BEFORE THE

STATE OF NEW YORK

PUBLIC SERVICE COMMISSION

In the Matter of

LONG ISLAND WATER CORPORATION

Case 11-W-0020

OCTOBER 2011

Revised Exhibits 2, 7, 9 and 15 of:

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Office of Accounting & Finance
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LONG ISLAND AMERICAN WATER
Summary of Staff's Rate of Return

Proposed Capital Structure and Costs For Rate Year Ending March 31, 2013

	Percent of Capital	Cost Rate	Weighted Cost
Long Term Debt	55.35%	5.92%	3.28%
Preferred Stock	0.89%	4.50%	0.04%
Common Equity	43.76%	8.90%	3.89%
	100.0%		7.21%

Capital Structure Of American Water Works Less Goodwill

	Amount ($000)	Percent of Capital	Cost Rate	Weighted Cost
Long Term Debt	$ 5,478,302	65.53%	5.93%	3.89%
Preferred Stock	$ 4,547	0.05%	4.93%	0.00%
Goodwill	$ 1,250,692			
Common Equity with Goodwill	$ 4,127,725			
Common Equity less Goodwill	$ 2,877,033	34.41%	0.00%	0.00%
	$ 8,359,882	100.0%		3.89%

Comparative Analysis of Long Island Water Credit Metrics for the Rate Year ending 3/31/2013

Case 11-W-0020 Exhibit__(KXD-7)
(Corrected on 10/3/2011)

Item	**[1]Per Company(x1000)**	**Ratings Category**	**Per Staff (x1000)**	**Ratings Category**
Net income from continuing operations	$6,335		$5,170	
+ Depreciation and amortization	4,373		4,367	
[2]Deferred Tax	2,193		2,370	
Funds From Operations (FFO)	**$12,901**		**$11,907**	
Net income from continuing operations	$6,335		$5,170	
+ Interest	4,278		4,050	
+ Income taxes	4,660		3,348	
+ Depreciation and amortization	4,373		4,367	
EBITDA	**$19,646**		**$16,935**	
CAPEX	$13,682		$13,382	
Dividend Payments	$2,208		$2,208	
Debt	$71,874		$70,749	
Adjusted Debt	**$71,874**		**$70,749**	
Equity	$55,076		$55,076	
Total Capital	**$126,950**		**$126,950**	
Standard & Poor's Credit Metrics				
Funds from Operations/Debt	17.9%	Aggressive	16.8%	Aggressive
Debt/EBITDA	3.7x	Significant	4.2x	Aggressive
Debt/Capitalization	56.62%	Aggressive	55.73%	Aggressive
Business Risk Profile		Excellent		Excellent
Financial Risk Profile	Aggressive		Aggressive	Aggressive
Implied Rating[3]				**BBB**
Moody's Credit Metrics				
Cash Flow Interest Coverage (x)	4.0x	Baa	3.9x	Baa
Cash Flow/Debt	17.9%	A	16.8%	A
Retained Cash Flow/CAPEX	0.782	Ba	0.725	Ba
Debt/Capital	56.62%	Baa	55.73%	Baa
Implied Rating				**Baa**

S&P's Credit Metrics Guidelines

Business And Financial Risk Profile Matrix

Business Risk Profile	--Financial Risk Profile--					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly Leveraged
Excellent	AAA	AA	A	A-	BBB	--
Strong	AA	A	A-	BBB	BB	BB-
Satisfactory	A-	BBB+	BBB	BB+	BB-	B+
Fair	--	BBB-	BB+	BB	BB-	B
Weak	--	--	BB	BB-	B+	B-
Vulnerable	--	--	--	B+	B	CCC+

Financial Risk Indicative Ratios (Corporates)

	FFO/Debt (%)	Debt/EBITDA (x)	Debt/Capital (%)
Minimal	greater than 60	less than 1.5	less than 25
Modest	45-60	1.5-2	25-35
Intermediate	30-45	2-3	35-45
Significant	20-30	3-4	45-50
Aggressive	12-20	4-5	50-60
Highly Leveraged	less than 12	greater than 5	greater than 60

Moody's Credit Metrics Guidelines

	Aaa	Aa	A	Baa	Ba
Cash Flow Interest Coverage (x)	> 10.0	7.0 - 10.0	4.5 - 7.0	2.5 - 4.5	1.8 - 2.5
Cash Flow/Debt	> 40%	25% - 40%	15% - 25%	10% - 15%	6% - 10%
Retained Cash Flow/Capex (x)	> 3.5	3.5 - 2.5	1.5 -2.5	1.0 - 1.5	0.5 - 1.0
Debt/Capital	<25%	25% - 40%	40% - 55%	55% -70%	70% -85%

