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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The East Ohio Gas Company dba Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service.	:	Case No. 07-829-GA-AIR
In the Matter of the Application of The East Ohio Gas Company dba Dominion East Ohio for Approval of an Alternative Rate Plan for its Gas Distribution Service.	:	Case No. 07-830-GA-ALT
In the Matter of the Application of The East Ohio Gas Company dba Dominion East Ohio for Approval to Change Accounting Methods.	:	Case No. 07-831-GA-AAM
In the Matter of the Application of The East Ohio Gas Company dba Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with a Pipeline Infrastructure Replacement Program Through an Automatic Adjustment Clause, and for Certain Accounting Treatment.	:	Case No. 08-169-GA-ALT
In the Matter of the Application of The East Ohio Gas Company dba Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with Automated Meter Reading and for Certain Accounting Treatment.	:	Case No. 06-1453-GA-UNC

PREFILED TESTIMONY
OF

STEPHEN R. CHANEY

UTILITIES DEPARTMENT
CAPITAL RECOVERY & FINANCIAL ANALYSIS DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO

Staff Exhibit _____

August 1, 2008

1. Q. Please state your name and business address?

A. My name is Stephen R. Chaney. My business address is 180 East Broad Street, Columbus, Ohio 43215.

2. Q. Who are you employed by?

A. I am employed by the Public Utilities Commission of Ohio (PUCO).

3. Q. What is your current position with the PUCO?

A. I am employed as a Utilities Specialist in the Capital Recovery and Financial Analysis Division of the Utilities Department.

4. Q. Would you briefly state your educational and occupational background?

A. I have received a Bachelor of Science Degree in Civil Engineering from Purdue University in December, 1978, and a Master's Degree in City and Regional Planning from Ohio State University in December, 1981. I have been employed by the Public Utilities Commission of Ohio since January, 1982. I have presented testimony supporting the Staff's rate of return recommendations in several rate proceedings before the Commission, including Cincinnati Bell Telephone Company's alternative regulation case, 96-899-TP-ALT.

5. Q. What are your responsibilities in this proceeding?

A. The purpose of my testimony is to address objections to the rate-of-return on rate base (ROR) analysis included in the Staff Report docketed in this proceeding on May 23, 2008, and to update that analysis to better reflect changed conditions since that time.

6. Q. What changes to your analysis have you made on testimony?

A. The Staff made changes that resulted in a different capital structure, a different cost of debt, and a different cost of capital. The Staff has adopted a capital structure of 47.67% long term debt to 52.33%. National Fuel Gas is dropped from the comparable group, as Value Line increased beta from .85 to 1.00, which violated my selection criterion concerning Value Line beta. Treasury yields, stock prices, dividends and analysts' growth rates are updated to reflect their most recent values. In the Staff Report, yields, prices and dividends fall within the period of February 22, 2007 to February 21, 2008. On testimony, this period becomes July 26, 2007 to July 25, 2008. Due to a merger, Reuters no longer has a website with analysts' estimated growth rates, and is, therefore, removed from my DCF cost estimation. Compared to the Staff Report recommendation, these changes increase the equity cost by 3 to 4 basis points, and increase the overall rate of return range by 5 to 6 basis points.

7. Q. Have you adjusted your recommendation, on testimony, to take into account the revenue stabilizing effect of straight-fixed-variable rate design or decoupling, and the Pipeline Infrastructure Replacement Program (PIR)?

A. Yes. I have made a reduction in cost of equity of 25 basis points, after the issuance adjustment. Compared to the Staff Report recommendation, these changes decrease the equity cost by 21 to 22 basis points, and decrease the overall rate of return range by 7 basis points.

8. Q. What is Staff's updated return on rate base recommendation for the Companies?

A. Staff's adjusted ROR recommendation is shown below:

Long Term Debt Capitalization	47.67%
Common Equity Capitalization	52.33%
Cost of Debt	6.50%
Return on Equity Range	9.64% - 10.66%
Return on Rate Base Range	8.14% - 8.68%

9. Q. How is your testimony organized?

A. I will address the other parties' objections to the Staff Report by ROR topic, and then discuss Staff's position. Objections to the Staff's ROR were submitted by Dominion East Ohio (the Company or the Applicant), by The Office of the Ohio Consumers' Counsel (OCC), by the Ohio Partners For Affordable Energy (OPAE), and by Neighborhood Environmental Coalition, The Empowerment Center of Greater Cleveland, Cleveland Housing Network, and the Consumers For Fair Utility Rates (NEC).

10. Q. What objections were submitted relating to the explicit reduction of return on equity to compensate for rate structures or tariff provisions that tend to stabilize revenue?

A. The Company's Objection No. 23 states: "DEO objects to Staff's suggestion that decoupling or similar measures may reduce the type of risk that affects the cost of capital to the Company, without discussion or analysis demonstrating that systematic or non-diversifiable risk is in fact reduced."

OCC's Objection 6, relating to a, "Rate of Return Adjustment for Alternative Regulation" states:

> The OCC objects to the Staff Report's failure to make an adjustment to reduce the recommended rate for common equity in recognition of the reduced risks that the Company will face with respect to revenues and cost recovery if the Commission approves any of the risk-reducing mechanisms proposed by the Company. Although the Staff Report acknowledged that these mechanisms would reduce the risk faced by the Company, the Staff failed to make any corresponding reductions to the rate of return to reflect these reduced risks.

OPAE Objection V. states:

> OPAE objects to the Staff Report recommendation that the rate of return be set in the range of 8.22% to 8.75% because it provides an excessive return when compared to the risk faced by DEO, and other factors. Staff acknowledges the need to adjust rate of return to recognize the reduction in risk of earning the revenue requirement because of decoupling or the Staff's modified straight fixed variable rate, and the proposed

> PIR. The Standard Service Offer bidding process also eliminates the risk of refunds under traditional gas cost recovery audits. Unfortunately, the Staff Report fails to quantify the level of reduction of the rate of return as a result of the reduced risk. The comparable companies utilized by Staff do not, in large part, have decoupling or a modified straight fixed variable rate, or a PIR. The Staff Report errs in not reducing the rate of return sufficiently to reflect the minimal risk faced by the Company for purposes of a return on its investment.

11. Q. What is Staff's position on the explicit reduction of return on equity to compensate for revenue stabilization?

A. Staff has made a 25 basis point reduction to the return on equity as there is relatively low exposure of Staff's comparable group companies to the kind of risk-reducing mechanisms proposed by the Company. Of the twelve states in which the four comparable group companies have operating companies, three are listed by the American Gas Association as having natural gas revenue decoupling. Those three states, Maryland, North Carolina, and New Jersey impact AGL Resources, Piedmont Natural Gas, and South Jersey Industries, but not Atmos Energy Corporation. South Jersey Industries is in New Jersey only. Piedmont is in North Carolina with decoupling, and South Carolina and Tennessee without it. AGL Resources is in Maryland and New Jersey with decoupling and Florida, Georgia and Tennessee without it.

Three out four of the companies are exposed to decoupling. But this occurs in only three of the twelve states. Only South Jersey Industries is entirely exposed, as it operates only in New Jersey. Atmos has no exposure. AGL and Piedmont are partially exposed.

OCC witness Woolridge supports a 50 basis point adjustment for decoupling and the pipeline infrastructure replacement program. Given the partial exposure of the Staff's comparable group, Staff believes that a 25 basis point adjustment is appropriate.

Given the degree of revenue stabilization that would derive from decoupling, and the 191 basis point difference between the Applicant's 6.50% cost of debt and the Staff's 8.41% recommended rate of return midpoint, a 25 basis point adjustment seems conservative.

12. Q. Dominion East Ohio has an objection supporting an explicit adjustment in rate of return due to market value, Objection No. 22, which reads:

> DEO objects to Staff's failure to consider differences in market value capital structures at which ROE estimates are made. Staff should have used an adjustment that recognizes differences in financial risk based on comparable companies' market value capital structures rather than their book value capital structures.

