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Revenue  
Special Report

# 2011 Water and Wastewater Medians

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**Summary**

The 2011 medians continue Fitch Ratings' effort to provide transparency to market participants by giving a clear understanding of certain statistical ratios used in its review of sector revenue bond credits and quantitative results, particularly as they pertain to retail systems. For the most part, the key findings for 2011 continue trends Fitch has observed over the past several years and that contribute to the key issues discussed in Fitch Research "2011 Outlook: Water and Wastewater Sector," dated Jan. 18, 2011, available on Fitch's Web site at [www.fitchratings.com](http://www.fitchratings.com). The medians continue to point to ongoing capital pressures, but perhaps more importantly in the current economic climate, they highlight the sector's sustained, albeit slightly weakened, fiscal health. Certainly, particular regions and classes of utilities are facing greater near term stress than their counterparts, and Fitch anticipates that the cumulative effect could lead to additional erosion in future median results. Nevertheless, water and wastewater utilities overall appear well positioned to continue generating solid financial performance to bondholders as the nation's economic recovery continues.

**Overview**

**Key Findings**

*National Medians*

- Annual debt service (ADS) coverage remained strong on both a senior lien and all-in basis, but 2011 marked the third straight year of declining coverage levels.
- Cash flows weakened significantly from 2010 (about 20%) as expenditures outpaced revenues, keeping surplus revenues well short of the amount needed to fund annual depreciation on a pay-as-you-go basis.
- Despite the weak cash flows, utility balance sheets continued to be very healthy, with major liquidity ratios continuing to post close to one year of operating expenditures.
- Planned annual capital spending rose nearly 9%, but remains well below pre-recession highs.
- Key debt ratios jumped around 15% from 2010's, and issuers are forecasting additional borrowing that will increase their system leverage further over the next five years.
- With the increased borrowing over the last year and slower growth than in prior years, utilities were able to address some deferred maintenance and reduce the age of their water/wastewater infrastructure.
- Forecast annual rate hikes over the next several years continue to be higher than expected inflation amounts.

*Regional Medians*

- The Far West region's financial performance continued to exceed the national medians from a debt service coverage, liquidity, and cash flow perspective. However, debt levels, which were already well above the nation's, jumped

## Related Research

### Applicable Criteria

- *Revenue-Supported Rating Criteria, Oct. 8, 2010*
- *Water and Sewer Revenue Bond Rating Guidelines, Aug. 6, 2008*

### Other Research

- *2011 Outlook: Water and Wastewater Sector, Jan. 18, 2011*

significantly from last year's levels. Nevertheless, this has not adversely impacted utility costs to customers given much of the region's debt is back-loaded.

- The Midwest region posted among the weakest financial performance in all areas. On the positive side, rates are moderate and debt levels are low, with future borrowings not expected to materially change the region's debt profile.
- The Northeast region generated similar financial results as those of the Midwest, although utility charges within the region are typically higher and utility debt is greater.
- The Southeast region posted similar financial results as the Far West's, but maintained less debt and forecasts fewer capital needs.
- The Southwest region also fared well financially. But of the three Sun Belt Regions, the Southwest utilizes less debt and has by far the most rapid repayment of debt.

### *Medians Relative to System Size*

- Large systems continued to have the greatest amount of debt and produce the lowest financial margins for the most part, which could make it challenging to absorb future capital requirements.
- Midsize systems continue to generate stronger financial performance than other utilities, while having the lowest debt burden and some of the lowest rates.
- Small systems continued to maintain a solid financial profile, but the debt profile of this class of utilities weakened from 2010 results. Nevertheless, principal amortization for small systems gained ground relative to their peers, providing future flexibility in the out years.

### Limitations of Medians Analysis in the Rating Process

While the medians serve as a useful tool for market participants by allowing for broad assessments and comparisons of credit quality, Fitch maintains that the data are a complement to the rating process rather than a substitute. Thus, when evaluating the medians in relation to the rating process, certain distinctions between them should be noted, as follows:

- Medians largely provide a point-in-time snapshot of the rating category, region, class size, or sector as a whole, whereas the rating process focuses more on trends at the issuer and specific rating level.
- Only a portion of the factors covered in Fitch's rating process are reflected in the medians — in particular, qualitative aspects such as management, policies, and legal provisions are excluded, although other quantitative ratios are also omitted.
- The medians within each table present a composite of the range of credits and do not delineate offsetting strengths or weaknesses at the individual credit level that may affect a rating.

### New Information and Changes for 2011

With each round of medians, Fitch continuously seeks to refine the data presented to provide information that is timely and useful to market participants regarding the sector. For 2011, the following changes have been made to the medians report:

- First, Fitch has included the debt to equity ratio within the 2011 published medians as a direct result of discussions with issuers, consultants, and investors since publication of the 2010 medians.
- Second, the debt to funds available for debt service (FADS) ratio has ceased to be reported as a key ratio. This change was made because the ratio has not been as significant a determinant of individual ratings as the remaining key ratios. Having

said this, debt to FADS continues to be a reported median with this report.

- Finally, in order to limit the amount of text historically associated with this report and provide a greater focus to the statistical information, Fitch has limited its discussion of the actual medians results to the key findings above.

### Recalibration

Based on Fitch Research “Recalibration of U.S. Public Finance Ratings,” dated March 25, 2010, available on Fitch’s Web site at [www.fitchratings.com](http://www.fitchratings.com), water and wastewater sector ratings were recalibrated April 30, 2010, with limited exception. Data presented in this report at the categorical rating level, specifically Appendix F (*see page 14*), have been adjusted to reflect the statistical results based on the recalibrated ratings where the rating action occurred prior to the recalibration date.

### Methodology and Data

Fitch first published its water and wastewater medians in 2004 to provide issuers, consultants, analysts, investors, and others with a quantitative framework of ratios used in Fitch’s water and wastewater rating process. To this end, Fitch historically has grouped the medians according to their respective area within the criteria review process, and the 2011 medians continue this practice. This report also continues Fitch’s presentation of key ratios used in the rating process to give the market a better understanding of the priority in weighting certain ratios. To allow a comparison with prior statistics, Fitch also has included historical information from the 2007–2010 medians (*see Appendix E, page 13*); the 2004 medians were excluded, given that the methodology for selection of credits was revised following its release. It is Fitch’s anticipation to add subsequent information annually to this table as ensuing medians are published to allow readers to follow long-term trends.

