 yr.	4.30	4.37	4.38	4.61	4.53	4.52	4.77	4.61	4.2	4.1	4.2	4.3	4.5	4.6
Corporate Aaa bond	5.29	5.36	5.35	5.57	5.49	5.44	5.66	5.53	5.2	5.1	5.2	5.3	5.5	5.6
Corporate Baa bond	6.52	6.53	6.49	6.72	6.65	6.40	6.48	6.51	6.3	6.2	6.3	6.4	6.5	6.6
State & Local bonds	4.15	4.21	4.32	4.44	4.42	4.46	4.39	4.42	4.1	4.0	4.1	4.2	4.3	4.5
Home mortgage rate	5.69	5.87	6.07	6.17	6.10	6.21	6.38	6.23	5.7	5.6	5.6	5.7	5.9	6.1

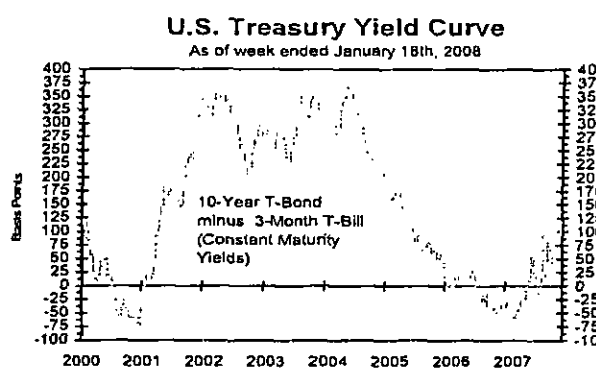
	History								Consensus Forecasts-Quarterly Avg.					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	*4Q*[1]	1Q	2Q	3Q	4Q	1Q	2Q
Key Assumptions	2006	2006	2006	2006	2007	2007	2007	*2007*	2008	2008	2008	2008	2009	2009
Major Currency Index	84.9	82.2	81.7	81.6	81.9	79.3	77.0	73.3	72.9	72.5	72.5	73.0	73.8	74.4
Real GDP	4.8	2.4	1.1	2.1	0.6	3.8	4.9	*1.3*	0.5	0.9	1.7	2.3	2.8	2.9
GDP Price Index	3.4	3.5	2.4	1.7	4.2	2.6	1.0	*2.6*	2.6	2.3	2.1	2.1	2.2	2.1
Consumer Price Index	1.8	5.1	3.0	-2.0	3.8	6.0	1.7	4.3	3.2	2.3	2.2	2.1	2.3	2.3

Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H 15. LIBOR quotes available from *The Wall Street Journal*. Definitions reported here are same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the U S. Federal Reserve Board's Major Currency Index is from FRSR H 10 and G 5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS). [1]*Figures for 4Q 2007 Real GDP and GDP Chained Price Index are consensus forecasts based on a special question asked of the panelists (see page 14). Figures for Q4 2007 Major Currency Index and Consumer Price Index are actuals.*









Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Derivation of Mean Equity Risk Premium Based on a Study
Using Holding Period Returns of Public Utilities

Line No.		Over A Rated Public Utility Bonds AUS Consultants - Utility Services Study (1) 1
Time Period		1928-2006
1.	Arithmetic Mean Holding Period Returns (2): Standard & Poor's Public Utility Index	11.11 %
2.	Arithmetic Mean Yield on: *Moody's A Rated Public Utility Bonds*	(6.60)
3.	Equity Risk Premium	4.51 %

Notes: (1) S&P Public Utility Index and Moody's Public Utility Bond Average Annual Yields 1928-2006, (US Consultants - Utility Services, 2007).

(2) Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Value Line Adjusted Betas for
the Proxy Group of Six AUS Utility Reports Water Companies, the
Proxy Group of Four Value Line (Standard Edition) Water Companies

	Value Line Adjusted Beta
Proxy Group of Six AUS Utility Reports Water Companies	
American States Water Co.	1.00
Aqua America, Inc.	0.90
Artesian Resources Corp.	NA
California Water Service Group	1.15
Connecticut Water Service Inc.	0.85
York Water Co.	0.50
Average	0.88
Proxy Group of Four Value Line (Standard Edition) Water Companies	
American States Water Co.	1.00
Aqua America, Inc.	0.90
California Water Service Group	1.15
Southwest Water Company	1.00
Average	1.01

NA = Not Available

Source of Information: Value Line Investment Survey, January 25, 2007
Standard Edition and Small and Mid-Cap Edition

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
of the Capital Asset Pricing Model for
the Proxy Group of Six AUS Utility Reports Water Companies and the
Proxy Group of Four Value Line (Standard Edition) Water Companies

Line No.		Proxy Group of Six AUS Utility Reports Water Companies	Proxy Group of Four Value Line (Standard Edition) Water Companies
1.	Traditional Capital Asset Pricing Model (1)	10.62 %	10.80 %
2.	Empirical Capital Asset Pricing Model (1)	10.17 %	10.98 %
3.	Conclusion	10.40 %	10.89 %

Notes: (1) From page 2 of this Schedule.

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Indicated Common Equity Cost Rate Through Use
of the Capital Asset Pricing Model

	1	2	3
	Value Line Adjusted Beta	Company-Specific Risk Premium Based on Market Premium of 7.20% (1)	CAPM Result Including Risk-Free Rate of 4.32% (2)
Traditional Capital Asset Pricing Model (3)			
Proxy Group of Six AUS Utility Reports Water Companies			
American States Water Co.	1.00	7.20 %	11 52 %
Aqua America, Inc.	0 90	6 48	10 80
Artesian Resources Corp.	NA	NA	NA
California Water Service Group	1.15	8 28	12 60
Connecticut Water Service Inc.	0.85	6 12	10 44
York Water Co.	0.50	3.60	7.92
Average	0.88	6.34 %	10.62 % (4)
Proxy Group of Four Value Line (Standard Edition) Water Companies			
American States Water Co	1.00	7.20 %	11.52 %
Aqua America, Inc.	0.90	6 48	10 80
California Water Service Group	1 15	8.28	12.60
Southwest Water Company	1.00	7.20	11.52
Average	1.01	7.29 %	10.80 % (4)
Empirical Capital Asset Pricing Model (5)			
Proxy Group of Six AUS Utility Reports Water Companies			
American States Water Co.	1.00	7 20 %	11 52 %
Aqua America, Inc.	0.90	6 66	10 98
Artesian Resources Corp.	NA	NA	NA
California Water Service Group	1.15	8 01	12 33
Connecticut Water Service Inc	0 85	6 39	10.71
York Water Co.	0.50	4.50	8.82
Average	0.88	6.55 %	10.17 % (4)
Proxy Group of Four Value Line (Standard Edition) Water Companies			
American States Water Co.	1.00	7.20 %	11.52 %
Aqua America, Inc.	0 90	6.66	10.98
California Water Service Group	1 15	8 01	12.33
Southwest Water Company	1.00	7.20	11.52
Average	1.01	7.27 %	10.98 % (4)

See page 3 for notes.

Total Environmental Solutions, Inc.– Treasure Lake Sewer Division.
Development of the Market-Required Rate of Return on Common Equity Using
the Capital Asset Pricing Model for
the Proxy Group of Six AUS Utility Reports Water Companies and the
Proxy Group of Four Value Line (Standard Edition) Water Companies
Adjusted to Reflect a Forecasted Risk-Free Rate and Market Return

Notes:

(1) For reasons explained in Ms. Ahern's accompanying direct testimony, from the three previous month-end (Nov. '07 – Jan. '07), as well as a recently available (Feb. 15, 2008), Value Line Summary & Index, a forecasted 3-5 year total annual market return of 15.06% can be derived by averaging the 3-month and spot forecasted total 3-5 year total appreciation, converting it into an annual market appreciation and adding the Value Line average forecasted annual dividend yield.

The 3-5 year average total market appreciation of 50% produces a four-year average annual return of 12.99% $((1.63^{.25}) - 1)$. When the average annual forecasted dividend yield of 2.07% is added, a total average market return of 15.06% (2.07% + 12.99%) is derived

The 3-month and spot forecasted total market return of 15.06% minus the risk-free rate of 4.32% *(developed in Note 2) is 10.74% (15.06% - 4.32%). The Morningstar, Inc. (Ibbotson Associates*)calculated market premium of 7.10% for the period 1926-2007 results from a total market returnof 12.30% less the average income return on long-term U.S. Government Securities of 5.20% (12.30% - 5.20% = 7.10%). This is then averaged with the 10.74% Value Line market premium resulting in a 8.92% market premium. In Ms. Ahern's opinion, the current and recent substantial decline in the stock market is extraordinary and not representative of the expected long-term. Consequently, in this instance, Ms. Ahern will not consider what she believes is an extraordinary expected capital appreciation and instead will rely only uponthe 7.20% historical market premium which will be then multiplied by the beta in column 1 of page 2 of this Schedule.

(2) Average forecast based upon six quarterly estimates of 30-year Treasury Note yields per the consensus of nearly 50 economists reported in the Blue Chip Financial Forecasts dated January 1, 2008 (see page 7 of Schedule PMA-12.) The estimates are detailed below:

	30-Year Treasury Note Yield
First Quarter 2008	4.20%
Second Quarter 2008	4.10
Third Quarter 2008	4.20
Fourth Quarter 2008	4.30
First Quarter 2009	4.50
Second Quarter 2009	4.60
Average	4.32%

(3) The traditional Capital Asset Pricing Model (CAPM) is applied using the following formula:

$R_S = R_F + \beta (R_M - R_F)$

Where R_S = Return rate of common stock
R_F = Risk Free Rate
β = Value Line Adjusted Beta
R_M = Return on the market as a whole

(4) Includes only those indicated common equity cost rates which are above 7.95%, i.e., 200 basis points above the prospective yield of 5.95% on A rated Moody's public utility bonds (page 1 of Schedule PMA-12) and those indicated common equity cost rates which are equal to or less than 11.45%, i.e., 550 basis points above the prospective yield on A rated Moody's public utility bonds of 5.95% (page 1 of Schedule PMA-12).

(5) The empirical CAPM (CAPM) is applied using the following formula:

$R_S = R_F + .25 (R_M - R_F) + .75 \beta (R_M - R_F)$

Where R_S = Return rate of common stock
R_F = Risk-Free Rate
β = Value Line Adjusted Beta
R_M = Return on the market as a whole

Source of Information: Value Line Summary & Index
Blue Chip Financial Forecasts, February 1, 2008
Value Line Investment Survey, January 25, 2008, Standard Edition and Small and Mid-Cap Edition
2008 Ibbotson Risk Premia Over Time Report– Estimates for 1926-2007, Morningstar, Inc., Chicago, IL, 2008

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Comparable Earnings Analysis
for a Proxy Group of One Hundred Fifty-One Non-Utility Companies Comparable to the
Proxy Group of Six AUS Utility Reports Water Companies (1)