[1]Since the Company's ROR witness did not provide Moody's financial ratios for LIWC, Staff used data in the filing to derive those ratios

[2]Since the Company's ROR witness did not include deferred taxes in the FFO calculation. Therefore, Staff used data in the filing to derive those numbers for the company

[3]Actual rating can be one notch above or below the Implied Rating

Based on Company's numbers in the filing, the parent's implied rating is BBB. However, the parent's actual rating is BBB+

LONG ISLAND AMERICAN WATER Exhibit__(KXD-9) (Revised on 10/3/2011)

Cost Rate of Long-Term Debt for the Rate Year

	1	2	3	4	5	6	7	8	9	10	11	12
						C2xC5				C6 +C8	C10/C5-C9)	C10*(C5/L8C5)
Line #	General Mortgage Bonds:	Stated Interest Rate	Date of Issue	Date of Maturity	Principal Amt	Yearly Interest Expense	Unamortized Issuance Expense	Yearly Amortization of Issuance Expense	Rate Year Average Balance of Unamtzd Debt Exp.	Interest & Issuance Expense Amortization	Effective Rate	Weighted Cost Rate
1	5.25 % Series Due 08/01/2027	5.25%	12/15/1992	12/1/2022	$13,930,000	$731,325	$619,944	$53,850	$548,144	$785,175	5.87%	1.15%
2	4.9% Series Due 10/01/2034	4.90%	10/28/2004	10/1/2034	$16,000,000	$784,000	$955,634	$40,921	$901,074	$824,921	5.46%	1.23%
3	6.0% Series Due 12/31/39	6.00%	12/4/2009	12/1/2039	$10,000,000	$600,000	$337,005	$11,815	$321,251	$611,815	6.32%	0.89%
4	6.0% Series Due 12/31/40	6.00%	12/15/2010	12/1/2040	$10,000,000	$600,000	$416,387	$14,102	$397,583	$614,102	6.40%	0.90%
5	5.90% Series Due 6/30/2041	5.90%	5/1/2011	10/15/2037	$9,000,000	$531,000	$208,794	$7,911	$198,247	$538,911	6.12%	0.78%
6	6.6% Series Due 10/31/2041	5.68%	11/1/2011	10/16/2037	$6,000,000	$340,800	$0	$0	$0	$340,800	5.68%	0.48%
7	7.0% Series Due 10/31/2042	5.68%	11/1/2012	10/17/2037	$6,000,000	$340,800	$0	$0	$0	$340,800	5.68%	0.48%
8	**Total**				**$70,930,000**		**$2,537,764**		**$2,366,299**	**$4,056,524**	**5.92%**	**5.92%**

Case 11-W-0020 Exhibit__(KXD-9) (Revised on 10/3/2011)

Corporate Bond Yield Averages

Public Utility Bond Yield Averages By Ratings Categories

	Moody's: S&P:	Aa2 AA	Aa3 AA-	A1 A+	A2 A	A3 A-	Baa1 BBB+	Baa2 BBB
1	**Jan-11**	**5.29**	5.38	5.48	**5.57**	5.73	5.90	**6.06**
2	**Feb-11**	**5.42**	5.51	5.59	**5.68**	5.82	5.96	**6.10**
3	**Mar-11**	**5.33**	5.41	5.48	**5.56**	5.70	5.83	**5.97**
4	**Apr-11**	**5.32**	5.40	5.47	**5.55**	5.69	5.84	**5.98**
5	**May-11**	**5.08**	5.16	5.24	**5.32**	5.46	5.60	**5.74**
6	**Jun-11**	**5.04**	5.11	5.19	**5.26**	5.40	5.53	**5.67**
7	**Jul-11**	**5.05**	5.12	5.20	**5.27**	5.41	5.56	**5.70**

Estimated Issuance Expense	0.05
Yield on Baa2/BBB+ (%)	5.63
Marginal Cost of Debt for AWW (%)	5.68

Case 11-W-0020

LONG ISLAND AMERICAN WATER

STAFF DCF APPROACH - GENERIC FINANCE METHOD

Exhibit__(KXD-15) (Corrected on 10/3/2011)

