



Clean Tech/Energy Research

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Financial Analyst's Perspective: Regulation and Its Impact on Access to Capital

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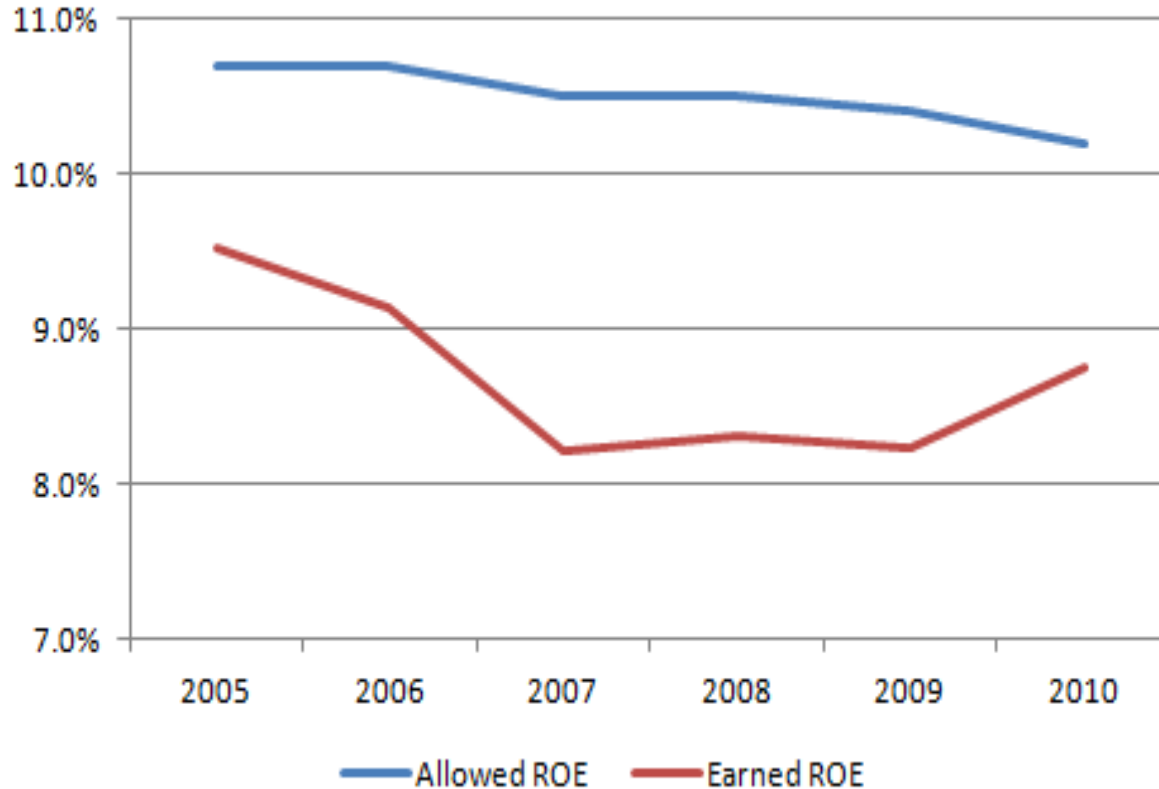
Please refer to Appendix – Important Disclosures and Analyst Certification on Pages 5-7.