As with Fitch’s prior medians, those for 2011 cover only wholly or predominantly retail systems for which Fitch has taken rating actions on senior lien debt. The data include water and wastewater revenue bond credits rated between September 2009 and August 2010. Certain credits have been excluded for various reasons, as outlined below (*for a complete list of issuers included in the 2011 medians, see Appendix B, pages 7–10*). In cases where the same issuer was rated multiple times, only data from the most recent rating were incorporated into the medians.

In the 2011 medians, combined water and wastewater utilities accounted for 77 credits (48% of the total), individual water systems numbered 52 (32%), and individual wastewater systems were 33 (20%). Excluded for median-reporting purposes from the 2011 data set are certain credits with ratings of ‘BBB+’ or below (after the April 2010 recalibration) because Fitch traditionally has viewed these issuers as outliers with extenuating circumstances. Also excluded were issuers for which the majority of system revenues were derived from other utility (i.e. electric power) revenues. In both these cases, the data have a tendency to skew median results.

Appendix A: Water and Wastewater Median Definitions

Median	Definition	Significance
Population	Estimated population of the service area	Provides an overview of the scope of operations in the service area
Median Household Income (\$)	Median household income for the primary municipal entity served by the utility based on the most recent year as reported by the U.S. Census Bureau	Indicates the overall wealth of average residential customers and their ability to pay for services
Total Water Customers	Most recent water customer accounts total, if applicable	Provides an overview of the scope of operations in the service area
Water Customer Annual Growth (%)	Percentage of historical average annual customer accounts growth rates	Indicates the pressures a utility may be facing to meet customer demands
Total Wastewater Customers	Most recent wastewater customer accounts total, if applicable	Provides an overview of the scope of operations in the service area
Wastewater Customer Annual Growth (%)	Percentage of historical average annual customer accounts growth rates	Indicates the pressures a utility may be facing to meet customer demands
Top 10 Customers as % of Revenues	Total annual receipts from the 10 largest customers divided by total operating system revenues for the year	Indicates revenue concentration levels
Age of Plant (Years)	Total accumulated depreciation divided by annual depreciation	Indicates potential deferred plant maintenance
Water Treatment Capacity Remaining (%)	Percentage of permitted treatment capacity remaining above most recent production level	Indicates the pressures a utility may be facing to meet customer demands
Wastewater Treatment Capacity Remaining (%)	Percentage of permitted treatment capacity remaining above most recent production level	Indicates the pressures a utility may be facing to meet customer demands
Average Annual CIP Costs Per Customer (\$)	Total projected capital needs in the CIP divided by the number of years of the CIP, divided by total number of customers (for a combined utility, the aggregate number of water and wastewater accounts are used)	Indicates effect of the CIP on ratepayers (principal only)
CIP Debt Financed (%)	Percentage of issuer's total CIP expected to be debt financed	Indicates future debt leverage of capital assets
Total Outstanding Debt to Net Plant Assets (%)	Total amount of utility long-term debt divided by the net asset value of the plant	Indicates existing debt leverage of capital assets
Debt to FADS (x)	Total amount of utility long-term debt divided by the total funds available for debt service	Indicates existing debt leverage relative to existing funds available for debt service
Debt to Equity (x) <sup>a</sup>	Total amount of utility long-term debt divided by unrestricted net assets	Indicates existing debt leverage relative to system equity
Total Outstanding Long-Term Debt Per Customer (\$) <sup>b</sup>	Total amount of utility long-term debt divided by the total number of utility customers (for a combined utility, the aggregate number of water and wastewater accounts are used)	Indicates the existing debt burden attributable to ratepayers (principal only)
Total Outstanding Long-Term Debt Per Capita (\$) <sup>b</sup>	Total amount of utility long-term debt divided by total population served by the utility	Indicates the existing debt burden of an utility attributable to each person served by the utility (principal only)
10-Year Principal Payout (%)	Percentage of principal amortizing within 10 years	Indicates longevity of system debt
20-Year Principal Payout (%)	Percentage of principal amortizing within 20 years	Indicates longevity of system debt
Projected Debt Per Customer — Year Five (\$) <sup>b</sup>	Total projected outstanding system debt (existing debt less scheduled amortization plus planned issuances) divided by total outstanding projected customers five years from the date of the rating (for a combined utility, the aggregate number of water and wastewater accounts are used and are inflated by anticipated growth)	Indicates the total debt burden to ratepayers five years from the date of the rating (principal only)
Projected Debt Per Capita — Year Five (\$) <sup>b</sup>	Total projected outstanding system debt (existing debt less scheduled amortization plus planned issuances) divided by total projected population served by the utility (population is inflated based on anticipated growth)	Indicates the total debt burden of an utility to each person served by the utility five years from the date of the rating (principal only)
Individual Water/Wastewater Utility Average Monthly Residential Bill (\$)	Average monthly residential bill for individual utilities; when billing was not calculated on a monthly basis, it was converted to a monthly amount for standardization	Indicates the monthly cost of service to residential customers
Individual Water/Wastewater Utility Average Annual Bill as % of Median Household Income (MHI)	Average monthly residential bill for individual utilities times 12, divided by the most recent yearly MHI as reported by the U.S. Census Bureau	Indicates the annual burden for cost of service to ratepayers
Combined Water/Wastewater Utility Average Monthly Residential Bill (\$)	Average monthly residential bill for combined utilities; when billing was not calculated on a monthly basis, it was converted to a monthly amount for standardization	Indicates the monthly cost of service to residential customers
Combined Water/Wastewater Utility Average Annual Bill as % of MHI	Average monthly residential bill for combined utilities times 12, divided by the most recent yearly MHI as reported by the U.S. Census Bureau	Indicates the annual burden for cost of service to ratepayers

<sup>a</sup>New with 2011 medians. <sup>b</sup>Indicates key ratio.