What position does the Staff take on this objection?

13. A. Staff disagrees with this objection. No adjustment to the cost of equity estimate should be made for market value. Current market valued capital structures are inappropriate for rate of return estimation analysis where such rates of return are to be applied to rate base. Book value capital structures are entirely market determined and reflect the actual exposure to risk of the actual investors for which a particular company needs to provide compensation.

14. Q. What objections were submitted relating to the selection of a point in the rate of return range?

A. NEC Objection 7 states:

> The Staff is recommending a rate of return of 8.72% with a range running from 8.22% to 8.75%. The Citizens Coalition does not understand why a figure near the top of the range should be recommended rather than either a rate of return at the bottom of the range or one in the middle. The Citizens Coalition is opposed to any rate increases at this time, when food prices, gasoline prices, and other costs for necessities are skyrocketing. It is time for the Company, its executives, and the stockholders to do their share to control prices for necessities such as energy. The Citizens Coalition urges the Staff to adopt the bottom of the proposed range for a rate of return of 8.22% for this Company, which is still within the Staffs overall recommendation.

15. Q. What is the Staff's position regarding this objection?

A. The Staff did not recommend 8.72% in the Staff Report and is not recommending a specific point in the range on testimony. My testimony concerns the cost of capital to the Applicant. My recommendation is the range from 8.14% to 8.68%. The Staff does not argue for a point in the range. The Commission will entertain any such arguments as it may see fit.

16. Q. What objections were submitted relating to capital structure?

A. Office of Consumers' Counsel Objection 2 concerning, "Capital Structure and Debt Cost Rate" states:

> The OCC objects to the Staff Report's use of a hypothetical capital structure which is the average book value capital structure of the five companies in the Staff's comparable group. This is not the capitalization used by the Company to attract and raise capital. This error in the selection of a capital structure is further exacerbated by the Staff's adoption of the Company's proposed long-term debt cost rate of 6.50 percent. There must be synchronization between the adopted capital structure and the cost of debt capital. By using the capital structure for the proxy companies and DEO's debt cost rate, the Staff's capital structure and debt cost rate are not synchronized."

17. Q. What is the Staff's position regarding the use of a hypothetical capital structure based on a comparable group?

A. The Staff's capital structure is reflective of the risk profile required for a natural gas distribution company. It is also consistent with the average capital structure of the comparable group companies used by Staff to estimate the cost of common equity. Given the current industry structure, any particular book consolidated capital structure may not reflect the risk associated with a regulated utility operating company. In this case, a capital structure based on a comparable group of gas distribution companies makes more sense than the Applicant's parent consolidated capital structure which involves electric operations to a significant degree. In addition, given current industry financial practices, stand-alone capital structures for operating companies, in general, may not reflect the risk associated with a regulated utility operating company or the risk associated with the parent company.

18. Q. What objections were submitted concerning the selection of the Staff's comparable group?

A. Dominion East Ohio's Objection No. 14 states: "DEO objects to Staff's sample selection because it is unnecessarily restricted to companies with a beta of less than 0.85." Dominion East Ohio's Objection No. 15 states: "DEO objects to Staff's sample selection because it is unnecessarily restricted to companies with a Standard & Poor's bond rating of A, A-, BBB+, or BBB, omitting companies with a rating greater than A and companies rated BBB-, all of which are investment grade companies."

Office of Consumers' Counsel's Objection 1 states:

> The OCC objects to the Staff Report's use of a group of only five companies in its group of "comparable utilities" that served as a basis of its capital structure and cost of capital analysis. Furthermore, this group of five companies includes National Fuel Gas Corporation ("NFG"), a company which is

considered to be an integrated natural gas company and not a natural gas distribution company.

19. Q. What is your response to these comparable group objections?

A. Concerning DEO's objections, Dominion's Value Line beta is .80. In the Staff Report the comparables' VL betas were all clustered together at .85, which is higher than Dominion's. It makes no sense that the Applicant wants to go higher still. The Staff's bond rating criterion brackets tighter than simply allowing all investment grade rated companies. Thus, it actually functions as a selection criterion. There is nothing objectionable to the use of bond rating as a criterion for comparable group selection.

Regarding OCC's objection, the risk level for the comparables is appropriate for distribution operations. Non-regulated enterprise permeates the electric utility industry, both as affiliates and as integrated operations. Overall, the comparable group reflects a degree of riskiness appropriate for Dominion East Ohio. National Fuel Gas is deleted from the group now as its beta now is equal to 1.00.

20. Q. Dominion East Ohio's Objection No. 16, states: "DEO objects to Staff's use, in its CAPM model, of an average of 10-year and 30-year bond yields for the risk-free rate over the last 12 months. This information is stale and

out of date and should have matched the term of the risk-free rate and the data used to estimate the MRP." How does the Staff respond?

A. Staff will not predict economic conditions for the rate period when formulating its CAPM recommendation. Staff believes that growth rates occur in a manner independent of the preceding growth rate. Staff believes the period in question is a reasonable tradeoff between stability and timeliness.

21. Q. Dominion East Ohio's Objection No. 17 states: "DEO objects to Staff failure to consider a short-term, risk-free rate version of its CAPM model." How does the Staff respond?

A. Staff's CAPM is based on long term Treasury yields. This suits the investment horizon consideration for equity investment and data availability considerations. Staff's CAPM is as conceptually valid as a cost of equity measure, and is internally consistent in its matching of datasets which are available.

22. Q. Dominion East Ohio's Objection No. 18 states: "DEO objects to Staff's failure to recognize and adjust for the well-known shortcomings of CAPM model by using the ECAPM model." How does Staff respond?

A. Use of Value Line betas, which vary less with risk, compensate for these shortcomings.

23. Q. Office of Consumers' Counsel's Objection 3 states:

> The OCC objects to the Staff Report's inappropriate risk premium of 6.5% in the CAPM. [Footnote omitted.] The risk premium stated in the Staff Report was based on the spread of the arithmetic mean of historical total returns between large stocks for large companies and long-term government bonds between 1926 and 2007. This approach is subject to a myriad of empirical errors which make these historical returns poor measures of expected returns. The use of historical return to estimate an expected risk premium can be erroneous because (1) ex post returns are not the same as ex ante expectations, (2) market risk premiums can change over time, increasing when investors become more risk-averse, and decreasing when investors become less risk-averse, and (3) market conditions can change such that ex post historical returns are poor estimates of ex ante expectations. This approach is outdated, ignores twenty years of academic and professional research on the equity risk premium, and is out of touch with the real world of finance. The research and surveys of investment banks, consulting firms, and Chief Financial Officers, who use the equity risk premium concept every day in making financing, investment, and valuation decisions, indicates an equity risk premium in the 4 percent range is appropriate.

Is this objection valid?

A. No. Staff will not predict economic conditions for the rate period when formulating its CAPM recommendation. Staff believes that growth rates occur in a manner independent of the preceding growth rate. Short-term forecasts involve arbitrarily selective guesses as to which conditions that have occurred before will be prevalent in the near-term. Staff admits that it cannot predict the future and, thus incorporates parameters that reflect broad general conditions in its analysis.

24. Q. What objections were submitted concerning the Staff's DCF analysis?

A. Dominion East Ohio's Objection No. 19 states: "DEO objects to Staff's calculation, in its DCF model, of the dividend yield using prices and dividends over the past year. That is too long a period to use for the forward-looking DCF model." Dominion East Ohio's Objection No. 20 states: "DEO objects to Staff's use, in its growth estimates in its DCF model, of non-independent sources such that some analyst estimates were counted multiple times. Staff should have used independent sources of estimates." Dominion East Ohio's Objection No. 21 states: "DEO objects to Staff's failure to consider, in its DCF model, that DEO's dividends are paid quarterly. Staff should have used a quarterly version of the model."