Return on Equity (ROE) Allowed vs. Earned Comparison

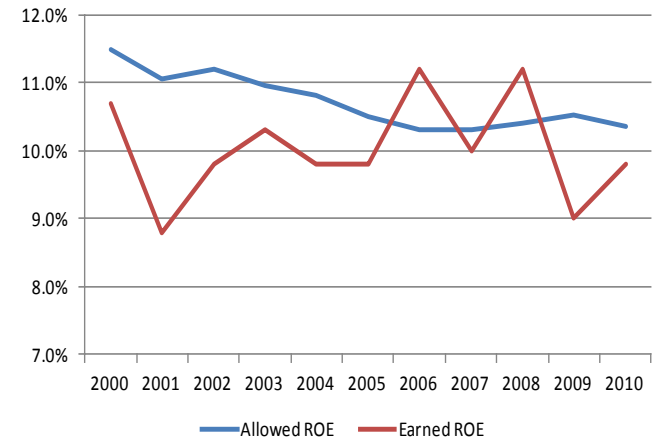


Water Utilities

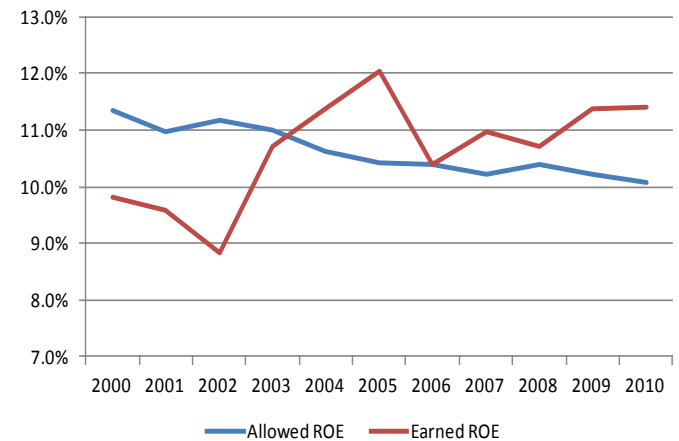


Source: SNL Energy, RW Baird

Electric Utilities



Natural Gas Utilities



Baird's Water Utility Regulatory Assessment



| Constructive | Generally Constructive | Marginal | Unfavorable |
|---------------------|-------------------------------|-----------------|--------------------|
| Pennsylvania | California | + Florida | - Connecticut |
| Texas | Delaware | Illinois | West Virginia |
| | Hawaii | Indiana | |
| | Iowa | + Missouri | |
| | Kentucky | + New Jersey | |
| | Maine | Ohio | |
| | Maryland | | |
| | New York | | |
| | North Carolina | | |
| | Virginia | | |

Note: +/- Indicates improving (+) or declining (-) outlook

Source: Robert W. Baird

Baird's Water Utility Commission Scorecard

| State | Appointed/ Elected | Test Year | Recent Allowed ROEs | Allow Single Tarriff | Infrastructure Surcharge Mechanism (DSIC) | Enhanced Regulatory Mechanisms | Avg. Rate Case Duration |
|--|-----------------------|-----------------------|---|----------------------------|--|---|--|
| CT | Appointed | Historical | 9.75% (CTWS; 7/10) | Yes | Yes | Step rate increases | 6mo. suspension period |
| <p><i>Baird Assessment: Unfavorable/Declining - Lowest ROEs in nation, offsets the benefit from DSIC mechanism; recent reorganization of Commission adds additional risk.</i></p> | | | | | | | |
| IL | Appointed | Historical | 10.4% (AWK; 4/10) | Yes | Yes | Purchased water adjustments | 11mos. |
| <p><i>Baird Assessment: Marginal - Fair ROEs, but political uncertainty; Has DSIC mechanism.</i></p> | | | | | | | |
| FL | Appointed | Updated Historical | 10.55% (WTR; 12/10) | Yes | No | Step rate increases Streamlined rate case proceedings Purchased water pass-throughs Index-filing mechanism for power, chemical & property taxes | Statutory limit 5mos. Often takes over 12mos. |
| <p><i>Baird Assessment: Marginal/Improving - New Commissioners brings fresh perspective; formulaic rate-making, but drawn out process.</i></p> | | | | | | | |
| CA | Appointed | Forward | 10.2% (AWK, AWR, CWT; 5/09); 10.2% (SJW; 5/10) | No | No | Decoupling (WRAM/MCBA) Retroactive effective dates Step & interim rate increases Pension & other trackers | 18-24mos. |
| <p><i>Baird Assessment: Generally Constructive - Due to Water Action Plan, forward test year, retroactive effective date, & multiple regulatory mechanism; however, politically charged & lengthy regulatory process.</i></p> | | | | | | | |
| TX | Appointed | Historical | 11.5-12.0% (WTR, SJW) | No | No | Retroactive effective dates Step rate increases | 12-18mos. |
| <p style="text-align: center;">* ROEs are estimations as decisions were black box settlements</p> <p><i>Baird Assessment: Constructive - Due to favorable ROEs & allowance of temporary rate increases; however, lengthy regulatory process.</i></p> | | | | | | | |

Source: Robert W. Baird, Company filings; SNL Financial, Commission websites

Appendix – Important Disclosures and Analyst Certification



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