Appendix A: Water and Wastewater Median Definitions (continued)

Median	Definition	Significance
Average Annual Projected Water Rate Increases (%)	Sum of planned annual rate increases divided by the number of years over which increases are forecast	Indicates the future expected burden for cost of service to ratepayers
Average Annual Projected Wastewater Rate Increases (%)	Sum of planned annual rate increases divided by the number of years over which increases are forecast	Indicates the future expected burden for cost of service to ratepayers
Three-Year Historical Average Senior Lien ADS Coverage (x) <sup>a</sup>	Most recent three-year historical average of annual revenues available for debt service divided by respective senior lien debt service for the year	Indicates the historical trend in senior lien ADS coverage
Senior Lien ADS Coverage (x) <sup>a</sup>	Current-year revenues available for debt service divided by current-year senior lien debt service	Indicates the financial margin to meet current senior lien ADS with current revenues available for debt service
Senior Lien ADS Coverage Excluding Connection Fees (x)	Current-year revenues available for debt service, excluding one-time revenues such as connection fees, divided by current-year senior lien debt service	Indicates the financial margin to meet current senior lien ADS with current revenues available for debt service, excluding one-time revenues such as connection fees
Minimum Projected Senior Lien ADS Coverage (x) <sup>a</sup>	Minimum debt service coverage projected typically over the ensuing five-year period, based on revenues available for debt service in any given fiscal year, divided by the respective senior lien debt service amount for that fiscal year	Indicates the financial margin during the year in which future senior lien ADS coverage is projected to be the lowest
Senior Lien MADS Coverage (x)	Current-year revenues available for debt service divided by projected senior lien MADS	Indicates the financial margin to meet projected senior lien MADS with current revenues available for debt service
Senior Lien Debt Service as % of Gross Revenues	Current-year senior lien debt service divided by current-year gross revenues	Indicates the level of annual senior lien debt service burden on system operations
Three-Year Historical Average All-In ADS Coverage (x) <sup>a</sup>	Most recent three-year historical average of annual revenues available for debt service divided by respective total debt service for the year	Indicates the historical trend in total ADS coverage
All-In ADS Coverage (x) <sup>a</sup>	Current-year revenues available for debt service divided by current-year total debt service	Indicates the financial margin to meet current total ADS with current revenues available for debt service
All-In ADS Coverage Excluding Connection Fees (x)	Current-year revenues available for debt service, excluding one-time revenues such as connection fees, divided by current-year total debt service	Indicates the financial margin to meet current total ADS with current revenues available for debt service, excluding one-time revenues such as connection fees
Minimum Projected All-In ADS Coverage (x) <sup>a</sup>	Minimum debt service coverage projected typically over the ensuing five-year period, based on revenues available for debt service in any given fiscal year, divided by the respective total debt service amount for that fiscal year	Indicates the financial margin during the year in which future total ADS coverage is projected to be the lowest
All-In MADS Coverage (x)	Current-year revenues available for debt service divided by projected total MADS	Indicates the financial margin to meet projected total MADS with current revenues available for debt service
All-In Debt Service as % of Gross Revenues	Current-year total debt service divided by current-year gross revenues	Indicates the level of annual total debt service burden on system operations
Operating Margin (%)	Operating revenues minus operating expenditures plus depreciation, divided by operating revenues	Indicates financial margin to pay operating expenses
Operating Cash Flow Ratio (x)	Cash flows from current operations divided by current liabilities	Indicates the strength of existing cash flows to meet near-term obligations
Operating Revenue Growth — Current Year (%)	Most recent audited operating revenues divided by the immediately prior year operating revenues minus 1	Indicates revenue gains
Operating Revenue Growth — 3 Year Average (%)	Average of operating revenues divided by the immediately prior year operating revenues minus 1 for the three most recent audited fiscal years	Indicates revenue gains
Operating Expenditure Growth — Current Year (%)	Most recent audited operating expenses divided by the immediately prior year operating expenses minus 1	Indicates expenditure pressures
Operating Expenditure Growth — 3 Year Average (%)	Average of operating expenses divided by the immediately prior year operating expenses minus 1 for the three most recent audited fiscal years	Indicates expenditure pressures
Days of Operating Revenues in Accounts Receivable	Current unrestricted accounts receivable divided by operating revenues, divided by 365	Indicates rate at which customer revenues are received

<sup>a</sup>Indicates key ratio.

Appendix A: Water and Wastewater Median Definitions (continued)

Median	Definition	Significance
Days Cash on Hand <sup>a</sup>	Current unrestricted cash and investments plus any restricted cash and investments (if available for general system purposes), divided by operating expenditures minus depreciation, divided by 365	Indicates financial flexibility to pay near-term obligations
Days of Working Capital <sup>a</sup>	Current unrestricted assets plus any restricted cash and investments (if available for general system purposes), minus current liabilities payable from unrestricted assets, divided by operating expenditures minus depreciation, divided by 365	Indicates financial flexibility to pay near-term obligations
Quick Ratio	Current cash plus current receivables divided by current liabilities	Indicates financial flexibility to pay near-term obligations
Current Ratio	Current assets divided by current liabilities	Indicates financial flexibility to pay near-term obligations
Free Cash as % of Depreciation <sup>a</sup>	Current surplus revenues after payment of operating expenses, debt service, and operating transfers out divided by current year depreciation	Indicates annual financial capacity to maintain facilities at current level of service from existing cash flows

<sup>a</sup>Indicates key ratio.