Office of Consumers' Counsel's Objection 4 states:

> The OCC objects to the Staff Report's use of a multistage DCF model which includes a growth rate that is a combination (1) the average of projected EPS growth from Wall Street analysts (as collected and compiled by Reuters, Yahoo!, and MSN) and Value Line and (2) a long-term growth rate equal to the projected GNP growth rate. It is well known that the EPS growth rate projections of Wall Street analysts are upwardly biased and produce an overstated DCF equity cost rate. Furthermore, the Staff had provided no theoretical or empirical support to justify using the projected GNP growth rate as the expected long-term DCF growth rate.

25. Q. What is the Staff's response to these DCF objections?

A. In the Staff's estimation, the period of a year is a natural cycle for this phenomenon, and it is also a reasonable tradeoff between stability and timeliness.

Reuters, MSN, and Yahoo do not identify their constituent analysts. Even if they were known, weighting them equally would be arbitrary. The Staff's method gives them relative importance in accordance with their frequency of occurrence in the media.

If it is recognized that revenues are collected monthly while dividends are paid quarterly, then an adjustment should be made to reduce the cost of equity estimate. Such a refinement, however, would be of little consequence.

Staff will not predict economic conditions for the rate period when formulating its DCF recommendation. Staff believes that growth rates occur in a manner independent of the preceding growth rate. Analysts formulate company-specific growth estimates for the next five years. Staff moderated these growth rates by merging them into the long term GNP growth rate. In the absence of company-specific growth rates for beyond five years, the long term GNP rate is a satisfactory proxy, as it would be an average rate that companies on balance could not exceed.

26. Q. The Office of Consumers' Counsel has an objection concerning "flotation costs," Objection 5, stating:

> The OCC objects to the Staff Reports' incorporation of an excessive flotation cost adjustment to the cost of equity. This adjustment is erroneous for several reasons. The Staff has not identified any actual flotation costs for the Company, and the Company has not requested a flotation cost adjustment. Therefore, the Staff is recommending that the Company receives annual revenues in the form of a higher return on equity for flotation costs that have not been identified by either the Staff or the Company.

What is the Staff's response to this objection?

A. OCC makes a recommendation for the next rate case, not this one. It is not relevant if the Applicant or its parent or affiliates have plans to issue new equity. Staff makes its equity issuance adjustment to support the portion of the embedded balance of equity that was raised from equity issuance and not generated internally. Merely, the Staff's adjustment is structured to support this balance on an annual basis. The Staff has no intention of reflecting issuance costs as annual operating expense in the revenue requirement.

OCC misconstrues Staff's issuance adjustment as including flotation costs. Staff's adjustment in no way reflects flotation costs, if such a term is meant to refer to dilution or price pressure. Staff's adjustment reflects only properly included issuance costs.

27. Q. What are common stock issuance costs?

A. Issuance costs include expenditures made directly by the company issuing stock, for the purpose of issuing stock. Some of these expenditures would be for filing with the SEC, accounting, legal representation, printing, and exchange listing. Issuance costs also include the underwriting spread, which is not an expenditure for the issuing company. Basically, the underwriting spread is the difference between the proceeds to the company and the price paid by the primary purchasers of an issue. Issuance costs are the difference between the amount paid by the primary purchasers and the net proceeds, which is the amount available for investment by the company.

28. Q. Why is an adjustment for issuance cost necessary?

A. The cost of issuance is properly spread over the life of the stock issue. As long as stock has been issued, an equity adjustment is necessary. It does not matter what future financing plans have been prepared. The investor requires a full return as long as the investor owns the stock. The company issuing new equity, initially receives funds in the amount of the equity issued. The amount of equity issued less the issuance cost is the amount available to the company for investment, yet the investor is, as required, paid a return on the full amount of investment. A greater return, therefore, must be earned on the lesser amount that can be invested. This is made possible by the Staff's adjustment to the baseline cost of equity.

29. Q. Should an adjustment be made to the cost of equity to reflect dilution or price pressure?

A. No. The investors pay the public offering price, which reflects any dilution effect. The investors require a return on the amount they have invested, not the amount that their investment would have entailed had they been able to buy shares at market price prior to any public announcement of stock issuance.

30. Q. Why has the Staff applied its equity issuance adjustment to the common equity balance less retained earnings?

A. A fraction of invested funds, issuance expense, cannot earn a return. The difference, total investment less issuance, is equity and is available for company operations. As retained earnings accumulate, the proportion of invested capital that can earn a return increases. By applying its equity issuance adjustment to the common equity balance less retained earnings, the Staff allows a premium to be earned to compensate for invested funds the company could not commit to operations, but does not apply that premium to retained earnings, which are available in their entirety for reinvestment. As the proportion of investment, which can earn a return, increases, the adjustment commensurately decreases. Retained earnings increase the available pool of capital, but issuance expense, which is not available to the company, increases only with new stock issuance. The adjustment increases commensurately with the occurrence of new stock issuance, by virtue of the retained earnings' proportion of equity decreasing.

31. Q. Does this conclude your testimony?

A. Yes.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Stephen R. Chaney, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 1st day of August, 2008.

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ATTACHMENT 1

Schedule D-1

Rate of Return Summary
The East Ohio Gas Company

	% of Total	% Cost	Weighted Cost %
Long Term Debt	47.67%	6.50%	3.10%
Preferred Stock	0.00%	0.00%	0.00%
Common Equity	52.33%	9.64% -10.66%	5.04% -5.58%
Total Capital	100.00%		8.14% -8.68%

ATTACHMENT 1

Schedule D-1.1

Equity Issuance Cost Adjustment
The East Ohio Gas Company
March 31, 2007

(1) Retained Earnings[1]	$267,427,353
(2) Total Common Equity[2]	$878,726,386
(3) Ratio of (1) to (2)	0.68833
(4) Generic Issuance Cost, f	3.50%
(5) External Equity Ratio, w [1.0 - (3)]	0.69566
(6) Net Adjustment Factor, (w/(1 - f)) + (1 - w)	1.02523
(7) Low End Equity Cost [9.64% x (6)]	9.89%
(8) High End Equity Cost [10.64% x (6)]	10.91%
(9) Adjusted Low End Equity Cost	9.64%
(10) Adjusted High End Equity Cost	10.66%

Sources:
1 East Ohio Gas Company's Balance Sheet, March 31, 2007
2 Applicant's Schedule D-1

ATTACHMENT 1

ATTACHMENT 1

CAPM Cost of Equity Estimate

Date:	Closing 10Yr Yld (%)	Closing 30Yr Yld (%)
26-Jul-07	4.78	4.95
27-Jul-07	4.79	4.95
30-Jul-07	4.80	4.96
31-Jul-07	4.77	4.92
1-Aug-07	4.76	4.91
2-Aug-07	4.75	4.90
3-Aug-07	4.70	4.87
6-Aug-07	4.73	4.91
7-Aug-07	4.74	4.90
8-Aug-07	4.86	5.02
9-Aug-07	4.79	5.03
10-Aug-07	4.78	5.01
13-Aug-07	4.78	5.01
14-Aug-07	4.73	4.99
15-Aug-07	4.71	5.01
16-Aug-07	4.60	4.93
17-Aug-07	4.67	5.00
20-Aug-07	4.63	4.97
21-Aug-07	4.59	4.94
22-Aug-07	4.62	4.95
23-Aug-07	4.62	4.92
24-Aug-07	4.63	4.90
27-Aug-07	4.60	4.86
28-Aug-07	4.53	4.86
29-Aug-07	4.55	4.88
30-Aug-07	4.50	4.82
31-Aug-07	4.54	4.83
4-Sep-07	4.56	4.84
5-Sep-07	4.47	4.78
6-Sep-07	4.50	4.79
7-Sep-07	4.37	4.69
10-Sep-07	4.32	4.64
11-Sep-07	4.36	4.65
12-Sep-07	4.41	4.69
13-Sep-07	4.48	4.74
14-Sep-07	4.46	4.72
17-Sep-07	4.47	4.71
18-Sep-07	4.48	4.76
19-Sep-07	4.52	4.82
20-Sep-07	4.67	4.94
21-Sep-07	4.63	4.89
24-Sep-07	4.62	4.88
25-Sep-07	4.61	4.89
26-Sep-07	4.62	4.89
27-Sep-07	4.57	4.84
28-Sep-07	4.58	4.83
1-Oct-07	4.56	4.80
2-Oct-07	4.53	4.78
3-Oct-07	4.54	4.79