Proxy Group of One Hundred Fifty-One Non-Utility Companies Comparable to the Proxy Group of Six Six AUS Utility Reports Water Companies (1)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth or Partners' Capital: 5-year Average (2) Percent	5-year Average (2) Student's Statistic	5-Year Projected (3) Percent	5-Year Projected (3) Student's Statistic
Airgas Inc.	1.05	1.04	3.0614	0.1169	12.40 %	(0.53)	14.50 %	(0.29)
Allergan Inc.	0.85	0.74	2.7965	0.1068	28.96	1.31	18.50	0.26
Alliant Techsystems	1.00	0.94	2.6151	0.0998	26.92	1.08	15 50	(0.15)
Allied Capital Corp.	0.75	0.58	2.8639	0.1093	15.84	(0.15)	21.50	0.67
Amer. Cap. Strategies	1.05	1.07	2.8829	0.1101	11.86	(0.59)	7.50	(1.25)
Amer. Greetings	0.70	0.54	3.0263	0.1156	7.44	(1.08)	10.00	(0.91)
AmerisourceBergen	0.90	0.77	3.1611	0.1207	10.54	(0.74)	12.00	(0.63)
Amgen	0.75	0.57	3.0645	0.1170	15.02	(0.24)	18.00	0.19
Anadarko Petroleum	0.95	0.89	3.2251	0.1231	16.88	(0.03)	14.50	(0.29)
Applied Biosystems	0.80	0.62	3.2173	0.1228	15.22	(0.22)	19.00	0.33
AvalonBay Communities	0.95	0.92	2.6579	0.1015	10.98	(0.69)	11.50	(0.70)
Beckman Coulter	0.70	0.50	2.9144	0.1113	19.16	0.22	13.00	(0.50)
Bed Bath & Beyond	1.10	1.11	3.0081	0.1148	22.44	0.58	23.00	0 88
Berkley (W.R.)	1.00	0.99	2.6957	0.1029	17.68	0.06	12.00	(0.63)
Black & Decker	1.05	1.02	2.8635	0.1093	37.18 (4)	2.22	21.00	0.60
Block (H&R)	1.05	1.04	2.9987	0.1145	31.52	1.59	25.50	1.22
Bob Evans Farms	1.00	0.93	2.9692	0.1134	9.10	(0.80)	13.50	(0.43)
Brinker Int'l	0.90	0.78	3.2606	0.1245	17.96	0.09	41.00 (4)	3.34
Bristol-Myers Squibb	1.00	0.93	2.7085	0.1034	23.64	0.72	27.00	1.42
Brown & Brown	0.90	0.79	2.7197	0.1038	20.44	0.38	15.50	(0.15)
Brunswick Corp.	1.20	1.24	3.1660	0.1209	13.00	(0.46)	11.50	(0.70)
Bunge Ltd.	0.85	0.72	3.2758	0.1251	14.42	(0.31)	11.00	(0.77)
Burlington Northern	1.05	1.06	2.5804	0.0985	12.66	(0.48)	16.50	(0.02)
CBRL Group	0.90	0.84	3.3240	0.1269	18.28	0.12	28.50	1.63
CVS Caremark Corp.	0.80	0.68	2.9249	0.1117	13.72	(0.38)	11.50	(0.70)
Carlisle Cos.	1.00	0.94	2.7600	0.1054	16.24	(0.10)	14.50	(0 29)
ChoicePoint Inc.	0.80	0.65	3.1423	0.1200	17.42	0.03	19.50	0.40
Cintas Corp.	1.05	1.02	2.6631	0.1017	15.20	(0.22)	14.00	(0.36)
Coca-Cola Bottling	0.80	0.66	3.3145	0.1266	43.32 (4)	2.90	19.50	0.40
Commerce Bancorp NJ	1.05	1.01	3.0940	0.1181	14.20	(0.33)	14.00	(0.36)
ConocoPhillips	0.90	0.82	2.7691	0.1057	15.46	(0.19)	10.50	(0.84)
Constellation Brands	0.85	0.72	3.3166	0.1266	12.70	(0.50)	10.00	(0.91)
Corrections Corp. Amer.	0.85	0.75	3.0969	0.1182	11.90	(0.59)	14.00	(0.30)
Costco Wholesale	0.90	0.82	2.9052	0.1109	11.62	(0.62)	17.00	0.05
Curtiss-Wright	1.00	0.98	2.8299	0.1080	10.94	(0.69)	12.50	(0 57)
Cytec Inds.	1.05	1.02	2.9554	0.1128	12.10	(0.56)	13.50	(0.43)
Dell Inc.	1.00	0.99	3.1608	0.1207	57.52 (4)	4.48	20.50	0.53
Developers Div. R'lty	0.90	0.82	2.7230	0.1040	11.20	(0.66)	10 50	(0.84)
Diebold Inc.	1.00	1.00	2.9891	0.1141	13.92	(0.36)	20.50	0.53
Dionex Corp.	0.95	0.90	3.0203	0.1153	21.50	0.48	23.50	0.94
Donaldson Co.	0.95	0.88	2.6668	0.1018	21.74	0.51	19.00	0.33
Donnelley (R.R) & Sons	0.95	0.90	2.6271	0.1003	13.72	(0.38)	14.50	(0.29)
East West Bancorp	1.00	0.92	3.2934	0.1257	15.30	(0.21)	13 50	(0.43)
Edwards Lifesciences	0.80	0.64	2.6679	0.1019	16.46	(0.08)	16.00	(0.09)
Energizer Holdings	0.70	0.49	3.2643	0.1246	55.72 (4)	4.28	22.50	0.81
Equifax Inc.	0.95	0.91	2.5663	0.0980	46.48 (4)	3.26	17.50	0.12
Equity Residential	0.85	0.90	2.6053	0.0995	3.60	(1.51)	6.50	(1.39)
Ethan Allen Interiors	1.05	1.03	3.1681	0.1210	18.22	0.12	16 50	(0.02)
Fannie Mae	1.00	0.97	2.9181	0.1114	21.76	0.51	12.00	(0.63)
Federal Rlty. Inv. Trust	0.95	0.85	2.7373	0.1045	11.98	(0.58)	13.00	(0.50)
First Commonwealth	1.05	1.03	2.5760	0.0984	10.02	(0.80)	8.50	(1.11)
Fiserv Inc.	1.00	0.96	2.6423	0.1009	16.08	(0.12)	13.50	(0 43)
Freddie Mac	0.95	0.85	2.6154	0.0999	15.52	(0.18)	11.50	(0.70)
G&K Services 'A'	1.05	1.06	3.1204	0.1191	8.68	(0.92)	9.00	(1.05)
Gladstone Capital	0.70	0 50	2.6496	0.1012	9.17	(0.89)	10.00	(0.91)
Global Payments	0.95	0.86	3.2430	0.1238	14.96	(0.25)	14.50	(0.29)
Graco Inc.	1.05	1.07	2.7195	0.1038	43.56 (4)	2.93	40.50 (4)	3.28

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Comparable Earnings Analysis
for a Proxy Group of One Hundred Fifty-One Non-Utility Companies Comparable to the
Proxy Group of Six AUS Utility Reports Water Companies (1)

Proxy Group of One Hundred Fifty-One Non-Utility Companies Comparable to the Proxy Group of Six Six AUS Utility Reports Water Companies (1)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth or Partners' Capital: 5-year Average (2) Percent	5-year Average (2) Student's Statistic	5-Year Projected (3) Percent	5-Year Projected (3) Student's Statistic
HNI Corp.	0.65	0.73	3.1197	0.1191	18.52	0.15	20.00	0.46
Hancock Holding	0.95	0.92	3.0444	0.1162	12.86	(0.48)	13 00	(0.50)
Harte-Hanks	0.80	0.64	2.5886	0.0981	18.58	0.16	17.00	0.05
Hasbro Inc.	1.05	1.02	2.6546	0.1014	13.28	(0.44)	19.00	0.33
Healthcare R'lty Trust	0.90	0.78	3.0410	0.1161	6.10	(1.23)	7.50	(1.25)
Henry (Jack) & Assoc.	1.05	1.07	3.0340	0.1158	14.90	(0.25)	15.50	(0.15)
Hillenbrand Inds.	0.85	0.76	2.6613	0.1016	19.30	0 24	14.00	(0.36)
Home Depot	1.00	0.94	2.6443	0.1010	20.62	0.38	33.00 (40	2.25
IDEXX Labs.	*0.70*	*0.51*	*3.2382*	*0.1236*	*18.08*	*0.10*	20.00	0.46
IHOP Corp.	0.95	0.92	3.1723	0.1211	12.98	(0.47)	19.50	0.40
Ingles Markets	0.85	0.71	3.1559	0.1205	9.60	(0.84)	16.50	(0.02)
Interactive Data	0.90	0.78	2.5568	0.0976	9.86	(0.81)	12.00	(0.63)
Iron Mountain	*0.90*	0.81	2.9681	*0.1133*	*7.66*	*(1.04)*	*12.50*	*(0.57)*
Jones Apparel Group	0.95	0.91	3.3205	0.1268	12.70	(0.50)	8.50	(1.11)
Journal Communications	0.85	0.74	2.7536	0.1261	13.64	(0.39)	11.00	(0.77)
Kelly Services 'A'	1.10	1.10	2.9351	0.1121	14.56	(0.29)	9.50	(0.98)
Kimco Realty	0.95	0.89	2.6700	0.1019	11.82	(0.60)	13.50	(0.43)
Kroger Co.	1.05	1.03	2.6254	0.1002	24.30	0.79	22.50	0.81
L-3 Communic. Hldgs.	1.05	1.05	2.8369	0.1083	10.74	(0.72)	11.00	(0.77)
Laboratory Corp.	0.80	0.66	2.9205	0.1115	18.72	0.17	20.00	0.46
Lauder (Estee)	*0.80*	*0.68*	*3.0913*	*0.1180*	*21.50*	0.48	37.00 (4)	2.80
Lee Enterprises	0.75	0.61	2.6570	0.1014	9.64	(0.84)	5.50	(1.53)
Leggett & Platt	1.05	1.03	2.8744	0.1097	11.72	(0.61)	15.50	(0.15)
Liz Claiborne	1.00	0.94	2.7384	0.1046	14.76	(0.27)	9.50	(0.98)
Lowe's Cos.	1.10	1.08	2.8598	0.1092	18.74	0.17	15 00	(0 22)
Mack-Cali R'lty	0.85	0.70	2.6416	0.1009	7.16	(1.11)	6.00	(1.46)
Magna Int'l 'A'	1.00	0.99	2.6411	0.1008	11.46	(0.64)	11.00	(0.77)
Marathon Oil Corp.	1.05	1.05	3.2083	0.1225	20.36	0.35	18.00	0.19
Mattel Inc.	0.90	0.79	2.7981	0.1068	23.14	0.66	30.00	1.64
Matthews Int'l	1.10	1.11	2.6574	0.1091	18.22	0.12	17.00	0.05
McDonald's Corp.	1.05	1.07	2.7231	0.1040	16.86	(0.04)	25 00	1.15
Media General 'A'	0.90	0.85	2.8870	0.1102	6.40	(1.20)	5 00	(1.59)
Microsoft Corp.	0.95	0.89	2.5694	0.0981	22.02	0.54	37.50 (40	2.66
Millipore Corp.	0.90	0.81	2.8558	0.1090	19.76	0.29	20.00	0 46
New York Community	0.90	0.80	2.7227	0.1040	10.96	(0.69)	12.00	(0.63)
Newell Rubbermaid	1.05	1.02	2.8951	0.1105	22.60	0.60	21.00	0.60
Noble Energy	1.00	0.98	3.3077	0.1263	15.70	(0.16)	10 00	(0.91)
O'Reilly Automotive	*1.05*	*1.03*	*2.9786*	*0.1137*	*12.86*	*(0.47)*	*13 00*	*(0.50)*
Occidental Petroleum	1.05	1.04	2.9583	0.1129	22.20	0.56	12.50	(0.57)
Oracle Corp.	1.10	1.08	3.1942	0.1220	33.48	1.81	32.50 (4)	2.18
Owens & Minor	0.95	0.90	3.1012	0.1184	13.50	(0.41)	13 00	(0.50)
Pactiv Corp.	1.00	0.93	2.9343	*0.1120*	22.08	*0.54*	*17.50*	*0.12*
Pall Corp.	1.00	0.98	2.9467	0.1126	12.68	(0.50)	17.50	0.12
Papa John's Int'l	0.95	0.91	3.0717	0.1173	29.42	1.36	20.00	0 46
Paychex Inc.	0.95	0.85	2.9037	0.1109	27.36	1.13	41.50 (4)	3.41
Penn Virginia Res.	*0.85*	*0.71*	*2.9619*	*0.1131*	19.42	0.25	18.00	0.19
Penn. R.E.I.T.	0.80	0.67	2.9858	0.1140	5.70	(1.28)	6.50	(1.39)
People's United Fin'l	0.90	0.84	3.0088	0.1149	7.82	(1.04)	6.30	(1.42)
Pepsi Bottling Group	0.80	0.69	2.9550	0.1128	23.42	0.69	18.00	0.19
PepsiAmericas Inc.	*0.85*	*0.77*	*2.6000*	*0.0993*	*10.54*	*(0.74)*	*13.00*	*(0.50)*
Pfizer Inc.	0.85	0.74	2.6958	0.1029	26.98	1.09	19.00	0.33
Progressive (Ohio)	0.80	0.64	2.5844	0.0987	24.36	0.80	23.50	0.94
Prologis	0.95	0.91	2.7270	0.1041	8.76	(0.94)	12.50	(0 57)
Public Storage	0.95	0.88	2.7681	0.1057	7.50	(1.08)	6.00	(1.46)
Quest Diagnostics	0.70	0.49	3.0474	0.1164	19.90	0.30	16.50	(0.02)
RPM Int'l	1.00	0.96	2.9829	0.1139	14 66	(0.28)	17.50	0.12
Regis Corp.	1.05	1.04	2.9779	0.1137	14 30	(0.32)	10.50	(0 84)

TESI-SEWER EXHIBIT NO. 1
Schedule PMA-14

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Comparable Earnings Analysis
for a Proxy Group of One Hundred Fifty-One Non-Utility Companies Comparable to the
Proxy Group of Six AUS Utility Reports Water Companies (1)