			EPS	DPS			BPS			# of Shares		DPS Growth
Company	**Beta**	**Price**	**2014-16**	**2011**	**2012**	**2014-16**	**2011**	**2012**	**2014-16**	**2011**	**2014-16**	**2014-16**
ALLETE	0.70	$40.02	3.00	1.78	1.80	1.95	28.08	28.75	31.50	36.50	38.50	2.70%
Alliant Energy Corp.	0.70	$40.38	3.60	1.70	1.80	2.10	26.80	27.90	30.60	112.00	116.00	5.27%
Ameren Corp	0.80	$29.12	2.50	1.54	1.54	1.54	32.80	33.55	36.00	244.00	256.00	0.00%
American Electric Power	0.70	$37.65	3.75	1.84	1.90	2.10	29.55	31.00	36.00	485.00	500.00	3.39%
American States Water	0.75	$34.18	2.60	1.08	1.12	1.25	20.80	20.50	20.75	19.25	20.00	3.73%
Avista Corp	0.70	$25.13	2.00	1.10	1.18	1.40	20.40	21.00	23.00	58.50	60.50	5.86%
Black Hills Corp	0.80	$30.80	2.25	1.46	1.48	1.55	28.25	28.75	31.00	44.00	45.00	1.55%
CenterPoint Energy Inc.	0.80	$19.21	1.35	0.79	0.80	0.90	9.85	10.30	11.75	426.00	430.00	4.00%
Cleco Corp.	0.65	$34.78	2.75	1.09	1.22	1.60	23.50	24.70	28.00	60.70	60.70	9.46%
Con Edison Inc	0.60	$52.99	3.95	2.40	2.42	2.48	38.45	40.95	42.60	294.00	310.00	0.82%
DTE Energy	0.75	$50.76	4.25	2.32	2.42	2.70	40.85	42.05	46.00	169.50	174.00	3.72%
Edison International	0.80	$38.90	3.25	1.29	1.31	1.40	33.85	35.40	40.50	325.81	325.81	2.24%
Entergy Corporation	0.70	$67.99	7.00	3.32	3.40	3.70	50.65	53.35	64.00	178.00	172.00	2.86%
Great Plains Energy	0.75	$20.63	1.75	0.86	0.91	1.20	21.70	21.60	23.23	136.00	155.00	9.66%
Hawaiian Electric	0.70	$24.51	2.00	1.24	1.24	1.30	16.00	16.40	18.75	96.50	110.00	1.59%
IDACORP, Inc.	0.70	$39.28	3.30	1.20	1.20	1.50	32.50	33.65	39.20	50.00	51.00	7.72%
MG&E Company	0.60	$41.22	3.00	1.52	1.55	1.64	25.10	27.65	26.30	23.20	23.50	1.90%
Pepco Holdings Inc.	0.80	$19.51	1.65	1.08	1.08	1.16	18.95	20.00	21.20	227.00	250.00	2.41%
PG&E Corp	0.55	$43.10	4.25	1.82	1.82	2.20	29.60	31.85	37.75	405.00	425.00	6.52%
Portland General Electric Company	0.75	$25.36	2.25	1.06	1.08	1.20	22.05	22.95	25.75	75.50	76.50	3.57%
SCANA Corp.	0.65	$40.20	3.50	1.94	1.98	2.10	30.45	32.50	37.25	129.50	150.00	1.98%
Sempra Energy	0.80	$53.45	5.50	1.92	2.08	2.50	39.75	42.25	50.75	239.00	245.00	6.32%
Southern Co.(The)	0.55	$39.91	3.25	1.87	1.94	2.20	20.10	21.20	25.00	857.00	910.00	4.28%
TECO Energy Inc.	0.85	$18.87	1.75	0.85	0.89	1.05	10.55	11.10	13.00	216.00	220.00	5.67%
UIL Holdings Corp.	0.70	$32.59	2.35	1.73	1.73	1.73	24.00	24.60	27.00	50.00	50.00	0.00%
Vectren Corp	0.70	$27.78	2.25	1.39	1.41	1.60	18.20	18.80	21.75	82.50	85.00	4.30%
Westar Energy Inc.	0.75	$26.80	2.40	1.28	1.32	1.44	21.50	21.60	24.00	115.00	125.00	2.94%
Wisconsin Energy	0.65	$31.21	2.75	1.04	1.14	1.60	16.95	17.50	19.50	232.00	224.00	11.96%
Xcel Energy	0.65	$24.40	2.00	1.03	1.06	1.15	17.50	18.35	21.25	486.00	498.00	2.75%

Median Beta 0.70

Data Source Value Line Investment Survey for May 27,June 24 & August 5, 2011 Editions