ATTACHMENT 1

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CAPM Cost of Equity Estimate

Date:	Closing 10Yr Yld (%)	Closing 30Yr Yld (%)
4-Oct-07	4.52	4.77
5-Oct-07	4.64	4.87
8-Oct-07	4.64	4.86
9-Oct-07	4.65	4.86
10-Oct-07	4.65	4.86
11-Oct-07	4.66	4.88
12-Oct-07	4.69	4.91
15-Oct-07	4.67	4.91
16-Oct-07	4.66	4.91
17-Oct-07	4.55	4.81
18-Oct-07	4.50	4.78
19-Oct-07	4.40	4.69
22-Oct-07	4.39	4.67
23-Oct-07	4.41	4.69
24-Oct-07	4.33	4.64
25-Oct-07	4.35	4.66
26-Oct-07	4.39	4.68
29-Oct-07	4.38	4.66
30-Oct-07	4.38	4.67
31-Oct-07	4.47	4.75
1-Nov-07	4.36	4.65
2-Nov-07	4.29	4.59
5-Nov-07	4.32	4.62
6-Nov-07	4.36	4.65
7-Nov-07	4.33	4.67
8-Nov-07	4.27	4.66
9-Nov-07	4.22	4.60
12-Nov-07	4.21	4.59
13-Nov-07	4.26	4.61
14-Nov-07	4.27	4.60
15-Nov-07	4.16	4.53
16-Nov-07	4.15	4.52
19-Nov-07	4.08	4.48
20-Nov-07	4.05	4.48
21-Nov-07	4.02	4.47
23-Nov-07	4.01	4.44
26-Nov-07	3.85	4.28
27-Nov-07	3.94	4.36
28-Nov-07	4.03	4.41
29-Nov-07	3.94	4.35
30-Nov-07	3.97	4.40
3-Dec-07	3.89	4.35
4-Dec-07	3.89	4.35
5-Dec-07	3.91	4.39
6-Dec-07	4.00	4.48
7-Dec-07	4.12	4.59
10-Dec-07	4.15	4.61
11-Dec-07	3.99	4.48
12-Dec-07	4.08	4.53

ATTACHMENT 1

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CAPM Cost of Equity Estimate

Date:	Closing 10Yr Yld (%)	Closing 30Yr Yld (%)
13-Dec-07	4.17	4.61
14-Dec-07	4.23	4.66
17-Dec-07	4.19	4.62
18-Dec-07	4.12	4.54
19-Dec-07	4.07	4.49
20-Dec-07	4.03	4.45
21-Dec-07	4.17	4.57
24-Dec-07	4.21	4.62
26-Dec-07	4.28	4.69
27-Dec-07	4.20	4.61
28-Dec-07	4.10	4.51
31-Dec-07	4.03	4.46
2-Jan-08	3.90	4.35
3-Jan-08	3.90	4.37
4-Jan-08	3.85	4.36
7-Jan-08	3.84	4.34
8-Jan-08	3.84	4.36
9-Jan-08	3.79	4.32
10-Jan-08	3.89	4.44
11-Jan-08	3.81	4.39
14-Jan-08	3.79	4.37
15-Jan-08	3.70	4.29
16-Jan-08	3.71	4.32
17-Jan-08	3.64	4.25
18-Jan-08	3.65	4.30
22-Jan-08	3.48	4.23
23-Jan-08	3.43	4.18
24-Jan-08	3.64	4.35
25-Jan-08	3.58	4.28
28-Jan-08	3.59	4.28
29-Jan-08	3.66	4.34
30-Jan-08	3.73	4.43
31-Jan-08	3.64	4.35
1-Feb-08	3.60	4.32
4-Feb-08	3.64	4.37
5-Feb-08	3.59	4.34
6-Feb-08	3.61	4.37
7-Feb-08	3.74	4.50
8-Feb-08	3.65	4.44
11-Feb-08	3.62	4.41
12-Feb-08	3.68	4.46
13-Feb-08	3.69	4.51
14-Feb-08	3.82	4.65
15-Feb-08	3.76	4.59
19-Feb-08	3.88	4.66
20-Feb-08	3.92	4.64
21-Feb-08	3.78	4.55
22-Feb-08	3.79	4.58
25-Feb-08	3.90	4.66

ATTACHMENT 1

CAPM Cost of Equity Estimate

Date:	Closing 10Yr Yld (%)	Closing 30Yr Yld (%)
26-Feb-08	3.88	4.66
27-Feb-08	3.85	4.65
28-Feb-08	3.71	4.55
29-Feb-08	3.53	4.42
3-Mar-08	3.53	4.43
4-Mar-08	3.58	4.48
5-Mar-08	3.69	4.61
6-Mar-08	3.62	4.58
7-Mar-08	3.54	4.54
10-Mar-08	3.44	4.45
11-Mar-08	3.60	4.53
12-Mar-08	3.48	4.41
13-Mar-08	3.53	4.45
14-Mar-08	3.42	4.35
17-Mar-08	3.31	4.28
18-Mar-08	3.45	4.33
19-Mar-08	3.36	4.22
20-Mar-08	3.33	4.16
24-Mar-08	3.62	4.31
25-Mar-08	3.49	4.30
26-Mar-08	3.49	4.33
27-Mar-08	3.53	4.38
28-Mar-08	3.47	4.34
31-Mar-08	3.43	4.31
1-Apr-08	3.55	4.38
2-Apr-08	3.58	4.39
3-Apr-08	3.59	4.39
4-Apr-08	3.48	4.32
7-Apr-08	3.56	4.37
8-Apr-08	3.56	4.38
9-Apr-08	3.47	4.31
10-Apr-08	3.53	4.34
11-Apr-08	3.47	4.30
14-Apr-08	3.50	4.34
15-Apr-08	3.57	4.41
16-Apr-08	3.70	4.53
17-Apr-08	3.73	4.52
18-Apr-08	3.74	4.52
21-Apr-08	3.71	4.48
22-Apr-08	3.72	4.47
23-Apr-08	3.73	4.49
24-Apr-08	3.83	4.54
25-Apr-08	3.87	4.59
28-Apr-08	3.84	4.57
29-Apr-08	3.83	4.56
30-Apr-08	3.76	4.50
1-May-08	3.75	4.48
2-May-08	3.85	4.57
5-May-08	3.85	4.58