Proxy Group of One Hundred Fifty-One Non-Utility Companies Comparable to the Proxy Group of Six Six AUS Utility Reports Water Companies (1)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth or Partners' Capital: 5-year Average (2) Percent	5-year Average (2) Student's Statistic	5-Year Projected (3) Percent	5-Year Projected (3) Student's Statistic
Respironics Inc.	0.80	0.64	3.2356	0.1235	13.20	(0.44)	13.50	(0.43)
Ruddick Corp.	1.00	0.94	2.9921	0.1142	11.66	(0.61)	11.00	(0.77)
SLM Corporation	0.70	0.51	3.2637	0.1246	43.54 (4)	2.93	22.50	0.81
STERIS Corp.	0.85	0.72	3.2012	0.1222	11.86	(0.59)	13.50	(0.43)
SUPERVALU INC.	0.90	0.81	2.9433	0.1124	12.00	(0.58)	11.50	(0.70)
Safeway Inc.	1.05	1.02	3.2506	0.1241	19.52	0.26	14.50	(0.29)
Schein (Henry)	0.80	0.67	3.2580	0.1244	13.10	(0.45)	16.00	(0.09)
Schering-Plough	1.05	1.05	3.2576	0.1244	11.24	(0.66)	17.00	0.05
Scotts Miracle-Gro	1.05	1.00	2.9627	0.1131	12.98	(0.47)	22.50	0.81
Selective Ins. Group	0.95	0.92	2.7290	0.1042	10.72	(0.72)	12.00	(0.63)
Sensient Techn.	0.95	0.88	2.7999	0.1069	11.92	(0.58)	11.50	(0.70)
Sherwin-Williams	1.05	1.01	2.6847	0.1025	25.12	0.88	23.50	0.94
Simon Property Group	1.00	0.94	2.5843	0.0987	9.04	(0.90)	13.50	(0.43)
Smithfield Foods	0.90	0.81	3.1387	0.1198	9.12	(0.90)	9.50	(0.98)
Snap-on Inc.	0.95	0.92	2.5547	0.0975	9.80	(0.82)	16.50	(0.02)
Sonic Corp.	0.90	0.84	3.0597	0.1168	19.78	0.29	29.00	1.70
Southwest Airlines	0.95	0.86	2.8919	0.1104	6.44	(1.19)	10.00	(0.91)
Sovereign Bancorp	1.10	1.08	2.7859	0.1064	11.22	(0.66)	12.00	(0.63)
Starbucks Corp.	0.90	0.81	3.2525	0.1242	18.22	0.12	25.00	1.15
Stryker Corp.	0.85	0.77	2.8332	0.1082	21.60	0.49	24.00	1.01
Sybase Inc.	0.95	0.88	3.2208	0.1230	11.28	(0.66)	13.50	(0.43)
TJX Companies	0.95	0.88	2.8186	0.1076	38.42 (4)	2.36	36.50 (4)	2.73
Target Corp.	1.10	1.10	2.8668	0.1095	16.68	(0.06)	19.50	0.40
Techne Corp.	1.05	1.04	3.2047	0.1224	20.48	0.37	17.00	0.05
Toro Co.	1.10	1.10	2.8965	0.1106	24.80	0.85	33.00 (4)	2.25
Total System Svcs.	1.00	0.96	3.3086	0.1263	19.44	0.25	13.50	(0.43)
UnitedHealth Group	0.70	0.54	3.1660	0.1209	25.76	0.95	25.00	1.15
Universal Corp.	0.85	0.71	2.6596	0.1015	13.22	(0.44)	12.50	(0.57)
Viad Corp.	1.05	1.05	3.0969	0.1588	11.18	(0.67)	10.00	(0.91)
W.P. Carey & Co. LLC	0.70	0.47	2.7344	0.1044	9.74	(0.83)	14.50	(0.29)
Walgreen Co.	0.80	0.66	2.6773	0.1022	16.74	(0.05)	16.50	(0.02)
Weingarten Realty	0.90	0.82	2.5667	0.0980	12.84	(0.48)	11.00	(0.77)
Werner Enterprises	1.10	1.08	3.2469	0.1240	10.78	(0.71)	8.50	(1.11)
Wolverine World Wide	1.05	1.04	3.2519	0.1242	14.38	(0.31)	17.00	0.05
World Wrestling Ent.	*0.80*	*0.68*	*3.2673*	*0.1247*	*9.80*	*(0.82)*	*24.00*	*1.01*
Wyeth	0.95	0.89	2.9045	0.1109	33.24	1.78	24.50	1.06
Xerox Corp.	1.00	0.97	2.9533	0.1128	14.32	(0.32)	14.00	(0.36)
Average	0.94	0.87	2.9269	0.1122				
Average for the Proxy Group of Six AUS Utility Reports Water Companies	0.88	0.77	2.9385 (5)	0.1122				
Mean					15.58%		15.33%	
Conclusion (6)						15.46% (6)		
Conservative Mean (7)					13.87%		13.89%	
Conservative Conclusion (8)						13.88% (8)		

See pages 15 and 16 for notes.

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Comparable Earnings Analysis
for a Proxy Group of Two Hundred Three Non-Utility Companies Comparable to the
Proxy Group of Four Value Line (Standard Edition) Water Companies (9)

Proxy Group of Two Hundred Three Non-Utility Companies Comparable to the Proxy Group of Four Value Line (Standard Edition) Water Companies (9)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth or Partners' Capital: 5-year Average (2) Percent	5-year Average (2) Student's Statistic	5-Year Projected (3) Percent	5-Year Projected (3) Student's Statistic
ABM Industries Inc.	0.85	0.77	3.4680	0.1324	9.66 %	(0.82)	13.00 %	(0.46)
Advance Auto Parts	1.00	0.94	3.4733	0.1326	24.06	1.00	17.50	0.16
Affiliated Computer	1.10	1.08	3.4519	0.1318	13.28	(0.37)	16.50	0.02
Airgas Inc.	1.05	1.04	3.0614	0.1169	12.40	(0.48)	14.50	(0.26)
Albany Int'l 'A'	1.10	1.14	2.8388	0.1084	12.00	(0.53)	13.50	(0.39)
Albemarle Corp.	1.10	1.13	2.7940	0.1067	12.94	(0.41)	18.00	0.23
Allergan Inc.	0.85	0.74	2.7965	0.1068	28.98	1.62	15.50	(0.12)
Amer. Cap. Strategies	1.05	1.07	2.8829	0.1101	11.86	(0.55)	7.50	(1.22)
AmerisourceBergen	0.90	0.77	3.1611	0.1207	10.54	(0.71)	12.00	(0.60)
Anadarko Petroleum	0.95	0.89	3.2251	0.1231	16.88	0.09	14.50	(0.28)
Anixter Int'l	1.25	1.31	3.1305	0.1195	11.42	(0.60)	17.00	0.09
Annaly Capital Mgmt.	1.00	0.97	3.3617	0.1291	4.82	(1.46)	3.00	(1.84)
Apache Corp.	*0.95*	*0.89*	*3.4355*	*0.1312*	*19.04*	*0.36*	*11.50*	*(0.67)*
Applied Biosystems	0.80	0.62	3.2173	0.1228	15.22	(0.12)	19.00	0.37
Apria Healthcare	0.90	0.78	3.4445	0.1315	26.64	1.33	11.50	(0.67)
Archer Daniels Midl'd	1.00	0.94	3.3769	0.1289	9.22	(0.88)	13.00	(0.40)
Baldor Electric	1.15	1.16	2.7642	0.1055	12.16	(0.51)	14.00	(0.32)
Barnes & Noble	*1.10*	*1.14*	*3.0841*	*0.1653*	*11.92*	*(0.54)*	*12.50*	*(0.53)*
Bed Bath & Beyond	1.10	1.11	3.0081	0.1148	22.44	0.79	23.00	0.92
Berkley (W.R.)	1.00	0.99	2.6957	0.1029	17.68	0.19	12.00	(0.60)
Black & Decker	1.05	1.02	2.8635	0.1093	37.18 (4)	2.66	21.00	0.64
Block (H&R)	1.05	1.04	2.9987	0.1145	31.52	1.94	25.50	1.26
Bob Evans Farms	1.00	0.93	2.9692	0.1134	9.10	(0.89)	13.50	(0.39)
BorgWarner	1.20	1.29	2.9573	0.1129	14.04	(0.27)	15.00	(0.19)
Briggs & Stratton	1.15	1.16	3.2697	0.1248	14.02	(0.27)	14.00	(0.32)
Brink's (The) Co.	1.10	1.11	3.3501	0.1279	10.86	(0.67)	12.00	(0.60)
Brinker Int'l	0.90	0.78	3.2606	0.1245	17.96	0.23	41.00 (4)	3.40
Bristol-Myers Squibb	1.00	0.93	2.7085	0.1034	23.64	0.95	35.50 (4)	2.65
Brown & Brown	0.90	0.79	2.7197	0.1038	20.44	0.54	15.50	(0.12)
Brunswick Corp.	1.20	1.24	3.1660	0.1209	13.00	(0.40)	11.50	(0.07)
Buckle (The)Inc.	0.95	0.91	3.4532	0.1318	14.62	(0.20)	17.50	0.16
Bunge Ltd.	*0.85*	*0.72*	*3.2759*	*0.1251*	*14.42*	*(0.22)*	*11.00*	*(0.74)*
C.H. Robinson	1.05	1.00	3.3440	0.1277	24.24	1.02	26.00	1.33
CBRL Group	0.80	0.84	3.3240	0.1269	18.28	0.27	28.50	1.68
CIT Group	1.20	1.28	3.3442	0.1277	13.04	(0.40)	12.00	(0.60)
CLARCOR Inc.	1.10	1.14	2.9688	0.1134	15.12	(0.13)	14.50	(0.26)
CSX Corp.	1.15	1.17	2.7126	0.1036	8.36	(0.99)	15.50	(0.12)
CVS Caremark Corp.	0.80	0.68	2.9249	0.1117	13.72	(0.31)	11.50	(0.67)
Cabot Corp.	1.10	1.12	3.0442	0.1162	10.68	(0.67)	14.00	(0.32)
Cameron Int'l Corp.	0.95	0.92	3.3806	0.1291	9.86	(0.80)	23.00	0.92
Carlisle Cos.	1.00	0.94	2.7600	0.1054	16.24	0.01	14.50	(0.26)
Casey's Gen'l Stores	1.10	1.13	3.1215	0.1192	9.96	(0.79)	13.00	(0.46)
Caterpillar Inc.	1.20	1.25	2.7304	0.1042	29.34	1.67	28.50	1.68
ChoicePoint Inc.	0.80	0.65	3.1423	0.1200	17.42	0.16	19.50	0.44
Cisco Systems	1.20	1.28	3.2280	0.1232	18.82	0.34	27.00	1.47
Coca-Cola Bottling	*0.80*	*0.66*	*3.3145*	*0.1266*	*43.32 (4)*	*3.44*	*19.50*	*0.44*
Columbia Sportswear	1.00	0.97	3.3606	0.1283	18.12	0.25	14.00	(0.32)
Commerce Bancorp NJ	1.05	1.01	3.0940	0.1181	14.20	(0.25)	14.00	(0.32)
Computer Sciences	0.95	0.90	3.3494	0.1279	9.44	(0.85)	10.50	(0.81)
Con-way Inc.	1.10	1.09	3.3446	0.1277	18.50	0.29	17.00	0.09
ConocoPhillips	0.90	0.82	2.7691	0.1057	15.46	(0.09)	10.50	(0.81)
Constellation Brands	0.85	0.72	3.3166	0.1266	12.70	(0.44)	10.00	(0.88)
Corn Products Int'l	0.90	0.80	3.4631	0.1322	8.26	(1.00)	13.00	(0.46)
Corrections Corp. Amer.	0.85	0.75	3.0969	0.1182	11.90	(0.54)	14.00	(0.32)
Costco Wholesale	0.90	0.82	2.9052	0.1109	11.82	(0.58)	17.00	0.09
Curtiss-Wright	1.00	0.98	2.8299	0.1080	10.94	(0.66)	13.00	(0.46)

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Comparable Earnings Analysis
for a Proxy Group of Two Hundred Three Non-Utility Companies Comparable to the
Proxy Group of Four Value Line (Standard Edition) Water Companies (9)