Appendix B: Utilities Included in 2011 Water and Wastewater Medians

	Date of Senior Lien Rating	Long-Term Rating	Rating Outlook
<b>Alaska</b>			
Anchorage (Wastewater)	7/22/10	AA	Stable
Anchorage (Water)	11/20/09	AA <sup>a</sup>	Stable
<b>Arizona</b>			
Chandler	2/23/10	AA+ <sup>a</sup>	Negative
Gilbert Water Resources Municipal Property Corp. (Wastewater)	11/9/09	A+ <sup>a</sup>	Stable
Gilbert Water Resources Municipal Property Corp. (Water)	11/9/09	A+ <sup>a</sup>	Stable
Oro Valley	10/20/09	AA-	Stable
Peoria	5/4/10	AA	Negative
Pima County	5/19/10	AA	Stable
Pima County Metropolitan Domestic Water Improvement District	12/9/09	AA- <sup>a</sup>	Stable
Scottsdale	3/5/10	AAA <sup>a</sup>	Stable
Surprise Municipal Property Corp.	10/6/09	A- <sup>a</sup>	Stable
Tucson	5/20/10	AA	Negative
<b>California</b>			
Anaheim	3/31/10	AA <sup>a</sup>	Stable
Atwater (Wastewater)	10/1/09	A- <sup>a</sup>	Stable
Atwater (Water)	10/1/09	A- <sup>a</sup>	Stable
Beverly Hills (Wastewater)	5/25/10	AAA	Stable
Beverly Hills (Water)	5/25/10	AAA	Stable
Contra Costa Water District	6/7/10	AA+	Stable
Diablo Water District	10/1/09	AA- <sup>a</sup>	Stable
East Bay Municipal Utility District (Water)	1/25/10	AA+ <sup>a</sup>	Stable
Fresno	1/5/10	AA <sup>a</sup>	Stable
Glendale Water and Power	6/24/10	AA	Negative
Helix Water District	9/24/09	AA+ <sup>a</sup>	Stable
Hillsborough	11/23/09	AAA <sup>a</sup>	Stable
Imperial Irrigation District	2/18/10	AA- <sup>a</sup>	Stable
Irvine Ranch Water District	1/26/10	AAA <sup>a</sup>	Stable
Jurupa Community Services District (Wastewater)	2/9/10	AA <sup>a</sup>	Stable
Jurupa Community Services District (Water)	2/9/10	AA <sup>a</sup>	Stable
Lake Arrowhead Community Services District	11/5/09	AA <sup>a</sup>	Stable
Lodi	2/11/10	A+ <sup>a</sup>	Stable
Los Angeles	7/20/10	AA+	Stable
Los Angeles County Sanitation District #14	12/18/09	AA- <sup>a</sup>	Stable
Los Angeles County Sanitation District #20	12/18/09	AA- <sup>a</sup>	Stable
Los Angeles Department of Water and Power	11/10/09	AA+ <sup>a</sup>	Stable
Millbrae	12/3/09	AA- <sup>a</sup>	Stable
Modesto Irrigation District	1/22/10	AA- <sup>a</sup>	Stable
Moulton Niguel Water District	11/18/09	AAA <sup>a</sup>	Stable
Napa	4/19/10	AA+ <sup>a</sup>	Stable
Olivenhain Municipal Water District	10/15/09	AA+ <sup>a</sup>	Stable
Orange County Sanitation District	8/23/10	AAA	Stable
Otay Water District	4/1/10	AA <sup>a</sup>	Stable
Palmdale Water District	11/13/09	AA- <sup>a</sup>	Stable
Pasadena	5/7/10	AA+	Stable
Rancho California Water District	6/4/10	AA+	Stable
Redwood City	12/22/09	AA- <sup>a</sup>	Stable
Riverside	11/19/09	AA+ <sup>a</sup>	Stable
Sacramento Area Sewer District	7/16/10	AA	Stable
San Diego (Wastewater)	3/29/10	AA <sup>a</sup>	Stable
San Diego (Water)	6/4/10	AA	Stable
San Luis Obispo	5/5/10	AA	Stable
South Coast Water District	5/13/10	AA+	Stable
South Tahoe Public Utility District (Wastewater)	4/28/10	AA+ <sup>a</sup>	Stable
South Tahoe Public Utility District (Water)	4/28/10	AA+ <sup>a</sup>	Stable
Susanville	8/12/10	A-	Stable
Yorba Linda Water District	4/21/10	AA <sup>a</sup>	Stable
<b>Colorado</b>			
Aurora (Wastewater)	7/30/10	AA	Stable
Aurora (Water)	7/30/10	AA	Stable
Westminster	5/5/10	AAA	Stable

<sup>a</sup>Rating after April 2010 recalibration.

Appendix B: Utilities Included in 2011 Water and Wastewater Medians (continued)

	Date of Senior Lien Rating	Long-Term Rating	Rating Outlook
<b>Connecticut</b>			
Greater New Haven Water Pollution Control Authority	5/24/10	A+	Stable
<b>District of Columbia</b>			
District of Columbia Water and Sewer Authority	7/28/10	AA	Stable
<b>Florida</b>			
Cape Coral	5/27/10	A+	Negative
Clay County Utility Authority	1/4/10	AA <sup>-a</sup>	Stable
Coral Springs	3/18/10	AAA <sup>a</sup>	Stable
Deltona	8/6/10	A+	Stable
Florida Community Services Corp.	10/21/09	AA <sup>-a</sup>	Stable
Fort Myers	10/30/09	AA <sup>-a</sup>	Stable
Fort Walton Beach	9/18/09	AA <sup>a</sup>	Stable
Hollywood	12/29/09	A+ <sup>a</sup>	Stable
Key West	11/18/09	AA <sup>-a</sup>	Stable
Manatee County	9/23/09	AA+ <sup>a</sup>	Stable
Marco Island	2/12/10	A+ <sup>a</sup>	Stable
Martin County	9/30/09	AA <sup>-a</sup>	Stable
Melbourne	10/14/09	AA <sup>-a</sup>	Stable
Miami-Dade County	2/11/10	AA <sup>-a</sup>	Stable
Nassau County	10/21/09	A+ <sup>a</sup>	Stable
North Port	7/29/10	A+	Negative
Oakland Park	8/5/10	AA-	Stable
Okaloosa County	12/17/09	AA <sup>-a</sup>	Stable
Orlando	10/27/09	AAA <sup>a</sup>	Stable
Polk County	8/19/10	AA-	Stable
Port St. Lucie	12/17/09	AA <sup>-a</sup>	Stable
Sarasota	8/11/10	AA-	Stable
Sarasota County	6/30/10	AA	Stable
Seacoast Utility Authority	9/9/09	AA <sup>-a</sup>	Stable
Sebring	9/28/09	AA <sup>-a</sup>	Stable
Sunrise	8/9/10	AA	Stable
Tallahassee	8/27/10	AA+	Stable
Tohopekaliga Water Authority	5/26/10	AA	Stable
West Palm Beach	1/27/10	AA <sup>-a</sup>	Stable
Winter Haven	10/13/09	AA <sup>-a</sup>	Stable
<b>Georgia</b>			
Albany Water, Gas and Light Commission	9/11/09	A+ <sup>a</sup>	Stable
Atlanta	10/2/09	A <sup>a</sup>	Stable
Fulton County	10/15/09	AA <sup>-a</sup>	Stable
Harris County	11/10/09	AA <sup>-a</sup>	Stable
<b>Hawaii</b>			
Honolulu Board of Water Supply	7/22/10	AA+	Stable
<b>Illinois</b>			
Springfield Metro Sanitary District	3/29/10	AA <sup>-a</sup>	Stable
<b>Kentucky</b>			
Louisville and Jefferson County Metropolitan Sewer District	5/7/10	AA-	Stable
<b>Louisiana</b>			
East Baton Rouge Sewerage Commission	5/3/10	AA	Stable
Waterworks District No. 1 of Ward One of Calcasieu Parish	9/15/09	A <sup>a</sup>	Stable
<b>Massachusetts</b>			
Boston Water and Sewer Commission	12/30/09	AA+ <sup>a</sup>	Stable

<sup>a</sup>Rating after April 2010 recalibration.