ATTACHMENT 1

CAPM Cost of Equity Estimate

Date:	Closing 10Yr Yld (%)	Closing 30Yr Yld (%)
6-May-08	3.89	4.64
7-May-08	3.87	4.62
8-May-08	3.81	4.56
9-May-08	3.77	4.52
12-May-08	3.78	4.52
13-May-08	3.91	4.62
14-May-08	3.94	4.64
15-May-08	3.84	4.58
16-May-08	3.85	4.58
19-May-08	3.84	4.57
20-May-08	3.78	4.53
21-May-08	3.82	4.56
22-May-08	3.92	4.63
23-May-08	3.83	4.56
27-May-08	3.92	4.64
28-May-08	4.01	4.70
29-May-08	4.08	4.76
30-May-08	4.05	4.71
2-Jun-08	3.97	4.68
3-Jun-08	3.90	4.62
4-Jun-08	3.94	4.68
5-Jun-08	4.03	4.73
6-Jun-08	3.94	4.65
9-Jun-08	3.99	4.62
10-Jun-08	4.10	4.70
11-Jun-08	4.07	4.70
12-Jun-08	4.20	4.76
13-Jun-08	4.26	4.80
16-Jun-08	4.24	4.78
17-Jun-08	4.22	4.79
18-Jun-08	4.15	4.73
19-Jun-08	4.20	4.75
20-Jun-08	4.14	4.70
23-Jun-08	4.17	4.71
24-Jun-08	4.11	4.66
25-Jun-08	4.11	4.66
26-Jun-08	4.03	4.60
27-Jun-08	3.99	4.54
30-Jun-08	3.98	4.53
1-Jul-08	3.99	4.54
2-Jul-08	3.96	4.50
3-Jul-08	3.97	4.53
7-Jul-08	3.93	4.50
8-Jul-08	3.88	4.46
9-Jul-08	3.83	4.43
10-Jul-08	3.81	4.42
11-Jul-08	3.94	4.52
14-Jul-08	3.88	4.47
15-Jul-08	3.84	4.47

ATTACHMENT 1

ATTACHMENT 1

CAPM Cost of Equity Estimate

Date:	Closing 10Yr Yld (%)	Closing 30Yr Yld (%)
16-Jul-08	3.93	4.58
17-Jul-08	4.04	4.64
18-Jul-08	4.08	4.66
21-Jul-08	4.07	4.65
22-Jul-08	4.10	4.66
23-Jul-08	4.15	4.70
24-Jul-08	4.02	4.61
Averages:		
Last 63days	3.9677	4.6128
Last 126 days	3.7921	4.5236
Last 188 days	3.8773	4.5124
Last 251 days	4.0577	4.5983
Average	3.9237	4.5618
Average of 10 and 30 Year Yields	4.2427	
CAPM Cost of Equity Estimate	9.7677	

Source: Yahoo.com

CAPM = risk free return + β(large company total return - risk free return)
= 4.4398% + .85(6.5%)

Value Line Betas:

0.85	ATG
0.85	ATO
0.85	PNY
0.85	SJI
0.85	ave

ATTACHMENT 1

ATTACHMENT 1

DCF Cost of Equity Estimate

Stock Prices1 ($):

	ATG	ATO	PNY	SJI
07/26/07	38.6800	29.2100	23.9900	33.0000
07/27/07	37.9000	28.4500	23.4900	32.7200
07/30/07	38.0900	28.4400	23.4800	32.8400
07/31/07	37.7000	28.0700	23.1900	32.7700
08/01/07	38.3700	28.4500	23.9800	33.6800
08/02/07	39.0500	28.3700	24.2800	33.8600
08/03/07	37.7900	27.3100	23.3400	31.9800
08/06/07	38.0100	27.6900	24.1300	33.4200
08/07/07	38.2200	27.8800	24.5400	33.2200
08/08/07	37.0700	26.7300	26.0800	34.0200
08/09/07	38.2700	26.4700	26.2400	35.3000
08/10/07	38.3500	27.8000	26.5400	35.0300
08/13/07	38.3500	27.4200	25.5000	33.8700
08/14/07	37.5500	27.0100	24.7500	33.1400
08/15/07	36.5100	26.6900	24.5200	33.0500
08/16/07	37.9500	26.8500	26.3300	33.1700
08/17/07	37.7900	27.2300	27.0100	33.1500
08/20/07	37.7900	27.3500	26.9700	33.2300
08/21/07	38.1000	27.4800	26.6700	33.6300
08/22/07	38.8100	27.5700	26.6700	33.9500
08/23/07	39.0400	27.3500	26.5100	33.9000
08/24/07	39.5800	27.6400	26.9100	34.6500
08/27/07	39.0500	27.6500	26.2800	34.0000
08/28/07	38.3000	27.5300	25.6200	33.2500
08/29/07	39.4500	27.9800	26.5300	34.0800
08/30/07	39.5100	27.9100	26.3700	33.7600
08/31/07	39.7100	28.1100	26.4000	33.9100
09/04/07	40.1100	28.1600	26.4600	34.0200
09/05/07	39.2500	27.9200	26.0600	33.3400
09/06/07	39.3800	27.6300	26.2800	33.0200
09/07/07	39.0100	27.5400	25.6900	32.4200
09/10/07	38.9700	27.6800	24.7400	32.3800
09/11/07	39.3200	28.2000	25.4400	32.2300
09/12/07	39.6900	28.1200	25.2600	33.1700
09/13/07	39.7300	27.7600	24.8900	33.4000
09/14/07	39.9500	27.5900	24.9600	33.2400
09/17/07	39.4400	27.4200	24.6900	33.5500
09/18/07	39.8700	27.8700	25.5300	34.8500
09/19/07	39.8800	28.1800	26.2400	35.5700
09/20/07	39.7300	28.2300	25.6500	35.5000
09/21/07	40.0400	28.3000	25.4400	35.9700
09/24/07	39.9500	28.3200	25.4000	35.5800
09/25/07	39.8400	28.2500	25.2900	35.4100
09/26/07	39.7700	28.5000	25.6300	35.5300
09/27/07	39.8000	28.4400	25.7500	35.4500
09/28/07	39.6200	28.3200	25.0900	34.8000
10/01/07	40.0300	28.9200	25.7300	35.5200
10/02/07	39.9900	28.6300	25.6000	35.8900
10/03/07	40.1000	28.9200	25.8300	35.5300
10/04/07	40.4300	29.0000	25.8600	36.1300
10/05/07	40.6800	29.2600	26.5700	37.0600
10/08/07	40.6500	29.1700	26.2600	36.7000
10/09/07	41.0000	29.4400	26.5700	37.4700
10/10/07	40.4100	29.3200	26.3400	37.0300
10/11/07	40.3800	29.4600	26.2000	37.0300
10/12/07	40.0600	29.3800	26.2300	37.4400
10/15/07	39.8100	28.8500	25.3900	36.5100
10/16/07	39.2000	28.6300	25.0700	36.8900
10/17/07	38.8900	28.2700	25.0200	36.4800
10/18/07	38.8500	28.2900	24.7700	36.1700
10/19/07	38.2500	27.7600	24.3900	34.5500
10/22/07	37.2300	27.9200	24.8300	35.8400

ATTACHMENT 1

ATTACHMENT 1

DCF Cost of Equity Estimate

Stock Prices1 ($):