Proxy Group of Two Hundred Three Non-Utility Companies Comparable to the Proxy Group of Four Value Line (Standard Edition) Water Companies (9)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth or Partners' Capital: 5-year Average (2) Percent	5-year Average (2) Student's Statistic	5-Year Projected (3) Percent	5-Year Projected (3) Student's Statistic
Cytec Inds.	1.05	1.02	2.9554	0.1128	12.10	(0.52)	13.50	(0.39)
Datascope Corp.	1.15	1.20	3.2793	0.1252	8.00	(1.03)	9.00	(1.02)
Deere & Co.	1.20	1.29	2.6815	0.1024	17.68	0.19	20.50	0.57
Dell Inc.	1.00	0.99	3.1608	0.1207	57.52 (4)	5.23	20.50	0.57
Developers Div. R'lty	0.90	0.82	2.7230	0.1040	11.20	(0.63)	10.50	(0.81)
Diebold Inc.	1.00	1.00	2.9891	0.1141	13.92	(0.28)	20.50	0.57
Dionex Corp.	0.95	0.90	3.0203	0.1153	21.50	0.67	23.50	0.99
East West Bancorp	1.00	0.92	3.2934	0.1257	15.30	(0.11)	13.50	(0.39)
Eastman Chemical	*1.10*	*1.14*	*2.7995*	*0.1069*	16.20	-	28.00	1.33
Edwards Lifesciences	0.80	0.64	2.6679	0.1019	16.46	0.04	16.00	(0.05)
Ethan Allen Interiors	1.05	1.03	3.1681	0.1210	18.22	0.26	16.50	0.02
Fannie Mae	*1.00*	*0.97*	2.9181	0.1114	21.76	0.71	12.00	(0.60)
Federal Rlty. Inv. Trust	0.85	0.85	2.7373	0.1045	11.96	(0.53)	13.00	(0.48)
G&K Services 'A'	1.05	1.06	3.1204	0.1191	8.88	(0.92)	9.00	(1.02)
Genlyte Group	1.20	1.30	3.3381	0.1275	14.42	(0.22)	12.00	(0.80)
Glatfelter	1.15	1.19	3.4041	0.1300	5.40	(1.38)	11.50	(0.67)
Global Payments	0.95	0.88	3.2430	0.1238	14.98	(0.15)	14.50	(0.28)
Goodrich Corp.	1.20	*1.30*	3.3353	*0.1273*	*15.18*	*(0.13)*	22.00	0.78
Graco Inc.	1.05	1.07	2.7195	0.1038	43.58 (4)	3.47	46.50 (4)	4.16
Grainger (W.W.)	1.15	1.18	2.7107	0.1035	14.30	(0.24)	17.80	0.20
Griffon Corp.	*1.05*	*1.02*	*3.3480*	*0.1278*	*13.94*	*(0.28)*	10.50	(0.81)
HNI Corp.	0.85	0.73	3.1197	0.1191	18.52	0.30	20.00	0.50
Hancock Holding	0.95	0.92	3.0444	0.1162	12.86	(0.42)	13.00	(0.46)
Harrah's Entertain.	0.95	0.89	2.6672	0.1018	15.40	(0.10)	13.00	(0.46)
Healthcare R'lty Trust	0.90	0.78	3.0410	0.1161	6.10	(1.27)	8.50	(1.38)
Henry (Jack) & Assoc.	1.05	1.07	3.0340	0.1158	14.90	(0.16)	15.50	(0.12)
IHOP Corp.	0.95	0.92	3.1723	0.1211	12.98	(0.40)	19.50	0.44
Imation Corp.	0.90	0.78	3.4028	0.1299	8.40	(0.98)	6.50	(1.36)
Ingles Markets	0.85	0.71	3.1559	0.1205	9.60	(0.83)	16.50	0.02
Intel Corp.	1.25	1.32	3.3552	*0.1281*	16.34	*0.02*	21.50	*0.71*
Invacare Corp.	0.75	0.62	3.3660	0.1285	10.02	(0.78)	10.00	(0.88)
Iron Mountain	0.90	0.81	2.9681	0.1133	7.86	(1.05)	12.50	(0.53)
Jacobs Engineering	1.20	1.27	3.1959	0.1220	14.18	(0.25)	17.00	0.09
Jones Apparel Group	0.95	0.91	3.3205	0.1268	12.70	(0.44)	8.50	(1.08)
Journal Communications	0.85	0.74	2.7538	0.1261	13.64	(0.32)	11.00	(0.74)
Kaydon Corp.	1.20	1.25	2.8384	0.1083	12.46	(0.47)	14.50	(0.26)
Kelly Services 'A'	1.10	1.10	2.9351	0.1121	14.56	(0.20)	9.50	(0.95)
Kimco Realty	0.85	0.89	2.6700	0.1019	11.82	(0.55)	12.00	(0.60)
Kirby Corp.	1.20	1.28	2.9706	0.1134	12.44	(0.47)	12.00	(0.60)
L-3 Communic. Hldgs.	1.05	1.05	2.8369	0.1083	10.74	(0.69)	11.00	(0.74)
Laboratory Corp.	*0.80*	0.66	2.9205	0.1115	18.72	0.32	20.00	0.50
Landry's Restaurants	1.15	1.16	3.4060	0.1300	8.30	(1.00)	8.50	(1.08)
Lauder (Estee)	0.80	0.68	3.0913	0.1180	21.50	0.67	37.00 (4)	2.85
Leggett & Platt	1.05	1.03	2.8744	0.1097	11.72	(0.56)	15.50	(0.12)
Limited Brands	1.15	1.18	3.1454	0.1201	18.88	0.34	26.00	1.33
Lincoln Elec Hldgs.	1.20	1.25	2.8134	0.1074	16.22	0.01	14.50	(0.26)
Liz Claiborne	1.00	0.94	*2.7384*	*0.1046*	*14.76*	*(0.18)*	*9.50*	*(0.95)*
Lowe's Cos.	1.10	1.08	2.8598	0.1092	18.74	0.33	15.00	(0.19)
Macy's Inc.	1.25	1.31	3.0729	0.1173	10.18	(0.76)	10.00	(0.88)
Manpower Inc.	1.15	1.16	*3.0231*	*0.1154*	*11.70*	*(0.57)*	*14.50*	*(0.26)*
Marathon Oil Corp.	1.05	1.05	3.2083	0.1225	20.36	0.53	18.00	0.23
Mattel Inc.	0.90	0.79	2.7981	0.1068	23.14	0.88	30.00	1.89
Matthews Int'l	*1.10*	1.11	*2.8574*	*0.1091*	*18.22*	*0.28*	17.00	0.09
McDonald's Corp.	1.05	1.07	2.7231	0.1040	16.86	0.09	25.00	1.19

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Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Comparable Earnings Analysis
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Proxy Group of Four Value Line (Standard Edition) Water Companies (9)

Proxy Group of Two Hundred Three Non-Utility Companies Comparable to the Proxy Group of Four Value Line (Standard Edition) Water Companies (9)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth or Partners' Capital: 5-year Average (2) Percent	5-year Average (2) Student's Statistic	5-Year Projected (3) Percent	5-Year Projected (3) Student's Statistic
McKesson Corp.	0.90	0.78	3.4384	0.1313	12.80	(0.43)	15.50	(0.12)
Media General 'A'	0.90	0.85	2.8870	0.1102	6.40	(1.24)	5.00	(1.57)
Millipore Corp.	0.90	0.81	2.8558	0.1090	19.78	0.46	20.00	0.50
Mohawk Inds.	1.10	1.14	2.9064	0.1110	13.24	(0.37)	9.50	(0.95)
Molex Inc.	1.25	1.31	3.1678	0.1209	8.08	(1.02)	9.50	(0.95)
Monsanto Co.	1.15	1.16	3.3677	0.1286	8.40	(0.98)	17.50	0.16
Murphy Oil Corp.	0.90	0.81	3.4449	0.1315	14.64	(0.19)	13.50	(0.39)
New York Community	0.90	0.60	2.7227	0.1040	10.96	(0.66)	11.50	(0.67)
Newell Rubbermaid	1.05	1.02	2.8951	0.1105	22.60	0.81	21.00	0.64
Noble Energy	1.00	0.98	3.3077	0.1263	15.70	(0.06)	10.00	(0.88)
Nordson Corp.	1.15	1.21	3.3397	0.1275	17.12	0.12	15.50	(0.12)
Norfolk Southern	1.10	1.14	3.3458	0.1277	10.70	(0.69)	14.00	(0.32)
O'Reilly Automotive	1.05	1.03	2.9786	0.1137	12.96	(0.41)	13.00	(0.46)
Occidental Petroleum	1.05	1.04	2.9583	0.1129	22.20	0.76	12.50	(0.53)
Oracle Corp.	1.10	1.08	3.1942	0.1220	33.48 (4)	2.19	32.50 (4)	2.23
Oshkosh Truck	1.10	1.12	3.4360	0.1312	17.16	0.13	16.50	0.02
Overseas Shipholding	1.05	1.06	3.4038	0.1300	16.20	-	13.00	(0.46)
Owens & Minor	0.95	0.90	3.1012	0.1184	13.50	(0.34)	13.00	(0.46)
Pactiv Corp.	1.00	0.93	2.9343	0.1120	22.08	0.75	17.50	0.16
Pall Corp.	1.00	0.98	2.9467	0.1126	12.68	(0.44)	17.50	0.16
Papa John's Int'l	0.95	0.91	3.0717	0.1173	29.42	1.68	20.00	0.50
Paychex Inc.	0.85	0.85	2.9037	0.1109	27.36	1.42	41.50 (4)	3.47
Penn Virginia Res.	0.85	0.71	2.9619	0.1131	19.42	0.41	18.00	0.23
Penn. R.E.I.T.	0.80	0.67	2.9858	0.1140	5.70	(1.33)	6.50	(1.38)
Pentair Inc.	1.15	1.17	3.3004	0.1260	11.10	(0.64)	13.00	(0.46)
People's United Fin'l	0.90	0.84	3.0088	0.1149	7.82	(1.06)	6.50	(1.38)
Pepsi Bottling Group	0.80	0.69	2.9550	0.1128	23.42	0.92	18.00	0.23
Pfizer Inc.	0.85	0.74	2.6958	0.1029	26.98	1.37	19.00	0.37
Phillips-Van Heusen	1.10	1.14	3.2587	0.1244	16.36	0.02	12.50	(0.53)
Polo Ralph Lauren 'A'	1.10	1.14	3.3972	0.1297	15.14	(0.13)	14.50	(0.28)
Pool Corp.	0.95	0.87	3.4741	0.1326	30.06	1.76	46.50 (4)	4.16
Prologis	0.95	0.91	2.7270	0.1041	8.78	(0.94)	14.00	(0.32)
Public Storage	0.95	0.88	2.7681	0.1057	7.50	(1.10)	6.00	(1.43)
Quaker Chemical	1.15	1.20	3.4662	0.1323	10.62	(0.70)	15.00	(0.19)
RPM Int'l	1.00	0.96	2.9829	0.1139	14.66	(0.19)	17.50	0.16
Regal-Beloit	1.20	1.29	3.0378	0.1160	8.74	(0.94)	15.00	(0.19)
Regis Corp.	1.05	1.04	2.9779	0.1137	14.30	(0.24)	10.50	(0.81)
Respironics Inc.	0.80	0.64	3.2356	0.1235	13.20	(0.38)	13.50	(0.39)
Reynolds American	0.85	0.76	3.3611	0.1283	10.36	(0.74)	17.00	0.09
Rockwell Automation	1.25	1.32	3.2440	0.1239	20.62	0.56	35.00 (4)	2.56
Rollins Inc.	0.95	0.86	3.4650	0.1323	27.78	1.47	25.00	1.19
Ross Stores	1.10	1.13	3.2950	0.1258	27.10	1.38	27.50	1.54
Ruddick Corp.	1.00	0.94	2.9921	0.1142	11.68	(0.57)	11.00	(0.74)
Ryder System	1.10	1.13	3.0484	0.1164	12.48	(0.47)	11.00	(0.74)
STERIS Corp.	0.85	0.72	3.2012	0.1222	11.86	(0.55)	13.50	(0.39)
SUPERVALU INC.	0.90	0.81	2.9433	0.1124	12.00	(0.53)	11.50	(0.67)
Safeway Inc.	1.05	1.02	3.2506	0.1241	19.52	0.42	14.50	(0.26)
Schein (Henry)	0.80	0.67	3.2580	0.1244	13.10	(0.39)	16.00	(0.05)
Schering-Plough	1.05	1.05	3.2576	0.1244	11.24	(0.62)	17.50	0.16
Schlumberger Ltd.	1.00	0.95	3.3980	0.1297	22.14	0.76	17.50	0.16
Scotts Miracle-Gro	1.05	1.06	2.9627	0.1131	12.98	(0.40)	22.50	0.85
Selective Ins. Group	0.95	0.92	2.7290	0.1042	10.72	(0.69)	12.00	(0.60)
Sensient Techn.	0.95	0.88	2.7999	0.1069	11.92	(0.54)	11.50	(0.67)
Sherwin-Williams	1.05	1.01	2.6847	0.1025	25.12	1.13	23.50	0.99
Silgan Holdings	1.10	1.09	3.4248	0.1308	47.14 (4)	3.92	18.00	0.23

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Smithfield Foods	0.90	0.81	3.1387	0.1198	9.12	(0.89)	9.50	(0.95)
Sonic Automotive	1.20	1.26	3.2931	0.1257	12.66	(0.44)	12.50	(0.53)
Sonic Corp.	0.90	0.84	3.0597	0.1168	19.78	0.46	29.00	1.75
Southwest Airlines	0.95	0.86	2.8919	0.1104	6.44	(1.23)	10.00	(0.88)
Sovereign Bancorp	1.10	1.08	2.7859	0.1064	11.22	(0.63)	11.00	(0.74)
St. Joe Corp.	1.05	1.04	3.3290	0.1271	19.88	0.47	16.00	(0.05)
Standex Int'l	1.15	1.21	3.3546	0.1281	12.18	(0.51)	15.50	(0.12)
Stanley Works	1.10	1.12	2.8485	0.1088	19.46	0.42	17.00	0.09
Staples Inc.	1.10	1.12	2.8830	0.1101	17.16	0.13	21.00	0.64
Starbucks Corp.	0.90	0.81	3.2525	0.1242	18.22	0.26	25.00	1.19
Steak n Shake	1.20	1.24	3.3929	0.1295	12.20	(0.50)	9.50	(0.95)
Stryker Corp.	0.85	0.77	2.8332	0.1082	21.60	0.69	24.00	1.06
Sybase Inc.	0.95	0.86	3.2208	0.1230	11.28	(0.62)	13.50	(0.38)
TJX Companies	0.95	0.88	2.8186	0.1076	38.42 (4)	2.82	36.50 (4)	2.76
Target Corp.	1.10	1.10	2.8668	0.1095	16.68	0.06	19.50	0.44
Tech Data	1.10	1.14	3.3533	0.1280	7.00	(1.16)	8.50	(1.08)
Techne Corp.	1.05	1.04	3.2047	0.1224	20.48	0.55	17.00	0.09
Temple-Inland	1.15	1.20	2.9069	0.1110	8.10	(1.02)	11.50	(0.67)
Tennant Co.	1.00	0.98	3.3704	0.1287	9.98	(0.78)	13.50	(0.39)
Time Warner	1.10	1.14	3.1093	0.1187	5.16	(1.39)	8.50	(1.08)
Toro Co.	1.10	1.10	2.8965	0.1106	24.80	1.09	33.00 (4)	2.30
Total System Svcs.	1.00	0.96	3.3086	0.1263	19.44	0.41	13.50	(0.39)
United Stationers	1.15	1.22	3.2078	0.1225	12.53	(0.46)	12.50	(0.53)
Varian Inc.	1.05	1.04	3.4375	0.1312	11.12	(0.64)	13.00	(0.46)
Viad Corp.	1.05	1.05	3.0969	0.1588	11.18	(0.63)	10.50	(0.81)
WD-40 Co.	1.10	1.08	3.3440	0.1277	24.20	1.02	16.00	(0.05)
Walgreen Co.	0.80	0.66	2.6773	0.1022	16.74	0.07	16.50	0.02
Washington Mutual	1.10	1.12	2.7697	0.1057	36.44 (4)	2.82	30.00	1.89
WellPoint Inc.	0.90	0.81	3.3698	0.1287	9.94	(0.79)	12.00	(0.80)
Werner Enterprises	1.10	1.08	3.2469	0.1240	10.76	(0.68)	8.50	(1.08)
Whirlpool Corp.	1.20	1.28	3.1324	0.1196	30.58	1.82	15.00	(0.19)
Wolverine World Wide	1.05	1.04	3.2519	0.1242	14.38	(0.23)	17.00	0.09
World Wrestling Ent.	0.80	0.68	3.2673	0.1247	9.80	(0.81)	24.00	1.06
Wyeth	0.95	0.89	2.9045	0.1109	33.24 (4)	2.16	24.00	1.06
Xerox Corp.	1.00	0.97	2.9533	0.1128	14.32	(0.23)	14.00	(0.32)
Zale Corp.	1.10	1.15	3.3362	0.1274	11.80	(0.55)	8.50	(1.08)
Zimmer Holdings	0.80	0.66	3.4494	0.1317	25.68	1.20	15.50	(0.12)
Average	1.02	0.99	3.0921	0.1186				
Average for the Proxy Group of Four Value Line (Standard Edition) Water Companies	1.01	0.97	3.0719 (10)	0.1173				
Mean					14.99%		15.20%	
Conclusion (6)						15.10% (6)		
Conservative Mean (7)					13.49%		13.71%	
Conservative Conclusion (8)						13.60% (8)		

See pages 15 and 16 for notes.