Average 0.71

LONG ISLAND AMERICAN WATER

STAFF DCF APPROACH - GENERIC FINANCE METHOD

Company	Retention Rate 2015	Return on Equity 2015	B x R	Increase in Shares	PBR 2015	S Factor	V Factor	S x V	Sustainable Growth	Long-Form ROE	
ALLETE	35.00%	9.67%	3.38%	1.34%	1.43	0.02	0.30	0.57%	3.95%	8.30%	1
Alliant Energy Corp.	41.67%	11.95%	4.98%	0.88%	1.51	0.01	0.34	0.45%	5.42%	9.86%	2
Ameren Corp	38.40%	7.03%	2.70%	1.21%	0.89	0.01	-0.13	-0.14%	2.56%	7.50%	3
American Electric Power	44.00%	10.68%	4.70%	0.76%	1.27	0.01	0.22	0.21%	4.91%	9.76%	4
American States Water	51.92%	12.56%	6.52%	0.96%	1.64	0.02	0.39	0.62%	7.14%	10.11%	5
Avista Corp	30.00%	8.83%	2.65%	0.84%	1.23	0.01	0.19	0.20%	2.84%	7.93%	6
Black HillsCorp	31.11%	7.35%	2.29%	0.56%	1.09	0.01	0.08	0.05%	2.34%	7.04%	7
CenterPoint Energy Inc.	33.33%	11.74%	3.91%	0.23%	1.95	0.00	0.49	0.22%	4.14%	8.28%	8
Cleco Corp.	41.82%	10.03%	4.19%	0.00%	1.48	0.00	0.32	0.00%	4.19%	8.22%	9
Con Edison Inc	37.22%	9.33%	3.47%	1.33%	1.38	0.02	0.27	0.50%	3.98%	8.17%	10
DTE Energy	36.47%	9.38%	3.42%	0.66%	1.24	0.01	0.20	0.16%	3.58%	8.36%	11
Edison International	56.92%	8.20%	4.67%	0.00%	1.15	0.00	0.13	0.00%	4.67%	7.81%	12
Entergy Corporation	47.14%	11.27%	5.31%	-0.85%	1.34	-0.01	0.26	-0.29%	5.02%	9.74%	13
Great Plains Energy	31.43%	7.62%	2.40%	3.32%	0.95	0.03	-0.05	-0.16%	2.23%	7.58%	14
Hawaiian Electric	35.00%	10.90%	3.82%	3.33%	1.53	0.05	0.35	1.77%	5.59%	10.14%	15
IDACORP, Inc.	54.55%	8.63%	4.71%	0.50%	1.21	0.01	0.17	0.10%	4.81%	8.11%	16
MG&E Company	45.33%	11.31%	5.13%	0.32%	1.64	0.01	0.39	0.21%	5.33%	8.75%	17
Pepco Holdings Inc.	29.70%	7.86%	2.33%	2.44%	1.03	0.03	0.03	0.07%	2.41%	7.94%	18
PG&E Corp	48.24%	11.58%	5.58%	1.21%	1.46	0.02	0.31	0.55%	6.14%	10.40%	19
Portland General Electric Company	46.67%	8.91%	4.16%	0.33%	1.15	0.00	0.13	0.05%	4.21%	8.39%	20
SCANA Corp.	40.00%	9.61%	3.84%	3.74%	1.32	0.05	0.24	1.20%	5.04%	9.58%	21
Sempra Energy	54.55%	11.17%	6.09%	0.62%	1.34	0.01	0.26	0.21%	6.31%	10.20%	22
Southern Co.(The)	32.31%	13.36%	4.32%	1.51%	1.99	0.03	0.50	1.49%	5.81%	10.47%	23
TECO Energy Inc.	40.00%	13.82%	5.53%	0.46%	1.79	0.01	0.44	0.36%	5.89%	10.58%	24
UIL Holdings Corp.	26.38%	8.84%	2.33%	0.00%	1.36	0.00	0.26	0.00%	2.33%	7.32%	25
Vectren Corp	28.89%	10.60%	3.06%	0.75%	1.53	0.01	0.34	0.39%	3.46%	8.64%	26
Westar Energy Inc.	40.00%	10.18%	4.07%	2.11%	1.25	0.03	0.20	0.52%	4.59%	9.30%	27
Wisconsin Energy	41.82%	14.36%	6.00%	-0.87%	1.84	-0.02	0.46	-0.73%	5.27%	9.60%	28
Xcel Energy	42.50%	9.64%	4.10%	0.61%	1.39	0.01	0.28	0.24%	4.34%	8.50%	29
Average									**4.43%**	**8.85%**	
Median									**4.59%**	**8.50%**	