	ATG	ATO	PNY	SJI
10/23/07	37.4100	28.0600	24.9900	36.1900
10/24/07	37.6400	28.1200	24.8800	36.1100
10/25/07	38.0400	28.0800	25.0600	36.5100
10/26/07	38.7200	28.1200	25.6600	37.4400
10/29/07	38.7700	27.9600	25.2100	36.8200
10/30/07	38.7300	27.7700	25.0900	36.5200
10/31/07	39.5300	28.0500	25.5300	37.5600
11/01/07	38.7700	27.7600	24.7000	36.3700
11/02/07	38.2800	28.0800	25.1100	36.6200
11/05/07	37.7800	27.8300	25.0000	36.4100
11/06/07	38.1900	27.8400	25.3000	36.9000
11/07/07	37.1600	26.9500	24.5200	35.7500
11/08/07	38.3300	26.9800	25.4500	36.9400
11/09/07	38.0100	26.8000	25.4500	36.6200
11/12/07	37.6400	26.7700	25.5100	36.7700
11/13/07	37.7500	27.1200	25.6500	37.6400
11/14/07	36.6300	27.0200	25.4800	37.7900
11/15/07	36.8100	27.2100	25.6700	37.9200
11/16/07	36.9300	26.9000	25.5600	37.8400
11/19/07	36.6700	26.9000	25.5100	37.8500
11/20/07	36.7200	26.9200	25.5000	37.9300
11/21/07	36.4000	26.4700	25.4100	37.7600
11/23/07	36.1400	26.5800	25.8300	38.0200
11/26/07	36.1200	26.2100	25.4200	37.2400
11/27/07	36.6700	26.1300	25.7800	37.5100
11/28/07	37.5400	26.2000	26.5200	37.6600
11/29/07	36.9400	26.1100	26.0800	37.5000
11/30/07	37.0800	26.1900	26.0400	36.9000
12/03/07	37.1500	26.1800	26.2500	36.7100
12/04/07	37.5400	26.4900	26.2100	36.7300
12/05/07	38.1100	26.8200	26.5300	36.9400
12/06/07	38.5100	27.3900	27.4200	37.0500
12/07/07	38.3200	27.0700	26.8200	36.5200
12/10/07	38.2200	27.1900	26.6200	36.3100
12/11/07	37.6400	27.0300	26.1900	35.5900
12/12/07	37.3100	26.9400	26.5200	36.2300
12/13/07	37.1300	27.2800	26.7200	36.1300
12/14/07	36.2500	26.8800	26.1800	35.4100
12/17/07	35.8100	26.7400	25.8800	34.8600
12/18/07	36.1500	27.1500	26.5300	35.4400
12/19/07	36.2400	27.4300	26.5900	35.4500
12/20/07	36.2900	28.0000	26.9000	36.1300
12/21/07	37.1700	28.6500	27.5800	37.6700
12/24/07	37.2600	28.7600	27.7600	37.9800
12/26/07	37.2700	28.3900	27.6900	37.7900
12/27/07	37.3800	28.2100	26.9700	36.7200
12/28/07	37.4200	28.1000	26.6400	36.6100
12/31/07	37.6400	28.0400	26.1600	36.0900
01/02/08	37.3000	27.9500	25.5000	36.2700
01/03/08	36.9300	27.7900	25.4600	35.9700
01/04/08	36.8000	27.6700	25.5100	36.1500
01/07/08	37.2700	27.9400	25.8400	37.2700
01/08/08	37.3700	28.0000	25.9400	36.8700
01/09/08	38.0000	28.1700	26.3300	37.5900
01/10/08	38.0800	28.0200	26.6800	38.0800
01/11/08	36.3900	27.8500	26.2800	37.2200
01/14/08	37.9600	27.8700	26.6800	37.4600
01/15/08	37.3900	27.5600	26.5300	36.9100
01/16/08	37.7200	27.6000	26.5500	37.3400
01/17/08	37.1300	27.3600	25.9300	36.8400
01/18/08	36.6900	26.9200	25.1600	36.1400
01/22/08	36.3800	26.9100	25.1100	34.9400

ATTACHMENT 1

ATTACHMENT 1

DCF Cost of Equity Estimate

Stock Prices1 ($):

	ATG	ATO	PNY	SJI
01/23/08	37.6900	27.8500	26.2900	36.4900
01/24/08	36.8200	27.5600	24.7200	35.3300
01/25/08	36.8800	27.4700	24.5400	34.9900
01/28/08	37.2200	27.8000	24.9200	35.4600
01/29/08	37.4900	28.3200	24.9300	35.3400
01/30/08	36.9800	28.2500	24.3200	34.5100
01/31/08	37.8500	28.7400	25.0700	35.0300
02/01/08	38.4600	28.9600	25.5200	35.7900
02/04/08	39.0300	28.9100	25.6600	36.0800
02/05/08	37.8400	28.3300	25.0500	35.0800
02/06/08	37.6300	27.6300	24.9400	34.9900
02/07/08	36.7600	27.4600	25.1600	35.3600
02/08/08	36.9200	27.5100	24.9800	35.1500
02/11/08	36.8800	27.9600	24.8600	35.0200
02/12/08	37.1000	27.6300	25.0500	35.3400
02/13/08	36.4400	27.5100	25.7100	35.9400
02/14/08	36.4300	27.2400	25.1300	35.2800
02/15/08	36.3800	27.0400	25.1100	35.5600
02/19/08	36.2700	27.2300	25.2200	35.7000
02/20/08	36.5000	27.6500	25.5100	35.9200
02/21/08	35.7700	26.8500	24.5500	35.3000
02/22/08	35.8500	26.7200	24.8900	35.3700
02/25/08	36.4200	27.0700	25.0700	36.0300
02/26/08	36.4400	27.1300	25.3700	36.3600
02/27/08	36.1600	26.7400	25.3100	36.7300
02/28/08	35.8000	26.6100	25.0100	35.9400
02/29/08	34.6800	26.0000	24.6000	34.1700
03/03/08	35.0300	26.0700	24.6800	34.1800
03/04/08	35.5400	26.3400	24.9800	34.2300
03/05/08	35.3300	26.2400	24.7700	33.9400
03/06/08	34.4400	25.8700	24.4100	32.8500
03/07/08	34.5500	25.7800	24.4100	32.6200
03/10/08	34.3600	25.6000	24.3700	32.3400
03/11/08	34.7800	26.0300	25.7700	32.6300
03/12/08	34.4600	25.6700	25.3900	32.4800
03/13/08	34.7300	25.8500	26.0000	33.4700
03/14/08	34.4300	25.9000	25.9400	33.4800
03/17/08	33.8200	25.6100	26.1900	33.7500
03/18/08	34.3900	25.6800	26.7500	35.0800
03/19/08	33.9800	25.2800	26.1800	34.6000
03/20/08	33.9600	25.2200	26.2100	34.5600
04/30/04	34.1900	25.1100	25.8700	34.7600
03/25/08	34.5100	25.1000	25.7800	34.9100
03/26/08	33.8000	25.2400	25.8900	35.1800
03/27/08	34.0500	25.3000	25.7800	34.8100
03/28/08	33.8500	25.0900	25.6800	34.8200
03/31/08	34.3200	25.5000	26.2600	35.1100
04/01/08	35.2700	26.2700	26.6600	35.7300
04/02/08	34.9100	26.7800	26.9800	36.8000
04/03/08	34.6000	26.7200	26.6800	36.6300
04/04/08	34.0500	26.4400	26.4300	36.0900
04/07/08	34.6000	26.6200	26.5000	36.3900
04/08/08	34.6200	26.4100	26.7100	36.5500
04/09/08	34.2700	26.2500	26.4100	36.4100
04/10/08	34.0300	26.0500	26.8600	36.7000
04/11/08	33.8500	25.8100	26.3200	36.0900
04/14/08	33.9200	25.8300	26.4800	35.8600
04/15/08	34.2000	26.3000	26.6500	36.6400
04/16/08	35.2700	27.0700	27.5300	37.3900
04/17/08	35.2000	27.1100	27.0900	36.9600
04/18/08	35.3900	27.3600	27.4200	37.2900
04/21/08	35.0700	27.0100	27.0400	37.0800

ATTACHMENT 1

ATTACHMENT 1

DCF Cost of Equity Estimate

Stock Prices1 ($):