Appendix B: Utilities Included in 2011 Water and Wastewater Medians (continued)

	Date of Senior Lien Rating	Long-Term Rating	Rating Outlook
<b>Michigan</b>			
Kalamazoo	12/8/09	AA <sup>-a</sup>	Stable
<b>Missouri</b>			
Metropolitan St. Louis Sewer District	1/6/10	AAA <sup>a</sup>	Stable
<b>North Carolina</b>			
Brunswick County	5/17/10	AA-	Stable
Buncombe County Metropolitan Sewerage District	9/14/09	AA+ <sup>a</sup>	Stable
Cary	4/22/10	AAA	Stable
Charlotte	11/9/09	AAA	Stable
Durham	2/9/10	AAA	Stable
Henderson	5/5/10	AA-	Stable
High Point	6/2/10	AA+	Stable
Orange Water and Sewer Authority	12/18/09	AA+ <sup>a</sup>	Stable
Raleigh	3/17/10	AAA	Stable
Wilson	12/23/09	AA	Stable
<b>New Hampshire</b>			
Manchester	5/17/10	AA+	Stable
<b>New Mexico</b>			
Santa Fe	10/28/09	AAA	Stable
<b>Nevada</b>			
Truckee Meadows Water Authority	6/25/10	A+	Negative
<b>New York</b>			
Erie County Water Authority	6/28/10	AA+	Stable
Nassau County Sewer and Storm Water Authority	6/17/10	AA-	Stable
New York City Municipal Water Finance Authority	6/17/10	AA+	Stable
Suffolk County Water Authority	10/26/09	AAA <sup>a</sup>	Stable
Western Nassau County Water Authority	2/23/10	AA <sup>-a</sup>	Stable
<b>Ohio</b>			
Columbus	12/18/09	AA+ <sup>a</sup>	Stable
<b>Oregon</b>			
Clean Water Services of Washington County	8/11/10	AA	Stable
Eugene	6/24/10	AA+	Stable
<b>Pennsylvania</b>			
Philadelphia	7/12/10	A+	Stable
<b>South Carolina</b>			
Greenville	7/6/10	AAA	Stable
<b>Tennessee</b>			
Clarksville	1/21/10	AA <sup>-a</sup>	Stable
Memphis	11/6/09	AA <sup>a</sup>	Stable
<b>Texas</b>			
Arlington	6/8/10	AAA	Stable
Bexar Metropolitan Water District	10/15/09	A+ <sup>a</sup>	Stable

<sup>a</sup>Rating after April 2010 recalibration.

Appendix B: Utilities Included in 2011 Water and Wastewater Medians (continued)

	Date of Senior Lien Rating	Long-Term Rating	Rating Outlook
<b>Texas (continued)</b>			
Carrollton	4/28/10	AAA <sup>a</sup>	Stable
Corpus Christi	7/19/10	AA-	Stable
Edinburg	2/24/10	AA- <sup>a</sup>	Stable
El Paso	1/14/10	AA+ <sup>a</sup>	Stable
Fort Worth	4/21/10	AA+ <sup>a</sup>	Stable
Garland	2/12/10	AA+ <sup>a</sup>	Stable
Greenville	12/7/09	AA- <sup>a</sup>	Stable
Houston	8/12/10	AA	Stable
Killeen	12/17/09	AA <sup>a</sup>	Stable
Laredo	12/2/09	AA- <sup>a</sup>	Stable
Mansfield	12/2/09	AA- <sup>a</sup>	Stable
McAllen	1/21/10	AA+ <sup>a</sup>	Stable
Mineral Wells	11/19/09	AA- <sup>a</sup>	Stable
San Antonio	2/3/10	AA+ <sup>a</sup>	Stable
Victoria	8/12/10	AA-	Stable
<b>Utah</b>			
Cedar Hills	10/5/09	AA- <sup>a</sup>	Negative
Clearfield City	12/22/09	AA- <sup>a</sup>	Stable
Eagle Mountain	1/12/10	AA- <sup>a</sup>	Stable
Midvale	4/8/10	AA- <sup>a</sup>	Stable
North Salt Lake	5/13/10	A+	Stable
Orem	8/3/10	AA+	Stable
St. George	9/11/09	AA <sup>a</sup>	Stable
<b>Virginia</b>			
Chesapeake	3/19/10	AA <sup>a</sup>	Stable
Fairfax County Water Authority	3/10/10	AAA	Stable
Hampton Roads Sanitation District	10/21/09	AA+ <sup>a</sup>	Stable
Henrico County	12/2/09	AAA	Stable
Hopewell	12/4/09	AA- <sup>a</sup>	Stable
Loudoun County Sanitation Authority	4/1/10	AAA	Stable
Spotsylvania County	7/30/10	AA-	Stable
Virginia Beach	6/8/10	AAA	Stable
<b>Washington</b>			
Tacoma	11/25/09	AA+ <sup>a</sup>	Stable
<b>Wisconsin</b>			
De Pere	12/30/09	AA <sup>a</sup>	Stable
Milwaukee	5/20/10	AA	Stable

<sup>a</sup>Rating after April 2010 recalibration.