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Comparable Earnings Analysis
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Proxy Group of Six AUS Utility Reports Water Companies (1)

Proxy Group of One Hundred Fifty-One Non-Utility Companies Comparable to the Proxy Group of Six Six AUS Utility Reports Water Companies (1)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth or Partners' Capital 2002	2003	2004	2005	2006	5-Year Projected
Airgas Inc.	1.05	1.04	3.0614	0.1169	11.7 %	11.6 %	11.3 %	13.7 %	13.7 %	14.5 %
Allergan Inc.	0.85	0.74	2.7965	0.1068	24.5	42.4	33.2	30.4	14.4	18.5
Alliant Techsystems	1.00	0.94	2.6151	0.0998	27.0	28.8	22.4	24.5	31.9	15.5
Allied Capital Corp.	0.75	0.58	2.8639	0.1093	14.7	10.0	12.6	33.3	8.6	21.5
Amer. Cap. Strategies	1.05	1.07	2.8829	0.1101	14.9	12.0	11.8	10.8	9.8	7.5
Amer. Greetings	0.70	0.54	3.0283	0.1156	11.2	8.3	7.6	7.4	2.5	10.0
AmerisourceBergen	0.90	0.77	3.1611	0.1207	10.8	11.2	10.8	8.3	11.8	12.0
Amgen	0.75	0.57	3.0645	0.1170	8.7	11.7	14.6	18.1	22.0	18.0
Anadarko Petroleum	0.95	0.89	3.2251	0.1231	11.8	14.4	17.2	22.3	16.7	14.5
Applied Biosystems	0.80	0.62	3.2173	0.1228	15.0	13.0	13.9	15.6	18.6	19.0
AvalonBay Communities	0.95	0.92	2.6579	0.1015	10.5	10.9	11.5	11.5	10.5	11.5
Beckman Coulter	0.70	0.50	2.9144	0.1113	26.9	20.3	19.3	15.8	13.5	13.0
Bed Bath & Beyond	1.10	1.11	3.0081	0.1148	20.8	20.1	22.9	25.3	23.1	23.0
Berkley (W.R.)	1.00	0.99	2.6957	0.1029	10.4	17.0	19.5	20.7	20.8	12.0
Black & Decker	1.05	1.02	2.8635	0.1093	43.6	36.5	28.3	35.7	41.8	21.0
Block (H&R)	1.05	1.04	2.8887	0.1145	37.2	37.1	32.2	24.6	26.5	25.5
Bob Evans Farms	1.00	0.93	2.9692	0.1134	13.4	11.4	5.7	6.8	8.2	13.5
Brinker Int'l	0.90	0.78	3.2606	0.1245	17.0	16.1	20.7	18.0	18.0	41.0
Bristol-Myers Squibb	1.00	0.93	2.7085	0.1034	22.7	31.7	23.4	26.8	13.6	27.0
Brown & Brown	0.90	0.79	2.7197	0.1038	21.2	22.2	20.6	19.7	18.5	15.5
Brunswick Corp.	1.20	1.24	3.1660	0.1209	9.4	11.4	15.8	16.2	12.2	11.5
Bunge Ltd	0.85	0.72	3.2758	0.1251	18.9	17.6	13.9	12.5	9.2	11.0
Burlington Northern	1.05	1.06	2.5804	0.0985	9.6	9.1	11.6	16.1	17.9	16.5
CBRL Group	0.90	0.84	3.3240	0.1269	11.7	13.4	13.2	14.6	38.5	28.5
CVS Caremark Corp.	0.80	0.68	2.9249	0.1117	13.8	14.1	13.1	14.1	13.5	11.5
Carlisle Cos.	1.00	0.94	2.7600	0.1054	13.1	14.1	16.9	18.3	18.8	14.5
ChoicePoint Inc.	0.80	0.65	3.1423	0.1200	19.1	16.1	15.0	18.0	20.9	19.5
Cintas Corp.	1.05	1.02	2.6631	0.1017	16.5	15.1	14.4	14.3	15.7	14.0
Coca-Cola Bottling	0.80	0.66	3.3145	0.1266	69.0	58.5	33.9	30.5	24.7	19.5
Commerce Bancorp NJ	1.05	1.01	3.0940	0.1181	15.8	15.2	16.4	12.3	11.3	14.0
ConocoPhillips	0.90	0.82	2.7691	0.1057	5.1	13.4	19.0	20.3	19.5	10.5
Constellation Brands	0.85	0.72	3.3168	0.1266	16.4	11.2	11.3	12.8	11.8	10.0
Corrections Corp. Amer.	0.85	0.75	3.0969	0.1182	14.5	19.2	7.7	8.0	10.1	14.0
Costco Wholesale	0.90	0.82	2.9052	0.1109	12.3	11.0	11.6	11.1	12.1	17.0
Curtiss-Wright	1.00	0.98	2.8299	0.1080	10.1	10.9	11.3	11.8	10.6	12.5
Cytec Inds.	1.05	1.02	2.9554	0.1128	13.3	12.0	13.2	11.4	10.6	13.5
Dell Inc.	1.00	0.99	3.1606	0.1207	43.5	42.1	51.2	92.6	58.2	20.5
Developers Div. R'lty	0.90	0.82	2.7230	0.1040	10.7	14.9	10.5	10.3	9.6	10.5
Diebold Inc.	1.00	1.00	2.9891	0.1141	16.8	15.2	14.6	11.8	11.2	20.5
Dionex Corp.	0.95	0.90	3.0203	0.1153	21.0	19.7	22.6	24.9	19.3	23.5
Donaldson Co.	0.95	0.88	2.6668	0.1018	22.7	21.3	19.4	21.1	24.2	19.0
Donnelley (R.R) & Sons	0.95	0.90	2.6271	0.1003	18.2	15.1	8.5	13.3	13.5	14.5
East West Bancorp	1.00	0.92	3.2934	0.1257	16.1	16.3	15.2	14.8	14.1	13.5
Edwards Lifesciences	0.80	0.64	2.6679	0.1019	15.4	15.2	18.6	18.1	17.0	16.0
Energizer Holdings	0.70	0.49	3.2643	0.1246	26.4	21.0	45.5	63.2	122.5	22.5
Equifax Inc.	0.95	0.91	2.5663	0.0980	66.6	54.3	41.2	29.1	21.2	17.5
Equity Residential	0.95	0.90	2.6053	0.0995	6.2	4.6	2.9	2.5	1.8	6.5
Ethan Allen Interiors	1.05	1.03	3.1681	0.1210	16.7	15.5	19.3	18.4	21.2	16.5
Fannie Mae	1.00	0.97	2.9181	0.1114	38.8	31.7	12.6	16.0	9.7	12.0
Federal Rlty. Inv. Trust	0.95	0.85	2.7373	0.1045	10.6	10.6	12.5	10.8	15.1	13.0
First Commonwealth	1.05	1.03	2.5760	0.0984	12.1	11.8	7.5	9.4	9.3	8.5
Fiserv Inc.	1.00	0.96	2.6423	0.1009	14.5	14.3	15.4	17.6	18.4	13.5
Freddie Mac	0.95	0.85	2.6154	0.0999	32.2	15.3	9.0	13.3	7.8	11.5
G&K Services 'A'	1.05	1.06	3.1204	0.1191	11.2	8.9	8.3	8.4	7.6	9.0
Gladstone Capital	0.70	0.50	2.6496	0.1012	5.8	8.6	8.9	11.4	11.2	10.0
Global Payments	0.95	0.86	3.2430	0.1238	13.4	14.5	13.9	16.5	16.5	14.5
Graco Inc.	1.05	1.07	2.7195	0.1036	30.6	51.1	47.1	43.7	45.2	40.5

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Proxy Group of One Hundred Fifty-One Non-Utility Companies Comparable to the Proxy Group of Six Six AUS Utility Reports Water Companies (1)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth or Partners' Capital 2002	2003	2004	2005	2006	5-Year Projected
HNI Corp.	0.85	0.73	3.1197	0.1191	14.1	13.8	17.1	22.7	24.9	20.0
Hancock Holding	0.95	0.92	3.0444	0.1162	12.0	12.6	12.5	11.3	15.9	13.0
Harte-Hanks	0.80	0.64	2.5686	0.0981	17.0	15.7	17.1	20.4	22.7	17.0
Hasbro Inc.	1.05	1.02	2.6546	0.1014	8.9	15.3	13.3	13.8	15.0	19.0
Healthcare R'lty Trust	0.90	0.78	3.0410	0.1161	9.2	7.7	5.0	4.1	4 5	7.5
Henry (Jack) & Assoc.	1.05	1.07	3.0340	0.1158	16.7	13.5	14.1	14.6	15.6	15.5
Hillenbrand Inds.	0.85	0.76	2.6613	0.1016	19.8	21.1	17.5	18.8	19.3	14.0
Home Depot	1.00	0.94	2.6443	0.1010	18.5	19.2	20.7	21.7	23.0	33.0
IDEXX Labs.	0.70	0.51	3.2382	0.1236	13.8	14.9	18.8	21.5	21.4	20.0
IHOP Corp.	0.95	0.92	3.1723	0.1211	11.2	11.1	12.0	15.0	15.6	19.5
Ingles Markets	0.85	0.71	3.1559	0.1205	6.4	7.0	11.0	9.6	14.0	16.5
Interactive Data	0.90	0.78	2.5568	0.0976	9.2	9.5	9.4	11.0	10.2	12.0
Iron Mountain	0.90	0.81	2.9681	0.1133	7.1	7.9	7.7	8.3	8.3	12.5
Jones Apparel Group	0.95	0.91	3.3205	0.1268	16.7	12.9	11.4	11.1	11.4	8.5
Journal Communications	0.85	0.74	2.7536	0.1261	13.6	14.4	16 0	12.6	11.6	11.0
Kelly Services 'A'	1.10	1.10	2.9351	0.1121	3.0	0.8	3.4	58.0	7.6	9.5
Kimco Realty	0.95	0.89	2.6700	0.1019	10.6	11.4	12.6	13.8	10.6	13 5
Kroger Co.	1.05	1.03	2.6254	0.1002	33.9	21.8	21.4	21.8	22.6	22.5
L-3 Communic. Hldgs.	1.05	1.05	2.8369	0.1083	9.8	10.8	10.1	11.3	11.9	11.0
Laboratory Corp.	0.80	0.66	2.9205	0.1115	15.8	16.9	18.2	20.5	22.2	20.0
Lauder (Estee)	0.80	0.68	3.0913	0.1180	15.8	18.7	21.7	25.6	25.7	37.0
Lee Enterprises	0.75	0.61	2.6570	0.1014	9.5	9.7	9.8	10.3	8.8	5.5
Leggett & Platt	1.05	1.03	2.8744	0.1097	11.6	9.7	12.3	12.3	12.5	15.5
Liz Claiborne	1.00	0.94	2.7384	0.1046	18.5	17.7	17.3	15.8	4.5	9 5
Lowe's Cos.	1.10	1.08	2.8598	0.1092	17.7	18.1	18.9	19.3	19.7	15.0
Mack-Cali R'lty	0.85	0.70	2.6416	0.1009	9.6	9.3	6.4	5.9	4.6	6.0
Magna Int'l 'A'	1.00	0.99	2.6411	0.1008	10.9	12.9	13.2	11.3	9.0	11 0
Marathon Oil Corp.	1.05	1.05	3.2083	0.1225	11.1	16.7	18.2	26.1	31.7	18.0
Mattel Inc.	0.90	0.79	2.7981	0.1068	24.6	24.9	21.3	23.1	21.8	30.0
Matthews Int'l	1.10	1.11	2.8574	0.1091	21.1	17.5	18.0	17.9	16.8	17.0
McDonald's Corp.	1.05	1.07	2.7231	0.1040	16 5	15.3	17.3	16.6	18.6	25.0
Media General 'A'	0.90	0.85	2.8870	0.1102	5.0	4.9	6.8	6.9	8.4	5.0
Microsoft Corp.	0.95	0.89	2.5694	0.0981	19.9	17.3	15.1	26.4	31.4	37.5
Millipore Corp.	0.90	0.81	2.8558	0.1090	28.7	20.4	18.5	16.8	16.5	20.0
New York Community	0.90	0.80	2.7227	0.1040	17.3	11.3	11.1	8.8	6.3	12.0
Newell Rubbermaid	1.05	1.02	2.8951	0.1105	20.5	20.2	21.6	25.8	24.9	21.0
Noble Energy	1.00	0.98	3.3077	0.1263	1.7	13.1	22.4	20.4	20.9	10.0
O'Reilly Automotive	1.05	1.03	2.9786	0.1137	12.6	12.8	12.4	13.9	13.1	13 0
Occidental Petroleum	1.05	1.04	2.9583	0.1129	16.2	20.3	25.4	26.4	22.7	12.5
Oracle Corp.	1.10	1.08	3.1942	0.1220	36.4	38.5	33.5	32.7	28.3	32.5
Owens & Minor	0.95	0.90	3.1012	0.1184	18.1	13.1	13.1	13.0	10.2	13.0
Pactiv Corp.	1.00	0.93	2.9343	0.1120	24.5	21.7	19.7	17.7	28.8	17.5
Pall Corp.	1.00	0.98	2.9487	0.1126	8.9	15.4	14.4	12.4	12.3	17.5
Papa John's Int'l	0.95	0.91	3.0717	0.1173	38.4	23.0	28.0	25.7	32.0	20.0
Paychex Inc.	0.95	0.85	2.9037	0.1109	29.7	27.2	25.2	26.6	28.1	41.5
Penn Virginia Res.	0.85	0.71	2.9619	0.1131	15.2	14.8	22.9	23.0	21.2	18.0
Penn. R.E.I.T.	0.80	0.67	2.9858	0.1140	12.6	2.8	4.8	5.1	3.2	6.5
People's United Fin'l	0.90	0.84	3.0068	0.1149	5.9	6.4	7.8	9.7	9.3	8.3
Pepsi Bottling Group	0.80	0.69	2.9550	0.1128	23.5	22.4	23.4	22.8	25.0	18.0
PepsiAmericas Inc.	0.85	0.77	2.6000	0 0993	9.4	9.8	10 8	12 0	10.7	13 0
Pfizer Inc.	0.85	0.74	2.6958	0.1029	47.9	19.5	23.6	22.9	21.0	19.0
Progressive (Ohio)	0.80	0.64	2.5844	0.0987	19.1	24.8	31.0	22.8	24.1	23.5
Prologis	0.95	0.91	2.7270	0.1041	6.7	7.3	7.3	11.4	11.1	12.5
Public Storage	0.95	0.88	2.7681	0.1057	7.9	8.0	8.3	9.5	3 8	8.0
Quest Diagnostics	0.70	0.49	3.0474	0.1164	18.1	18.2	22.2	19.8	21.2	16.5
RPM Int'l	1.00	0.96	2.9829	0.1139	11.8	14.1	14.5	14.7	18.2	17.5
Regis Corp.	1.05	1.04	2.9779	0.1137	15.8	15.4	15 3	13 6	11.4	10.5