	ATG	ATO	PNY	SJI
04/22/08	34.7300	26.8100	26.7800	36.7900
04/23/08	34.8600	27.3100	27.1700	37.1200
04/24/08	35.0800	27.6400	27.2000	37.2100
04/25/08	35.1000	27.8800	26.8700	37.0100
04/28/08	35.0900	28.0700	26.6100	37.0100
04/29/08	35.0000	27.9400	26.4500	36.8000
04/30/08	34.0000	27.6800	26.2900	36.5100
05/01/08	35.1600	28.1000	26.8600	37.4000
05/02/08	34.9700	27.9700	26.4500	37.2200
05/05/08	35.5500	28.4400	26.6700	37.6600
05/06/08	35.8200	28.4300	26.5300	37.7200
05/07/08	35.6600	27.9000	25.9800	36.9900
05/08/08	35.7100	27.6500	26.2800	37.1500
05/09/08	35.8200	27.8600	26.4100	37.3300
05/12/08	36.2500	27.9800	26.8700	38.2300
05/13/08	36.3300	28.1300	27.1400	38.6900
05/14/08	36.4400	28.5400	26.9400	38.7500
05/15/08	36.2400	28.3400	26.6300	38.5600
05/16/08	35.7200	28.2800	26.8000	38.5900
05/19/08	35.8900	28.2100	26.9400	38.3700
05/20/08	35.7500	28.0500	26.7500	38.5900
05/21/08	35.8000	28.0200	26.7900	38.3200
05/22/08	35.7000	27.5300	26.9700	38.8000
05/23/08	35.2000	27.3100	26.7200	38.1800
05/27/08	35.4600	27.5400	27.1200	38.8400
05/28/08	35.6600	27.5600	27.1000	38.7900
05/29/08	36.0500	27.4000	27.1100	38.5300
05/30/08	35.7000	27.3900	27.0300	38.2500
06/02/08	35.7300	27.1600	26.7800	37.9500
06/03/08	35.7000	27.0600	26.5500	38.0400
06/04/08	35.9500	27.2200	27.0100	38.6100
06/05/08	36.4200	27.4100	27.7900	39.1800
06/06/08	35.8900	27.0600	27.4500	38.1700
06/09/08	35.8800	27.1500	26.1000	38.2900
06/10/08	35.3800	27.0500	25.9000	38.2000
06/11/08	34.8500	26.8500	25.7600	37.7100
06/12/08	34.2900	26.5500	26.0400	37.8700
06/13/08	34.2300	26.4300	26.2500	38.2500
06/16/08	34.0800	26.6700	27.0600	38.0800
06/17/08	34.1500	26.8800	27.1300	38.0300
06/18/08	34.6200	27.3200	27.3900	38.3400
06/19/08	34.5600	27.4400	27.7300	38.3200
06/20/08	34.2900	27.2000	27.2900	38.6300
06/23/08	34.1600	27.6700	27.2400	39.0000
06/24/08	33.5300	27.2800	26.7100	38.4100
06/25/08	33.9300	27.4400	27.4200	38.6600
06/26/08	33.9400	27.0600	26.3800	37.9000
06/27/08	33.9400	26.8000	25.7700	36.9900
06/30/08	34.5800	27.5700	26.1600	37.3600
07/01/08	34.2200	27.7500	26.3700	37.3200
07/02/08	33.5600	27.7300	25.9400	37.4700
07/03/08	32.7200	27.2100	25.7600	36.8600
07/07/08	32.9900	26.6500	25.3500	36.2200
07/08/08	33.6300	26.5800	26.0100	37.4800
07/09/08	34.0400	26.7200	26.3500	37.3900
07/10/08	33.7400	26.7800	26.3000	37.9800
07/11/08	33.8000	26.6800	26.7500	38.3700
07/14/08	33.6200	26.2600	25.9400	37.9900
07/15/08	33.5000	26.0100	25.8100	38.0000
07/16/08	33.2700	25.8200	25.3300	37.5100
07/17/08	33.4000	25.4900	25.4400	37.0600
07/18/08	33.3400	25.5100	25.0400	36.8100

ATTACHMENT 1

ATTACHMENT 1

DCF Cost of Equity Estimate

Stock Prices1 ($):		ATG	ATO	PNY	SJI
	07/21/08	33.2400	25.5100	25.2200	37.0800
	07/22/08	33.5000	25.7500	26.0700	37.8000
	07/23/08	33.3900	26.0100	25.6900	37.1200
	07/24/08	33.5400	25.9500	25.9800	37.3800
	07/25/08	33.5300	25.7700	26.0400	37.2400
AVERAGE ($)		36.6475	27.3395	25.9251	36.1324
QUARTERLY DIV.[2] ($)		0.4100	0.3200	0.2500	0.2450
		0.4100	0.3250	0.2500	0.2700
		0.4200	0.3250	0.2600	0.2700
		0.4200	0.3250	0.2600	0.2700
ANNUAL DIVIDEND ($)		1.6600	1.2950	1.0200	1.0550
YIELD		4.53%	4.74%	3.93%	2.92%
EARNINGS GROWTH ESTIMATES:					
MSN[4]		4.80%	5.30%	5.40%	8.30%
YAHOO[5]		5.25%	4.67%	5.75%	7.00%
VALUE LINE[6]:					
'07 EARNINGS ($)		2.75	2.00	1.55	2.25
'11 EARNINGS ($)		3.20	2.45	1.85	3.00
VALUE LINE CALCULATED		3.79%	5.07%	4.42%	7.19%
VALUE LINE, "BOXED"		3.50%	4.50%	6.00%	6.00%
VALUE LINE (AVERAGE)		3.64%	4.79%	5.21%	6.60%
DCF GROWTH ESTIMATE		4.56%	4.92%	5.45%	7.30%
DCF COST OF EQUITY ESTIMATE		10.62%	10.96%	10.43%	10.07%
DCF AVERAGE				10.52%	
CAPM COST OF EQUITY ESTIMATE				9.77%	
COST OF EQUITY ESTIMATE				10.14%	

Sources:

1	MSN Investor
2	MSN Investor & Value Line Investment Guide
3	investor.reuters.com
4	moneycentral.msn.com
5	finance.yahoo.com
6	Value Line Investment Guide

ATTACHMENT 1

Schedule D-1.4

ATG Non-Constant DCF Calculation

		non const		const	
g=	4.56%	dcf=	10.62%	dcf=	9.30%
D=	$1.66			g(e)=	6.77%
		P=	$36.65		

YEAR	GROWTH RATE	DIVIDEND
1	4.56%	$1.74
2	4.56%	$1.82
3	4.56%	$1.90
4	4.56%	$1.98
5	4.56%	$2.08
6	4.67%	$2.17
7	4.79%	$2.28
8	4.90%	$2.39
9	5.01%	$2.51
10	5.12%	$2.64
11	5.23%	$2.77
12	5.34%	$2.92
13	5.45%	$3.08
14	5.56%	$3.25
15	5.67%	$3.44
16	5.78%	$3.63
17	5.89%	$3.85
18	6.00%	$4.08
19	6.11%	$4.33
20	6.22%	$4.60
21	6.33%	$4.89
22	6.44%	$5.20
23	6.55%	$5.54
24	6.66%	$5.91
25	6.77%	$6.31
26	6.77%	$6.74
27	6.77%	$7.20
28	6.77%	$7.68
29	6.77%	$8.20
30	6.77%	$8.76

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

ATTACHMENT 1

Schedule D-1.5

ATO Non-Constant DCF Calculation

g=	4.92%	non const dcf=	10.96%	const dcf=	9.89%
D=	$1.30	P=	$27.34	g(e)=	6.77%

YEAR	GROWTH RATE	DIVIDEND
1	4.92%	$1.36
2	4.92%	$1.43
3	4.92%	$1.50
4	4.92%	$1.57
5	4.92%	$1.65
6	5.01%	$1.73
7	5.10%	$1.82
8	5.20%	$1.91
9	5.29%	$2.01
10	5.38%	$2.12
11	5.47%	$2.24
12	5.57%	$2.36
13	5.66%	$2.50
14	5.75%	$2.64
15	5.84%	$2.79
16	5.94%	$2.96
17	6.03%	$3.14
18	6.12%	$3.33
19	6.21%	$3.54
20	6.31%	$3.76
21	6.40%	$4.00
22	6.49%	$4.26
23	6.58%	$4.54
24	6.68%	$4.84
25	6.77%	$5.17
26	6.77%	$5.52
27	6.77%	$5.89
28	6.77%	$6.29
29	6.77%	$6.72
30	6.77%	$7.17