## Appendix C: 2011 Regional Medians

	Far West	Midwest	Northeast	Southeast	Southwest	All Credits
<b>Community Characteristics/Customer Growth and Concentration</b>						
Population	142,198	150,000	1,200,000	137,746	226,596	150,142
Median Household Income (\$)	57,974	43,791	48,155	47,709	47,319	50,146
Total Water Customers	25,348	18,937	181,622	44,410	60,519	40,755
Annual Growth (%)	0.9	2.3	0.3	1.7	2.4	1.4
Total Wastewater Customers	23,848	202,882	540,005	39,801	65,959	48,949
Annual Growth (%)	1.4	0.9	0.4	1.7	2.4	1.7
Top 10 Customers as % of Revenues	8	10	11	6	5	7
<b>Capacity</b>						
Age of Plant (Years)	14	19	13	12	12	12
Water Treatment Capacity Remaining (%)	41	78	67	52	57	53
Wastewater Treatment Capacity Remaining (%)	40	44	23	46	37	42
<b>Capital Demands and Debt Policies</b>						
Average Annual CIP Costs Per Customer (\$)	394	209	206	290	256	297
CIP Debt Financed (%)	37	78	50	60	46	49
Total Outstanding Debt to Net Plant Assets (%)	43	21	54	44	41	44
Debt to FADS (x)	7.6	5.2	11.0	6.4	5.1	6.4
Debt to Equity (x) <sup>a</sup>	2.8	1.3	5.1	3.8	3.8	3.2
Total Outstanding Long-Term Debt Per Customer (\$) <sup>b</sup>	1,747	501	1,565	1,446	1,367	1,527
Total Outstanding Long-Term Debt Per Capita (\$) <sup>b</sup>	509	173	334	400	463	425
Ten-Year Principal Payout (%)	33	46	30	37	55	38
Twenty-Year Principal Payout (%)	70	82	71	81	99	79
Projected Debt Per Customer — Year Five (\$) <sup>b</sup>	2,144	1,492	1,519	2,123	1,494	1,877
Projected Debt Per Capita — Year Five (\$) <sup>b</sup>	677	452	442	532	450	531
<b>Charges and Rate Affordability</b>						
Individual Water/Wastewater Utility Average Monthly Residential Bill (\$)	39	37	25	21	32	35
Individual Water/Wastewater Utility Average Annual Bill as % of Median Household Income (MHI)	0.9	0.9	0.5	0.7	0.9	0.8
Combined Water/Wastewater Utility Average Monthly Residential Bill (\$)	44	35	56	65	60	61
Combined Water/Wastewater Utility Average Annual Bill as % of MHI	0.8	1.0	1.9	1.6	1.3	1.4
Average Annual Projected Water Rate Increases (%)	5.7	7.5	5.6	5.0	4.5	5.0
Average Annual Projected Wastewater Rate Increases (%)	6.4	6.7	8.6	5.4	5.0	5.8
<b>Coverage and Financial Performance/Cash and Balance Sheet Considerations</b>						
Three-Year Historical Average Senior Lien ADS Coverage (x) <sup>b</sup>	3.0	2.7	2.0	2.3	3.0	2.7
Senior Lien ADS Coverage (x) <sup>b</sup>	2.8	2.0	1.7	2.1	2.3	2.3
Senior Lien ADS Coverage Excluding Connection Fees (x)	2.2	2.0	1.7	2.0	2.2	2.1
Minimum Projected Senior Lien ADS Coverage (x) <sup>b</sup>	1.9	2.0	1.8	1.7	1.9	1.8
Senior Lien MADS Coverage (x)	1.8	1.7	1.4	1.8	2.1	1.9
Senior Lien Debt Service as % of Gross Revenues	14	7	20	19	18	17
Three-Year Historical Average All-In ADS Coverage (x) <sup>b</sup>	2.7	2.0	1.4	2.1	2.3	2.3
All-In ADS Coverage (x) <sup>b</sup>	2.2	1.3	1.3	1.9	1.9	1.9
All-In ADS Coverage Excluding Connection Fees (x)	1.8	1.3	1.3	1.7	1.8	1.7
Minimum Projected All-In ADS Coverage (x) <sup>b</sup>	1.6	1.3	1.3	1.5	1.5	1.5
All-In MADS Coverage (x)	1.7	1.7	1.1	1.7	1.7	1.7
All-In Debt Service as % of Gross Revenues	16	12	24	22	23	20
Operating Margin (%)	29	14	31	34	36	33
Operating Cash Flow Ratio (x)	0.7	1.1	0.5	1.3	1.2	1.0
Operating Revenue Growth – Current Year (%)	4.3	0.5	(0.7)	2.0	6.8	3.6
Operating Revenue Growth – Three-Year Average (%)	6.7	3.0	2.6	3.8	4.8	5.3
Operating Expenditure Growth – Current Year (%)	5.2	(1.6)	3.8	3.9	7.2	4.3
Operating Expenditure Growth – Three-Year Average (%)	9.0	4.2	5.8	7.0	8.6	8.1
Days of Operating Revenues in Accounts Receivable	46	108	53	52	43	46
Days Cash on Hand <sup>b</sup>	339	52	236	357	289	328
Days of Working Capital <sup>b</sup>	398	160	150	302	322	331
Quick Ratio	3.0	4.1	1.8	3.0	2.8	2.9
Current Ratio	3.6	4.1	1.7	3.4	3.1	3.3
Free Cash as % of Depreciation <sup>b</sup>	98	41	45	78	81	83

<sup>a</sup>New with 2011 medians. <sup>b</sup>Indicates key ratio.