TESI-SEWER EXHIBIT NO. 1
Schedule PMA-14

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
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Respironics Inc.	0.80	0.64	3.2356	0.1235	11.5	13.5	13.8	14.1	13.1	13.5
Ruddick Corp.	1.00	0.94	2.9921	0.1142	12.3	12.1	11.8	11.3	10.8	11.0
SLM Corporation	0.70	0.51	3.2637	0.1246	39.6	53.4	61.7	36.5	26.5	22.5
STERIS Corp.	0.85	0.72	3.2012	0.1222	13.9	13.6	11.4	8.6	11.4	13.5
SUPERVALU INC.	0.90	0.81	2.9433	0.1124	12.8	13.1	13.3	12.3	8.5	11.5
Safeway Inc.	1.05	1.02	3.2506	0.1241	36.1	22.0	13.0	12.8	13.7	14.5
Schein (Henry)	0.80	0.67	3.2580	0.1244	13.7	13.9	12.3	13.2	12.4	18.0
Schering-Plough	1.05	1.05	3.2576	0.1244	24.2	6.1	0.2	8.6	17.1	17.0
Scotts Miracle-Gro	1.05	1.06	2.9627	0.1131	17.0	14.3	11.5	9.8	12.3	22.5
Selective Ins. Group	0.95	0.92	2.7290	0.1042	6.1	7.7	12.8	14.0	13.0	12.0
Sensient Techn.	0.95	0.88	2.7999	0.1069	16.2	13.4	11.5	9.1	9.4	11.5
Sherwin-Williams	1.05	1.01	2.6847	0.1025	23.2	22.8	23.9	26.8	26.9	23.5
Simon Property Group	1.00	0.94	2.5843	0.0987	12.2	10.1	5.7	6.3	10.9	13.5
Smithfield Foods	0.90	0.81	3.1387	0.1198	2.0	10.1	15.7	9.4	8.4	9.5
Snap-on Inc.	0.85	0.92	2.5547	0.0975	12.7	7.8	7.4	9.9	11.2	16.5
Sonic Corp.	0.90	0.84	3.0597	0.1168	20.7	19.7	18.6	19.6	20.1	29.0
Southwest Airlines	0.95	0.86	2.8919	0.1104	4.4	5.9	5.7	7.0	9.2	10.0
Sovereign Bancorp	1.10	1.08	2.7859	0.1064	12.9	12.9	11.1	11.6	7.6	12.0
Starbucks Corp.	0.90	0.81	3.2525	0.1242	12.6	12.9	15.8	23.7	26.1	25.0
Stryker Corp.	0.85	0.77	2.8332	0.1082	23.8	21.0	21.3	22.1	19.8	24.0
Sybase Inc.	0.95	0.89	3.2208	0.1230	13.7	10.5	8.7	12.2	11.3	13.5
TJX Companies	0.95	0.88	2.8166	0.1076	41.0	42.4	41.3	33.5	33.9	38.5
Target Corp.	1.10	1.10	2.8668	0.1095	17.5	16.6	14.5	17.0	17.8	19.5
Techne Corp.	1.05	1.04	3.2047	0.1224	18.6	19.2	18.3	24.7	21.6	17.0
Toro Co.	1.10	1.10	2.8965	0.1106	17.4	18.5	26.0	29.2	32.9	33.0
Total System Svcs.	1.00	0.96	3.3086	0.1263	20.9	19.2	17.4	19.2	20.5	13.5
UnitedHealth Group	0.70	0.54	3.1680	0.1209	30.5	35.6	24.1	18.6	20.0	25.0
Universal Corp.	0.85	0.71	2.6596	0.1015	18.1	18.3	13.5	5.6	10.0	12.5
Viad Corp.	1.05	1.05	3.0969	0.1588	17.9	13.2	6.7	9.2	8.9	10.0
W.P. Carey & Co. LLC	0.70	0.47	2.7344	0.1044	6.0	10.5	11.2	7.1	13.9	14.5
Walgreen Co.	0.80	0.66	2.6773	0.1022	16.3	16.1	16.5	17.5	17.3	16.5
Weingarten Realty	0.90	0.82	2.5667	0.0980	10.9	13.4	13.4	13.0	13.5	11.0
Werner Enterprises	1.10	1.08	3.2469	0.1240	9.5	10.4	11.3	11.4	11.3	8.5
Wolverine World Wide	1.05	1.04	3.2519	0.1242	13.0	12.0	14.4	16.1	16.4	17.0
World Wrestling Ent.	0.80	0.68	3.2673	0.1247	4.8	14.0	10.1	11.9	8.2	24.0
Wyeth	0.95	0.89	2.9045	0.1109	36.3	32.8	34.9	33.0	29.2	24.5
Xerox Corp.	1.00	0.97	2.9533	0.1128	21.4	11.5	11.0	12.9	14.8	14.0
Average	0.94	0.87	2.9269	0.1122						
Average for the Proxy Group of Six AUS Utility Reports Water Companies	0.88	0.77	2.9385 (5)	0.1122						

See pages 15 and 16 for notes.

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Comparable Earnings Analysis
for a Proxy Group of Two Hundred Three Non-Utility Companies Comparable to the
Proxy Group of Four Value Line (Standard Edition) Water Companies (9)

Proxy Group of Two Hundred Three Non-Utility *Companies Comparable to the Proxy Group of Four* Value Line (Standard Edition) Water Companies (9)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth or Partners' Capital 2002	2003	2004	2005	2006	5-Year Projected
ABM Industries Inc.	0.85	0.77	3.4680	0.1324	12.1 %	8.2 %	9.5 %	9.6 %	8.9 %	13.0 %
Advance Auto Parts	1.00	0.94	3.4733	0.1326	20.7	25.4	26.3	25.5	22.4	17.5
Affiliated Computer	1.10	1.08	3.4519	0.1318	11.0	12.6	13.9	14.3	14.6	16.5
Airgas Inc.	1.05	1.04	3.0614	0.1169	11.7	11.6	11.3	13.7	13.7	14.5
Albany Int'l 'A'	1.10	1.14	2.8388	0.1084	13.7	11.6	9.8	12.9	12.0	13.5
Albemarle Corp.	1.10	1.13	2.7940	0.1067	12.6	10.3	10.8	11.8	19.2	18.0
Allergan Inc.	0.85	0.74	2.7965	0.1068	24.5	42.4	33.2	30.4	14.4	15.5
Amer. Cap. Strategies	1.05	1.07	2.8829	0.1101	14.9	12.0	11.8	10.8	9.8	7.5
AmerisourceBergen	0.90	0.77	3.1611	0.1207	10.8	11.2	10.8	8.3	11.6	12.0
Anadarko Petroleum	0.95	0.89	3.2251	0.1231	11.8	14.4	17.2	22.3	18.7	14.5
Anixter Int'l	1.25	1.31	3.1305	0.1195	5.9	5.1	9.8	12.7	21.8	17.0
Annaly Capital Mgmt.	1.00	0.97	3.3817	0.1291	3.3	4.3	5.7	6.5	3.3	3.0
Apache Corp.	0.95	0.89	3.4355	0.1312	11.5	19.1	20.4	24.9	19.3	11.5
Applied Biosystems	0.60	0.62	3.2173	0.1228	15.0	13.0	13.9	15.6	18.6	19.0
Apria Healthcare	0.90	0.78	3.4445	0.1315	29.4	31.7	28.5	25.6	18.0	11.5
Archer Daniels Midl'd	1.00	0.94	3.3769	0.1289	6.8	6.2	9.7	10.0	13.4	13.0
Baldor Electric	1.15	1.16	2.7642	0.1055	8.7	9.5	12.4	14.4	15.8	14.0
Barnes & Noble	1.10	1.14	3.0841	0.1653	9.7	12.1	11.3	13.6	12.9	12.5
Bed Bath & Beyond	1.10	1.11	3.0081	0.1148	20.8	20.1	22.9	25.3	23.1	23.0
Berkley (W.R.)	1.00	0.99	2.6957	0.1029	10.4	17.0	19.5	20.7	20.8	12.0
Black & Decker	1.05	1.02	2.8635	0.1093	43.6	36.5	28.3	35.7	41.8	21.0
Block (H&R)	1.05	1.04	2.9987	0.1145	37.2	37.1	32.2	24.8	26.5	25.5
Bob Evans Farms	1.00	0.93	2.9692	0.1134	13.4	11.4	5.7	8.8	8.2	13.5
BorgWarner	1.20	1.29	2.9573	0.1129	15.3	13.9	13.5	15.0	12.5	15.0
Briggs & Stratton	1.15	1.16	3.2697	0.1248	11.6	15.7	16.6	16.1	9.9	14.0
Brink's (The) Co.	1.10	1.11	3.3501	0.1279	18.1	3.7	14.9	5.1	12.5	12.0
Brinker Int'l	0.90	0.78	3.2606	0.1245	17.0	16.1	20.7	18.0	18.0	41.0
Bristol-Myers Squibb	1.00	0.93	2.7085	0.1034	22.7	31.7	23.4	26.8	13.6	35.5
Brown & Brown	0.90	0.79	2.7197	0.1038	21.2	22.2	20.6	19.7	18.5	15.5
Brunswick Corp.	1.20	1.24	3.1660	0.1209	9.4	11.4	15.6	16.2	12.2	11.5
Buckle (The)Inc.	0.95	0.91	3.4532	0.1318	12.1	11.3	13.0	17.3	19.4	17.5
Bunge Ltd.	0.85	0.72	3.2758	0.1251	18.9	17.6	13.9	12.5	9.2	11.0
C.H. Robinson	1.05	1.00	3.3440	0.1277	22.6	22.1	22.1	26.1	28.3	26.0
CBRL Group	0.90	0.84	3.3240	0.1269	11.7	13.4	13.2	14.6	38.5	26.5
CIT Group	1.20	1.28	3.3442	0.1277	16.4	10.5	11.9	13.6	12.8	12.0
CLARCOR Inc.	1.10	1.14	2.9688	0.1134	14.8	14.7	14.9	15.8	15.4	14.5
CSX Corp.	1.15	1.17	2.7126	0.1036	7.5	6.3	6.8	9.7	11.8	15.5
CVS Caremark Corp.	0.80	0.68	2.9249	0.1117	13.8	14.1	13.1	14.1	13.5	11.5
Cabot Corp.	1.10	1.12	3.0442	0.1162	12.1	11.8	10.2	11.5	6.8	14.0
Cameron Int'l Corp.	0.95	0.92	3.3808	0.1291	8.1	5.7	7.7	10.7	17.2	23.0
Carlisle Cos.	1.00	0.94	2.7600	0.1054	13.1	14.1	16.9	18.3	18.8	14.5
Casey's Gen'l Stores	1.10	1.13	3.1215	0.1192	9.8	8.3	9.1	12.0	10.6	13.0
Caterpillar Inc.	1.20	1.25	2.7304	0.1042	14.6	16.7	27.3	33.8	52.3	28.5
ChoicePoint Inc.	0.80	0.65	3.1423	0.1200	19.1	16.1	15.0	16.0	20.9	19.5
Cisco Systems	1.20	1.28	3.2280	0.1232	10.0	15.3	20.7	24.8	23.3	27.0
Coca-Cola Bottling	0.80	0.66	3.3145	0.1266	69.0	58.5	33.9	30.5	24.7	19.5
Columbia Sportswear	1.00	0.97	3.3606	0.1283	21.7	16.7	17.6	17.6	14.8	14.0
Commerce Bancorp NJ	1.05	1.01	3.0940	0.1181	15.8	15.2	16.4	12.3	11.3	14.0
Computer Sciences	0.95	0.90	3.3494	0.1279	9.6	9.7	7.6	9.2	11.1	10.5
Con-way Inc.	1.10	1.09	3.3446	0.1277	8.9	10.5	19.4	24.4	29.3	17.0
ConocoPhillips	0.90	0.82	2.7691	0.1057	5.1	13.4	19.0	20.3	19.5	10.5
Constellation Brands	0.85	0.72	3.3166	0.1266	16.4	11.2	11.3	12.8	11.8	10.0
Corn Products Int'l	0.90	0.80	3.4631	0.1322	7.6	8.3	8.7	7.4	9.3	13.0
Corrections Corp. Amer.	0.85	0.75	3.0969	0.1182	14.6	19.2	7.7	8.0	10.1	14.0
Costco Wholesale	0.90	0.82	2.9052	0.1109	12.3	11.0	11.6	11.1	12.1	17.0
Curtiss-Wright	1.00	0.98	2.8299	0.1080	10.1	10.9	11.3	11.8	10.6	13.0