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

ATTACHMENT 1

ATTACHMENT 1

Schedule D-1.6

PNY Non-Constant DCF Calculation

		non const		const	
g=	5.45%	dcf=	10.43%	dcf=	9.60%
D=	$1.02			g(e)=	6.77%
		P=	$25.93		

YEAR	GROWTH RATE	DIVIDEND
1	5.45%	1.08
2	5.45%	1.13
3	5.45%	1.20
4	5.45%	1.26
5	5.45%	1.33
6	5.52%	1.40
7	5.59%	1.48
8	5.65%	1.57
9	5.72%	1.66
10	5.78%	1.75
11	5.85%	1.85
12	5.91%	1.96
13	5.98%	2.08
14	6.05%	2.21
15	6.11%	2.34
16	6.18%	2.49
17	6.24%	2.64
18	6.31%	2.81
19	6.37%	2.99
20	6.44%	3.18
21	6.51%	3.39
22	6.57%	3.61
23	6.64%	3.85
24	6.70%	4.11
25	6.77%	4.38
26	6.77%	4.68
27	6.77%	5.00
28	6.77%	5.33
29	6.77%	5.70
30	6.77%	6.08

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

ATTACHMENT 1

ATTACHMENT 1

Schedule D-1.7

SJI Non-Constant DCF Calculation

		non const		const	
g=	7.30%	dcf=	10.07%	dcf=	10.43%
D=	$1.06			g(e)=	6.77%
		P=	$36.13		

YEAR	GROWTH RATE	DIVIDEND
1	7.30%	$1.13
2	7.30%	$1.21
3	7.30%	$1.30
4	7.30%	$1.40
5	7.30%	$1.50
6	7.27%	$1.61
7	7.25%	$1.73
8	7.22%	$1.85
9	7.19%	$1.98
10	7.17%	$2.13
11	7.14%	$2.28
12	7.11%	$2.44
13	7.09%	$2.61
14	7.06%	$2.80
15	7.03%	$2.99
16	7.01%	$3.20
17	6.98%	$3.43
18	6.95%	$3.67
19	6.93%	$3.92
20	6.90%	$4.19
21	6.87%	$4.48
22	6.85%	$4.78
23	6.82%	$5.11
24	6.79%	$5.46
25	6.77%	$5.83
26	6.77%	$6.22
27	6.77%	$6.64
28	6.77%	$7.09
29	6.77%	$7.57
30	6.77%	$8.09

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

ATTACHMENT 1

ATTACHMENT 1

Growth in U.S. Gross National Product, 1929 to 2005

Year	GNP ($billion)	Change ($billion)	Growth%
1929	104.4		
1930	91.90	-12.70	-12.32%
1931	77.00	-14.60	-16.15%
1932	59.10	-17.80	-23.48%
1933	56.70	-2.40	-4.14%
1934	66.30	9.50	17.09%
1935	73.60	7.10	10.91%
1936	84.00	10.30	14.27%
1937	92.20	7.90	9.58%
1938	86.50	-5.70	-6.31%
1939	92.50	6.60	7.79%
1940	101.70	9.10	9.97%
1941	127.20	25.10	25.00%
1942	162.30	33.50	26.69%
1943	198.90	33.70	21.19%
1944	220.10	18.70	9.70%
1945	223.40	2.00	0.95%
1946	222.90	-1.00	-0.47%
1947	245.30	22.80	10.73%
1948	270.60	26.40	11.22%
1949	268.60	-1.20	-0.46%
1950	295.20	27.90	10.71%
1951	341.20	45.10	15.64%
1952	360.30	18.20	5.46%
1953	381.30	20.00	5.69%
1954	382.50	0.90	0.24%
1955	417.20	33.40	8.97%
1956	440.30	22.30	5.49%
1957	464.10	22.80	5.32%
1958	469.80	5.80	1.29%
1959	509.30	53.50	11.71%
1960	529.50	20.30	3.98%
1961	548.20	18.70	3.52%
1962	589.70	41.40	7.54%
1963	622.20	32.50	5.50%
1964	668.50	46.20	7.41%
1965	724.40	56.10	8.38%
1966	792.90	69.00	9.51%
1967	838.00	45.00	5.66%
1968	916.10	78.10	9.30%
1969	990.70	73.90	8.05%
1970	1,044.90	54.60	5.51%
1971	1,134.70	90.10	8.61%
1972	1,246.80	112.90	9.94%
1973	1,395.30	149.10	11.94%
1974	1,515.50	118.50	8.48%

ATTACHMENT 1

Growth in U.S. Gross National Product, 1929 to 2005

Year	GNP ($billion)	Change ($billion)	Growth%
1975	1,651.30	131.70	8.68%
1976	1,842.10	192.60	11.68%
1977	2,051.20	211.10	11.47%
1978	2,316.30	265.90	12.96%
1979	2,595.30	281.30	12.14%
1980	2,823.70	231.50	8.91%
1981	3,161.40	335.30	11.84%
1982	3,291.50	129.60	4.09%
1983	3,573.80	276.10	8.38%
1984	3,969.50	396.30	11.10%
1985	4,246.80	270.30	6.81%
1986	4,480.60	229.90	5.42%
1987	4,757.40	287.90	6.44%
1988	5,127.40	370.60	7.79%
1989	5,510.60	382.60	7.46%
1990	5,837.90	322.80	5.86%
1991	6,026.30	178.70	3.06%
1992	6,367.40	331.40	5.51%
1993	6,689.30	324.40	5.11%
1994	7,098.40	404.40	6.07%
1995	7,433.40	349.80	4.95%
1996	7,851.90	410.30	5.53%
1997	8,337.30	473.80	6.05%
1998	8,768.30	445.00	5.36%
1999	9,302.20	486.20	5.56%
2000	9,855.90	553.70	5.95%
2001	10,171.60	315.70	3.20%
2002	10,514.10	342.50	3.37%
2003	11,059.20	545.10	5.18%
2004	11,778.90	719.70	6.51%
2005	12,520.80	741.90	6.30%
Average			6.77%

Sources: (1) National Income and Product Accounts (NIPA) from the U. S. Bureau of Economic Analysis and Econostats; BEA Data; NIPA Index; Section 1. Domestic Product and Income Table 1.7.5 Relation of Gross Domestic Product, Gross National Product, Net National Product, National Income, and Personal Income. (2) U. S. Department of Commerce; Survey of Current of the United States Business and Historical Statistics

ATTACHMENT 1

Schedule D-1.9

Average Capital Structure for The Comparable Group
2006 Balances

Holding Company Name	Stock Ticker	Long Term Debt $	Total Equity $	Total Capitalization $	Debt Ratio	Equity Ratio
AGL Resources Inc	ATG	6,389,000,000	6,634,000,000	13,023,000,000	49.06%	50.94%
Atmos Energy Corp	ATO	8,256,087,000	8,008,332,000	16,264,419,000	50.76%	49.24%
Piedmont Natural Gas Co Inc	PNY	3,299,887,000	3,615,188,000	6,915,075,000	47.72%	52.28%
South Jersey Industries Inc	SJI	1,431,796,000	1,887,532,000	3,319,328,000	43.14%	56.86%
Average					47.67%	52.33%

Source: Ventyx's Energy Velocicty Suite, Fuels Dataset, SEC 10K

ATTACHMENT 2

Staff's Comparable Group Companies' Exposure To Revenue Decoupling	
Company	States With Operating Companies
Atmos Energy Corporation	CO GA KS KY LA MS MO TX VA
AGL Resources	FL GA ***MD NJ** TN
Piedmont Natural Gas	**NC** SC TN
South Jersey Industries	**NJ**

*States With Potential Exposure To Revenue Decoupling Are In Bold