Appendix D: 2011 Medians Relative to System Size

	System Size Classification			All Credits
	Large	Medium	Small	
<b>Community Characteristics/Customer Growth and Concentration</b>				
Population	1,325,029	195,310	38,078	150,142
Median Household Income (\$)	48,610	50,939	47,613	50,146
Total Water Customers	237,376	55,575	13,876	40,755
Annual Growth (%)	0.5	1.7	1.2	1.4
Total Wastewater Customers	336,290	57,851	10,207	48,949
Annual Growth (%)	1.2	1.9	1.2	1.7
Top 10 Customers as % of Revenues	7	7	8	7
<b>Capacity</b>				
Age of Plant (Years)	14	13	12	12
Water Treatment Capacity Remaining (%)	55	54	51	53
Wastewater Treatment Capacity Remaining (%)	36	47	44	42
<b>Capital Demands and Debt Policies</b>				
Average Annual CIP Costs Per Customer (\$)	287	332	296	297
CIP Debt Financed (%)	69	42	34	49
Total Outstanding Debt to Net Plant Assets (%)	50	42	41	44
Debt to FADS (x)	9.2	5.8	5.4	6.4
Debt to Equity (x) <sup>a</sup>	4.0	2.9	3.2	3.2
Total Outstanding Long-Term Debt Per Customer (\$) <sup>b</sup>	1,755	1,479	1,446	1,527
Total Outstanding Long-Term Debt Per Capita (\$) <sup>b</sup>	418	341	482	425
Ten-Year Principal Payout (%)	27	37	45	38
Twenty-Year Principal Payout (%)	69	79	93	79
Projected Debt Per Customer — Year Five (\$) <sup>b</sup>	2,394	1,943	1,562	1,877
Projected Debt Per Capita — Year Five (\$) <sup>b</sup>	497	504	584	531
<b>Charges and Rate Affordability</b>				
Individual Water/Wastewater Utility Average Monthly Residential Bill (\$)	34	33	39	35
Individual Water/Wastewater Utility Average Annual Bill as % of Median Household Income (MHI)	0.7	0.8	1.0	0.8
Combined Water/Wastewater Utility Average Monthly Residential Bill (\$)	55	56	65	61
Combined Water/Wastewater Utility Average Annual Bill as % of MHI	1.9	1.2	1.7	1.4
Average Annual Projected Water Rate Increases (%)	5.7	5.1	4.9	5.0
Average Annual Projected Wastewater Rate Increases (%)	6.5	5.8	4.6	5.8
<b>Coverage and Financial Performance/Cash and Balance Sheet Considerations</b>				
Three-Year Historical Average Senior Lien ADS Coverage (x) <sup>b</sup>	2.4	3.0	2.5	2.7
Senior Lien ADS Coverage (x) <sup>b</sup>	2.2	2.7	2.0	2.3
Senior Lien ADS Coverage Excluding Connection Fees (x)	1.9	2.3	1.9	2.1
Minimum Projected Senior Lien ADS Coverage (x) <sup>b</sup>	1.8	1.9	1.6	1.8
Senior Lien MADS Coverage (x)	1.6	2.1	1.8	1.9
Senior Lien Debt Service as % of Gross Revenues	19	15	17	17
Three-Year Historical Average All-In ADS Coverage (x) <sup>b</sup>	1.8	2.4	2.4	2.3
All-In ADS Coverage (x) <sup>b</sup>	1.6	2.0	1.9	1.9
All-In ADS Coverage Excluding Connection Fees (x)	1.5	1.9	1.7	1.7
Minimum Projected All-In ADS Coverage (x) <sup>b</sup>	1.4	1.6	1.5	1.5
All-In MADS Coverage (x)	1.4	2.3	1.8	1.7
All-In Debt Service as % of Gross Revenues	27	18	18	20
Operating Margin (%)	35	32	32	33
Operating Cash Flow Ratio (x)	0.9	0.9	1.0	1.0
Operating Revenue Growth – Current Year (%)	3.1	3.5	4.0	3.6
Operating Revenue Growth – Three-Year Average (%)	3.9	5.9	5.0	5.3
Operating Expenditure Growth – Current Year (%)	3.1	5.3	4.1	4.3
Operating Expenditure Growth – Three-Year Average (%)	6.9	8.4	8.1	8.1
Days of Operating Revenues in Accounts Receivable	52	45	42	46
Days Cash on Hand <sup>b</sup>	256	362	290	328
Days of Working Capital <sup>b</sup>	217	361	302	331
Quick Ratio	2.1	3.2	3.1	2.9
Current Ratio	2.3	3.6	3.6	3.3
Free Cash as % of Depreciation <sup>b</sup>	58	95	74	83

<sup>a</sup>New with 2011 medians. <sup>b</sup>Indicates key ratio.

Appendix E: Year-Over-Year Sectorwide Medians Comparison

	2007	2008	2009	2010	2011
<b>Community Characteristics/Customer Growth and Concentration</b>					
Population	119,037	234,103	162,338	144,162	150,142
Median Household Income (\$)	40,656	45,733	45,820	47,179	50,146
Total Water Customers	37,299	61,076	50,410	37,264	40,755
Annual Growth (%)	2.5	2.4	1.6	1.7	1.4
Total Wastewater Customers	32,903	64,039	48,000	40,306	48,949
Annual Growth (%)	2.8	2.5	1.9	1.5	1.7
Top 10 Customers as % of Revenues	9	8	8	7	7
<b>Capacity</b>					
Age of Plant (Years)	13	13	12	13	12
Water Treatment Capacity Remaining (%)	53	50	50	54	53
Wastewater Treatment Capacity Remaining (%)	32	35	35	38	42
<b>Capital Demands and Debt Policies</b>					
Average Annual CIP Costs Per Customer (\$)	266	348	356	273	297
CIP Debt Financed (%)	62	63	66	60	49
Total Outstanding Debt to Net Plant Assets (%)	40	39	39	43	44
Debt to FADS (x)	—	—	4.9	5.5	6.4
Debt to Equity (x) <sup>a</sup>	—	—	—	—	3.2
Total Outstanding Long-Term Debt Per Customer (\$) <sup>b</sup>	1,012	1,185	1,454	1,297	1,527
Total Outstanding Long-Term Debt Per Capita (\$) <sup>b</sup>	—	—	379	375	425
Ten-Year Principal Payout (%)	40	30	40	39	38
Twenty-Year Principal Payout (%)	87	70	82	80	79
Projected Debt Per Customer — Year Five (\$) <sup>b</sup>	1,599	1,808	2,036	1,774	1,877
Projected Debt Per Capita — Year Five (\$) <sup>b</sup>	—	—	607	446	531
<b>Charges and Rate Affordability</b>					
Individual Water/Wastewater Utility Average Monthly Residential Bill (\$)	23	29	28	28	35
Individual Water/Wastewater Utility Average Annual Bill as % of Median Household Income (MHI)	0.6	0.7	0.8	0.7	0.8
Combined Water/Wastewater Utility Average Monthly Residential Bill (\$)	47	56	56	59	61
Combined Water/Wastewater Utility Average Annual Bill as % of MHI	1.4	1.4	1.3	1.5	1.4
Average Annual Projected Water Rate Increases (%)	4.1	4.4	4.9	5.3	5.0
Average Annual Projected Wastewater Rate Increases (%)	5.0	5.1	5.9	5.9	5.8
<b>Coverage and Financial Performance/Cash and Balance Sheet Considerations</b>					
Three-Year Historical Average Senior Lien ADS Coverage (x) <sup>b</sup>	—	2.7	3.0	2.9	2.7
Senior Lien ADS Coverage (x) <sup>b</sup>	2.3	2.8	2.9	2.6	2.3
Senior Lien ADS Coverage Excluding Connection Fees (x)	2.0	2.3	2.3	2.4	2.1
Minimum Projected Senior Lien ADS Coverage (x) <sup>b</sup>	1.8	1.9	1.9	1.9	1.8
Senior Lien MADS Coverage (x)	1.9	2.0	2.1	2.4	1.9
Senior Lien Debt Service as % of Gross Revenues	18	16	15	16	17
Three-Year Historical Average All-In ADS Coverage (x) <sup>b</sup>	—	—	2.1	2.4	2.3
All-In ADS Coverage (x) <sup>b</sup>	—	2.2	2.3	2.2	1.9
All-In ADS Coverage Excluding Connection Fees (x)	—	—	1.8	1.9	1.7
Minimum Projected All-In ADS Coverage (x) <sup>b</sup>	—	—	1.7	1.6	1.5
All-In MADS Coverage (x)	—	—	1.8	2.0	1.7
All-In Debt Service as % of Gross Revenues	—	20	21	18	20
Operating Margin (%)	34	36	33	32	33
Operating Cash Flow Ratio (x)	—	—	1.1	1.0	1.0
Operating Revenue Growth – Current Year (%)	5.4	8.0	7.1	4.5	3.6
Operating Revenue Growth – Three-Year Average (%)	—	—	6.5	6.0	5.3
Operating Expenditure Growth – Current Year (%)	5.0	8.4	7.3	6.2	4.3
Operating Expenditure Growth – Three-Year Average (%)	—	—	7.5	7.7	8.1
Days of Operating Revenues in Accounts Receivable	45	45	47	48	46
Days Cash on Hand <sup>b</sup>	266	313	331	344	328
Days of Working Capital <sup>b</sup>	279	316	345	361	331
Quick Ratio	—	—	2.9	3.3	2.9
Current Ratio	—	—	3.3	3.8	3.3
Free Cash as % of Depreciation <sup>b</sup>	—	—	122	107	83