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Proxy Group of Four Value Line (Standard Edition) Water Companies (9)

Proxy Group of Two Hundred Three Non-Utility Companies Comparable to the Proxy Group of Four Value Line (Standard Edition) Water Companies (9)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth or Partners' Capital 2002	2003	2004	2005	2006	5-Year Projected
Cytec Inds.	1.05	1.02	2.9554	0.1128	13.3	12.0	13.2	11.4	10.6	13.5
Datascope Corp.	1.15	1.20	3.2793	0.1252	9.3	7.9	8.2	5.5	9.1	9.0
Deere & Co.	1.20	1.29	2.6815	0.1024	10.1	16.1	21.7	21.1	19.4	20.5
Dell Inc.	1.00	0.99	3.1608	0.1207	43.5	42.1	51.2	92.6	58.2	20.5
Developers Div. R'lty	0.90	0.82	2.7230	0.1040	10.7	14.9	10.5	10.3	9.6	10.5
Diebold Inc.	1.00	1.00	2.9891	0.1141	18.8	15.2	14.6	11.8	11.2	20.5
Dionex Corp.	0.95	0.90	3.0203	0.1153	21.0	19.7	22.6	24.9	19.3	23.5
East West Bancorp	1.00	0.92	3.2934	0.1257	16.1	16.3	15.2	14.8	14.1	13.5
Eastman Chemical	1.10	1.14	2.7995	0.1069	6.7	7.2	16.5	30.1	20.5	20.0
Edwards Lifesciences	0.80	0.64	2.6679	0.1019	15.4	15.2	16.6	18.1	17.0	16.0
Ethan Allen Interiors	1.05	1.03	3.1681	0.1210	16.7	15.5	19.3	18.4	21.2	16.5
Fannie Mae	1.00	0.97	2.9181	0.1114	38.6	31.7	12.8	18.0	9.7	12.0
Federal Rlty. Inv. Trust	0.95	0.85	2.7373	0.1045	10.6	10.8	12.5	10.8	15.1	13.0
G&K Services 'A'	1.05	1.06	3.1204	0.1191	11.2	8.9	8.3	8.4	7.6	9.0
Genlyte Group	1.20	1.30	3.3381	0.1275	14.0	11.5	13.2	15.6	17.8	12.0
Glatfelter	1.15	1.19	3.4041	0.1300	10.6	2.8	3.2	4.0	6.3	11.5
Global Payments	0.95	0.86	3.2430	0.1238	13.4	14.5	13.9	16.5	16.5	14.5
Goodrich Corp.	1.20	1.30	3.3353	0.1273	26.2	3.2	12.8	16.6	17.0	22.0
Graco Inc.	1.05	1.07	2.7195	0.1038	30.8	51.1	47.1	43.7	45.2	48.5
Grainger (W.W.)	1.15	1.16	2.7107	0.1035	14.2	12.3	13.4	14.7	16.9	17.8
Griffon Corp.	1.05	1.02	3.3480	0.1278	11.6	15.1	16.9	13.5	12.6	10.5
HNI Corp.	0.85	0.73	3.1197	0.1191	14.1	13.8	17.1	22.7	24.9	20.0
Hancock Holding	0.95	0.92	3.0444	0.1162	12.0	12.6	12.5	11.3	15.9	13.0
Harrah's Entertain.	0.95	0.89	2.6672	0.1018	22.9	18.7	18.8	8.4	10.2	13.0
Healthcare R'lty Trust	0.90	0.78	3.0410	0.1161	9.2	7.7	5.0	4.1	4.5	6.5
Henry (Jack) & Assoc.	1.05	1.07	3.0340	0.1158	16.7	13.5	14.1	14.0	15.6	15.5
IHOP Corp.	0.95	0.92	3.1723	0.1211	11.2	11.1	12.0	15.0	15.6	19.5
Imation Corp.	0.90	0.78	3.4028	0.1299	9.3	9.4	5.4	9.6	8.3	8.5
Ingles Markets	0.85	0.71	3.1559	0.1205	6.4	7.0	11.0	9.6	14.0	16.5
Intel Corp.	1.25	1.32	3.3552	0.1281	9.7	14.9	19.5	23.9	13.7	21.5
Invacare Corp.	0.75	0.62	3.3660	0.1285	13.5	11.6	10.0	7.2	7.8	10.0
Iron Mountain	0.90	0.81	2.9681	0.1133	7.1	7.9	7.7	8.3	8.3	12.5
Jacobs Engineering	1.20	1.27	3.1959	0.1220	15.9	15.2	12.8	13.2	13.8	17.0
Jones Apparel Group	0.95	0.91	3.3205	0.1268	16.7	12.9	11.4	11.1	11.4	8.5
Journal Communications	0.85	0.74	2.7536	0.1261	13.6	14.4	16.0	12.6	11.8	11.0
Kaydon Corp.	1.20	1.25	2.8364	0.1083	10.1	10.9	12.4	12.9	16.0	14.5
Kelly Services 'A'	1.10	1.10	2.9351	0.1121	3.0	0.8	3.4	58.0	7.6	9.5
Kimco Realty	0.95	0.89	2.6700	0.1019	10.6	11.4	12.6	13.9	10.6	12.0
Kirby Corp.	1.20	1.26	2.9706	0.1134	11.9	11.0	11.4	12.8	15.1	12.0
L-3 Communic. Hldgs.	1.05	1.05	2.8369	0.1083	9.6	10.8	10.1	11.3	11.9	11.0
Laboratory Corp.	0.80	0.66	2.9205	0.1115	15.8	16.9	18.2	20.5	22.2	20.0
Landry's Restaurants	1.15	1.16	3.4060	0.1300	7.3	8.3	10.1	8.7	7.1	8.5
Lauder (Estee)	0.80	0.68	3.0813	0.1180	15.8	18.7	21.7	25.6	25.7	37.0
Leggett & Platt	1.05	1.03	2.8744	0.1097	11.8	9.7	12.3	12.3	12.5	15.5
Limited Brands	1.15	1.18	3.1454	0.1201	10.5	11.1	27.3	22.7	22.8	28.0
Lincoln Elec Hldgs.	1.20	1.25	2.8134	0.1074	17.2	11.7	14.8	17.4	20.0	14.5
Liz Claiborne	1.00	0.94	2.7384	0.1046	18.5	17.7	17.3	15.6	4.5	9.5
Lowe's Cos.	1.10	1.08	2.8598	0.1092	17.7	18.1	18.9	19.3	19.7	15.0
Macy's Inc.	1.25	1.31	3.0729	0.1173	11.1	11.0	11.2	8.2	9.4	10.0
Manpower Inc.	1.15	1.18	3.0231	0.1154	11.3	10.5	11.3	12.1	13.3	14.5
Marathon Oil Corp.	1.05	1.05	3.2083	0.1225	11.1	16.7	16.2	26.1	31.7	18.0
Mattel Inc.	0.90	0.79	2.7981	0.1068	24.6	24.9	21.3	23.1	21.6	30.0
Matthews Int'l	1.10	1.11	2.8574	0.1091	21.1	17.5	18.0	17.9	16.6	17.0
McDonald's Corp.	1.05	1.07	2.7231	0.1040	16.5	15.3	17.3	16.0	18.6	25.0

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McKesson Corp.	0.90	0.78	3.4384	0.1313	12.8	12.5	12.4	12.5	14.0	15.5
Media General 'A'	0.90	0.85	2.8870	0.1102	5.0	4.9	6.8	6.9	8.4	5.0
Millipore Corp.	0.90	0.81	2.8558	0.1090	28.7	20.4	16.5	16.8	18.5	20.0
Mohawk Inds.	1.10	1.14	2.9064	0.1110	14.3	13.5	13.8	12.6	12.0	9.5
Molex Inc.	1.25	1.31	3.1678	0.1209	5.3	6.0	8.5	9.0	11.6	9.5
Monsanto Co.	1.15	1.16	3.3677	0.1286	6.0	6.5	8.3	10.1	11.1	17.5
Murphy Oil Corp.	0.90	0.81	3.4449	0.1315	6.4	13.1	17.8	21.0	14.9	13.5
New York Community	0.90	0.80	2.7227	0.1040	17.3	11.3	11.1	8.8	6.3	11.5
Newell Rubbermaid	1.05	1.02	2.8951	0.1105	20.5	20.2	21.8	25.8	24.9	21.0
Noble Energy	1.00	0.98	3.3077	0.1263	1.7	13.1	22.4	20.4	20.9	10.0
Nordson Corp.	1.15	1.21	3.3397	0.1275	11.7	11.7	15.8	23.7	22.7	15.5
Norfolk Southern	1.10	1.14	3.3458	0.1277	7.1	7.6	10.9	12.5	15.4	14.0
O'Reilly Automotive	1.05	1.03	2.9786	0.1137	12.6	12.8	12.4	13.9	13.1	13.0
Occidental Petroleum	1.05	1.04	2.9583	0.1129	16.2	20.3	25.4	26.4	22.7	12.5
Oracle Corp.	1.10	1.08	3.1942	0.1220	38.4	38.5	33.5	32.7	28.3	32.5
Oshkosh Truck	1.10	1.12	3.4360	0.1312	14.5	14.6	17.7	19.6	19.4	16.5
Overseas Shipholding	1.05	1.06	3.4038	0.1300	0.9	13.5	22.7	24.8	19.1	13.0
Owens & Minor	0.95	0.90	3.1012	0.1184	18.1	13.1	13.1	13.0	10.2	13.0
Pactiv Corp.	1.00	0.93	2.9343	0.1120	24.5	21.7	19.7	17.7	26.6	17.5
Pall Corp.	1.00	0.98	2.9487	0.1126	8.9	15.4	14.4	12.4	12.3	17.5
Papa John's Int'l	0.95	0.91	3.0717	0.1173	38.4	23.0	28.0	25.7	32.0	20.0
Paychex Inc.	0.95	0.85	2.9037	0.1109	29.7	27.2	25.2	26.6	28.1	41.5
Penn Virginia Res.	0.85	0.71	2.9619	0.1131	15.2	14.8	22.9	23.0	21.2	18.0
Penn. R.E.I.T.	0.80	0.67	2.9858	0.1140	12.6	2.8	4.8	5.1	3.2	6.5
Pentair Inc.	1.15	1.17	3.3004	0.1260	11.7	11.4	9.5	11.9	11.0	13.0
People's United Fin'l	0.90	0.84	3.0088	0.1149	5.9	6.4	7.8	9.7	9.3	6.5
Pepsi Bottling Group	0.80	0.69	2.9550	0.1128	23.5	22.4	23.4	22.8	25.0	18.0
Pfizer Inc.	0.85	0.74	2.6956	0.1029	47.9	19.5	23.8	22.9	21.0	19.0
Phillips-Van Heusen	1.10	1.14	3.2587	0.1244	11.2	17.1	19.4	18.3	15.8	12.5
Polo Ralph Lauren 'A'	1.10	1.14	3.3972	0.1297	15.2	13.0	15.3	15.0	17.2	14.5
Polaris Inds.	1.10	1.09	3.4211	0.1306	37.4	34.7	37.6	39.0	67.4	52.5
Pool Corp.	0.95	0.87	3.4741	0.1326	29.1	26.0	30.4	30.6	34.2	46.5
Prologis	0.95	0.91	2.7270	0.1041	6.7	7.3	7.3	11.4	11.2	14.0
Public Storage	0.95	0.88	2.7681	0.1057	7.9	8.0	8.3	9.5	3.8	6.0
Quaker Chemical	1.15	1.20	3.4662	0.1323	16.2	13.2	7.6	6.4	9.7	15.0
RPM Int'l	1.00	0.96	2.9829	0.1139	11.8	14.1	14.5	14.7	18.2	17.5
Regal-Beloit	1.20	1.29	3.0378	0.1160	6.4	6.3	5.7	10.7	14.8	15.0
Regis Corp.	1.05	1.04	2.9779	0.1137	15.8	15.4	15.3	13.6	11.4	10.5
Respironics Inc.	0.80	0.64	3.2356	0.1235	11.5	13.5	13.8	14.1	13.1	13.5
Reynolds American	0.85	0.76	3.3611	0.1283	8.2	4.3	10.2	15.0	16.1	17.0
Rockwell Automation	1.25	1.32	3.2440	0.1239	10.8	13.4	16.5	29.7	32.7	35.0
Rollins Inc.	0.95	0.86	3.4650	0.1323	28.9	25.8	26.1	29.8	27.3	25.0
Ross Stores	1.10	1.13	3.2950	0.1258	31.3	30.2	23.5	23.9	28.6	27.5
Ruddick Corp.	1.00	0.94	2.9921	0.1142	12.3	12.1	11.8	11.3	10.8	11.0
Ryder System	1.10	1.13	3.0464	0.1164	10.4	10.1	12.7	14.9	14.3	11.0
STERIS Corp.	0.85	0.72	3.2012	0.1222	13.9	13.8	11.4	8.8	11.4	13.5
SUPERVALU INC.	0.90	0.81	2.9433	0.1124	12.8	13.1	13.3	12.3	8.5	11.5
Safeway Inc.	1.05	1.02	3.2506	0.1241	36.1	22.0	13.0	12.8	13.7	14.5
Schein (Henry)	0.80	0.67	3.2580	0.1244	13.7	13.9	12.3	13.2	12.4	16.0
Schering-Plough	1.05	1.05	3.2576	0.1244	24.2	8.1	0.2	8.6	17.1	17.5
Schlumberger Ltd.	1.00	0.95	3.3960	0.1297	12.4	15.5	20.2	26.6	36.0	17.5
Scotts Miracle-Gro	1.05	1.06	2.9627	0.1131	17.0	14.3	11.5	9.8	12.3	22.5
Selective Ins. Group	0.95	0.92	2.7290	0.1042	6.1	7.7	12.8	14.0	13.0	12.0
Sensient Techn.	0.95	0.88	2.7999	0.1069	16.2	13.4	11.5	9.1	9.4	11.5
Sherwin-Williams	1.05	1.01	2.6847	0.1025	23.2	22.8	23.9	26.8	28.9	23.5
Silgan Holdings	1.10	1.09	3.4248	0.1308	82.7	48.5	40.1	34.6	29.8	18.0

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Comparable Earnings Analysis
for a Proxy Group of Two Hundred Three Non-Utility Companies Comparable to the
Proxy Group of Four Value Line (Standard Edition) Water Companies (9)

Proxy Group of Two Hundred Three Non-Utility Companies Comparable to the Proxy Group of Four Value Line (Standard Edition) Water Companies (9)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth or Partners' Capital 2002	2003	2004	2005	2006	5-Year Projected
Smithfield Foods	0.90	0.81	3.1387	0.1198	2.0	10.1	15.7	9.4	8.4	9.5
Sonic Automotive	1.20	1.26	3.2931	0.1257	17.0	12.6	12.4	12.3	9.0	12.5
Sonic Corp.	0.90	0.84	3.0597	0.1168	20.7	19.7	18.8	19.6	20.1	29.0
Southwest Airlines	0.95	0.86	2.8919	0.1104	4.4	5.9	5.7	7.0	9.2	10.0
Sovereign Bancorp	1.10	1.08	2.7859	0.1084	12.9	12.9	11.1	11.6	7.8	11.0
St. Joe Corp.	1.05	1.04	3.3290	0.1271	31.5	15.6	17.2	24.8	10.5	18.0
Standex Int'l	1.15	1.21	3.3546	0.1281	11.4	11.1	13.5	14.4	10.5	15.5
Stanley Works	1.10	1.12	2.8485	0.1088	20.7	18.8	20.2	18.9	18.7	17.0
Staples Inc.	1.10	1.12	2.8830	0.1101	15.7	15.1	17.2	18.9	18.9	21.0
Starbucks Corp.	0.90	0.81	3.2525	0.1242	12.6	12.9	15.8	23.7	26.1	25.0
Steak n Shake	1.20	1.24	3.3929	0.1295	13.8	12.9	12.6	11.9	9.8	9.5
Stryker Corp.	0.85	0.77	2.8332	0.1082	23.8	21.0	21.3	22.1	18.8	24.0
Sybase Inc.	0.95	0.86	3.2208	0.1230	13.7	10.5	8.7	12.2	11.3	13.5
TJX Companies	0.95	0.88	2.8166	0.1076	41.0	42.4	41.3	33.5	33.9	36.5
Target Corp.	1.10	1.10	2.8668	0.1095	17.5	16.6	14.5	17.0	17.8	19.5
Tech Data	1.10	1.14	3.3533	0.1280	9.9	6.4	7.8	6.7	4.2	8.5
Techne Corp.	1.05	1.04	3.2047	0.1224	18.6	19.2	18.3	24.7	21.6	17.0
Temple-Inland	1.15	1.20	2.9069	0.1110	2.7	4.9	7.7	8.5	16.7	11.5
Tennant Co.	1.00	0.98	3.3704	0.1287	6.0	8.5	6.5	11.8	13.0	13.5
Time Warner	1.10	1.14	3.1093	0.1187	1.8	5.6	5.3	4.6	8.5	8.5
Toro Co.	1.10	1.10	2.8965	0.1106	17.4	18.5	26.0	29.2	32.9	33.0
Total System Svcs.	1.00	0.96	3.3086	0.1263	20.9	19.2	17.4	19.2	20.5	13.5
United Stationers	1.15	1.22	3.2078	0.1225	11.7	12.3	13.4	12.7	12.9	12.5
Varian Inc.	1.05	1.04	3.4375	0.1312	13.8	11.7	11.7	9.3	9.1	13.0
Viad Corp.	1.05	1.05	3.0969	0.1586	17.9	13.2	8.7	9.2	8.9	10.5
WD-40 Co.	1.10	1.08	3.3440	0.1277	30.5	27.9	22.8	21.6	18.2	16.0
Walgreen Co.	0.80	0.66	2.6773	0.1022	16.3	16.1	16.5	17.5	17.3	16.5
Washington Mutual	1.10	1.12	2.7697	0.1057	33.5	41.1	47.2	38.9	33.5	30.0
WellPoint Inc	0.90	0.81	3.3698	0.1287	9.4	12.4	5.4	10.0	12.5	12.0
Werner Enterprises	1.10	1.08	3.2469	0.1240	9.5	10.4	11.3	11.4	11.3	8.5
Whirlpool Corp.	1.20	1.28	3.1324	0.1196	56.8	31.8	25.3	24.2	14.8	15.0
Wolverine World Wide	1.05	1.04	3.2519	0.1242	13.0	12.0	14.4	16.1	16.4	17.0
World Wrestling Ent.	0.80	0.66	3.2673	0.1247	4.8	14.0	10.1	11.9	8.2	24.0
Wyeth	0.95	0.89	2.9045	0.1109	36.3	32.8	34.9	33.0	29.2	24.0
Xerox Corp.	1.00	0.97	2.9533	0.1128	21.4	11.5	11.0	12.9	14.8	14.0
Zale Corp.	1.10	1.15	3.3362	0.1274	10.8	15.2	14.7	13.1	5.2	8.5
Zimmer Holdings	0.80	0.66	3.4494	0.1317	70.4	9.3	15.2	16.5	17.0	15.5
Average	1.02	0.99	3.0921	0.1186						
Average for the Proxy Group of Four Value Line (Standard Edition) Water Companies	1.01	0.97	3.0718 (10)	0.1173						

See pages 15 and 16 for notes.

Total Environmental Solutions, Inc. – Treasure Lake Sewer Division
Comparable Earnings Analysis

Notes: (1) The criteria for selection of the proxy group of one hundred fifty-one non-utility companies was that the non-utility companies be domestic and have a meaningful rate of return on book common equity, shareholders' equity, net worth, or partners' capital for each of the five years ended 2006 or projected 2010 - 2012 as reported in Value Line Investment Survey (Standard Edition). The proxy group of one hundred fifty-one non-utility companies was selected based upon the proxy group of six AUS Utility Reports water companies' unadjusted beta range of 0.43 – 1.11 and standard error of the regression range of 2.5512 – 3.3258. These ranges are based upon plus or minus three standard deviations of the unadjusted beta and standard error of the regression as detailed in Ms. Ahern's direct testimony. Plus or minus three standard deviations captures 99.73% of the distribution of unadjusted betas and standard errors of the regression.

(2) Ending 2006.

(3) 2010 - 2012.

(4) The Student's T-statistic associated with these returns exceeds 1.96 at the 95% level of confidence. Therefore, they have been excluded, as outliers, to arrive at proper mean historical and projected returns as fully explained in Ms. Ahern's testimony.

(5) The standard deviation of group of six AUS Utility Reports water companies' standard error of the regression is 0.1291. The standard deviation of the standard error of the regression is calculated as follows:

$$\text{Standard Deviation of the Std. Err. of the Regr.} = \frac{\text{Standard Error of the Regression}}{\sqrt{2N}}$$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years, N = 259

$$\text{Thus, } 0.1291 = \frac{2.9385}{\sqrt{518}} = \frac{2.9385}{22.7596}$$

(6) Mid-point of the arithmetic mean of the historical five year average and five year projected rate of return on book common equity, shareholder's equity, net worth, or partners' capital.

(7) Arithmetic mean of historical five year rates of return and five year projected rates of return on net worth, common equity or partners' capital excluding those 20% and greater as well as those 7.95% or less, i.e., 200 basis points above the prospective yield of 5.95% on A rated Moody's public utility bonds (from page 1 of Schedule PMA-12)

(8) Mid-point of the arithmetic mean of historical five year rates of return and five year projected rates of return on net worth, common equity or partners' capital excluding those 20% and greater as well as those 7.95% or less, i.e., 200 basis points above the prospective yield of 5.95% on A rated Moody's public utility bonds (from page 1 of Schedule PMA-12)

(9) The criteria for selection of the proxy group of two hundred three non-utility companies was that the non-utility companies be domestic and have a meaningful rate of return on book common equity, net worth, or partners' capital for each of the five years ended 2006 or projected 2010 - 2012 as reported in Value Line Investment Survey (Standard Edition). The proxy group of two hundred three non-utility companies was selected based upon the proxy group of four Value Line (Standard Edition) water companies' unadjusted beta range of 0.62

Total Environmental Solutions, Inc. – Treasure Lake Sewer Division
Comparable Earnings Analysis

– 1.32 and standard error of the regression range of 2.6669 – 3.4769. These ranges are based upon plus or minus three standard deviations of the unadjusted beta and standard error of the regression as detailed in Ms. Ahern's direct testimony. Plus or minus three standard deviations captures 99.73% of the distribution of unadjusted betas and standard errors of the regression.

(10) The standard deviation of the proxy group of four Value Line (Standard Edition) water companies' standard error of the regression is 0.1350 (3.0719 / 22.7596).

Source of Information: Value Line, Inc., January 9, 2008
Value Line Investment Survey (Standard Edition)

Total Environmental Solutions, Inc. – Treasure Lake Sewer Division
Table of Contents
to the Financial Supporting Exhibit
of Pauline M. Ahern

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Summary of Cost of Capital and Fair Rate of Return
Based Upon a Hypothetical Capital Structure

Type of Capital	Ratios (1)	Cost Rate	Weighted Cost Rate
Long-Term Debt	45.00 %	6.41 % (2)	2.88 %
Common Equity	55.00	11.40 (3)	6.27
Total	100.00 %		9.15 %

Notes:

(1) A capital structure consisting of 45% debt and 55% equity is utilized for cost of capital purposes for the following reasons:

(a) Total Environmental Solutions, Inc. - Treasure Lake Water Division's actual capital structure at December 31, 2006 shown on Supporting Schedule 8, page 2 of 2 from Supplement No. 1 to Tariff Water - Pa. P.U.C. No. 4, Docket No. R-00072495 includes a 100.00% debt ratio, which is inappropriate for ratemaking purposes.

(2) From page 1 of Schedule PMA-6 for reasons explained in detail in Ms. Ahern's accompanying direct

(3) Based upon informed judgment from the entire study, the principal results of which are summarized on page 2 of this Schedule.

Total Environmental Solutions, Inc. - Treasure Lake Sewer Division
Brief Summary of Common Equity Cost Rate

No.	Principal Methods	*Proxy Group of Six AUS* Utility Reports Water Companies		Proxy Group of Four *Value Line (Standard* Edition) Water Companies
1.	Discounted Cash Flow Model (DCF) (1)	10.36 %		10.49 %
2.	Risk Premium Model (RPM) (2)	10.94		11.34
3.	Capital Asset Pricing Model (CAPM) (3)	10.40		10.89
4.	Comparable Earnings Model (CEM) (4)	13.88		13.60
5.	Indicated Range of Common Equity Cost Rate before Adjustment for Business Risk	10.80 %	--	11.00 %
6.	Business Risk Adjustment (5)	0.50		0.50
7.	Indicated Range of Common Equity Cost Rate after Adjustment for Business Risk	11.30 %	--	11.50 %
8.	*Recommendation*		*11.40%*	

Notes: (1) From Exhibit PMA-6.
(2) *From page 1 of Exhibit PMA-10.*
(3) From page 1 Exhibit PMA-11.
(4) From pages 3 and 7 of Exhibit PMA-12 of this Exhibit.
(5) Business risk adjustment to reflect Total Environmental Solutions, Inc. - Treasure Lake Sewer Division greater business risk due to its small size vis-à-vis each proxy group as detailed in Ms. Ahern's accompanying direct testimony.