<sup>a</sup>New with 2011 medians. <sup>b</sup>Indicates key ratio.

Appendix F: 2011 Medians Relative to Rating Category

	Rating Category			All Credits
	AAA	AA	A	
<b>Community Characteristics/Customer Growth and Concentration</b>				
Population	259,015	150,000	84,264	150,142
Median Household Income (\$)	67,858	48,772	47,319	50,146
Total Water Customers	84,466	38,053	33,723	40,755
Annual Growth (%)	1.1	1.4	1.7	1.4
Total Wastewater Customers	77,363	42,883	24,042	48,949
Annual Growth (%)	1.2	1.6	2.5	1.7
Top 10 Customers as % of Revenues	5	8	8	7
<b>Capacity</b>				
Age of Plant (Years)	13	13	8	12
Water Treatment Capacity Remaining (%)	51	55	50	53
Wastewater Treatment Capacity Remaining (%)	40	44	40	42
<b>Capital Demands and Debt Policies</b>				
Average Annual CIP Costs Per Customer (\$)	335	309	225	297
CIP Debt Financed (%)	41	50	36	49
Total Outstanding Debt to Net Plant Assets (%)	29	44	70	44
Debt to FADS (x)	5.5	6.7	8.2	6.4
Debt to Equity (x) <sup>a</sup>	1.8	3.5	6.0	3.2
Total Outstanding Long-Term Debt Per Customer (\$) <sup>b</sup>	1,223	1,502	2,341	1,527
Total Outstanding Long-Term Debt Per Capita (\$) <sup>b</sup>	375	410	563	425
Ten-Year Principal Payout (%)	36	39	32	38
Twenty-Year Principal Payout (%)	79	81	74	79
Projected Debt Per Customer — Year Five (\$) <sup>b</sup>	1,524	1,830	2,175	1,877
Projected Debt Per Capita — Year Five (\$) <sup>b</sup>	471	532	599	531
<b>Charges and Rate Affordability</b>				
Individual Water/Wastewater Utility Average Monthly Residential Bill (\$)	28	39	24	35
Individual Water/Wastewater Utility Average Annual Bill as % of Median Household Income (MHI)	0.6	0.9	0.7	0.8
Combined Water/Wastewater Utility Average Monthly Residential Bill (\$)	54	61	68	61
Combined Water/Wastewater Utility Average Annual Bill as % of MHI	1.0	1.5	1.7	1.4
Average Annual Projected Water Rate Increases (%)	6.0	5.0	6.0	5.0
Average Annual Projected Wastewater Rate Increases (%)	5.8	5.0	7.7	5.8
<b>Coverage and Financial Performance/Cash and Balance Sheet Considerations</b>				
Three-Year Historical Average Senior Lien ADS Coverage (x) <sup>b</sup>	3.1	2.7	2.0	2.7
Senior Lien ADS Coverage (x) <sup>b</sup>	2.6	2.3	1.8	2.3
Senior Lien ADS Coverage Excluding Connection Fees (x)	2.3	2.1	1.7	2.1
Minimum Projected Senior Lien ADS Coverage (x) <sup>b</sup>	2.0	1.8	1.5	1.8
Senior Lien MADS Coverage (x)	3.3	1.8	1.4	1.9
Senior Lien Debt Service as % of Gross Revenues	15	17	21	17
Three-Year Historical Average All-In ADS Coverage (x) <sup>b</sup>	2.6	2.3	2.0	2.3
All-In ADS Coverage (x) <sup>b</sup>	2.1	1.9	1.8	1.9
All-In ADS Coverage Excluding Connection Fees (x)	1.9	1.7	1.7	1.7
Minimum Projected All-In ADS Coverage (x) <sup>b</sup>	1.8	1.5	1.5	1.5
All-In MADS Coverage (x)	3.1	1.7	1.8	1.7
All-In Debt Service as % of Gross Revenues	17	20	26	20
Operating Margin (%)	29	34	35	33
Operating Cash Flow Ratio (x)	0.8	1.0	0.9	1.0
Operating Revenue Growth – Current Year (%)	1.5	3.6	5.0	3.6
Operating Revenue Growth – Three-Year Average (%)	4.4	5.3	7.4	5.3
Operating Expenditure Growth – Current Year (%)	7.5	3.8	2.2	4.3
Operating Expenditure Growth – Three-Year Average (%)	8.2	7.9	8.4	8.1
Days of Operating Revenues in Accounts Receivable	53	44	52	46
Days Cash on Hand <sup>b</sup>	625	292	231	328
Days of Working Capital <sup>b</sup>	532	330	123	331
Quick Ratio	3.2	3.0	2.0	2.9
Current Ratio	3.2	3.5	2.0	3.3
Free Cash as % of Depreciation <sup>b</sup>	94	80	85	83

<sup>a</sup>New with 2011 medians. <sup>b</sup>Indicates key ratio.

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