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August 13, 2014

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OREGON PUBLIC UTILITY COMMISSION
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**RE: Docket No. UE 283 –In the Matter of
PORTLAND GENERAL ELECTRIC COMPANY, Request for a General
Rate Revision.**

Enclosed for electronic filing is Staff Redacted Rebuttal Testimony in
UE 283.

The following confidential testimony pages and exhibit are mailed to
Parties who have signed Protective Order 14-043.

Exhibit 1600, pages 2 and 3 and
Exhibit 1601, page 1

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c: UE 283 - Service List (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

UE 283

STAFF REBUTTAL TESTIMONY OF

**GEORGE R. COMPTON &
SUPARNA BHATTACHARYA
MATT MULDOON
JOHN CRIDER
MARIANNE GARDNER**

**In the Matter of
PORTLAND GENERAL ELECTRIC COMPANY,
Request for a General Rate Revision.**

**REDACTED
August 13, 2014**

CASE: UE 283

WITNESSES: GEORGE R. COMPTON
& SUPARNA BHATTACHARYA

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF JOINT EXHIBIT 1300

Remaining Rate Spread/Cost-Of-Service Issues

August 13, 2014

1 **Q. Please state your names, occupation, and business address.**

2 A. My name is George R. Compton. I am a Senior Economist in the Energy –
3 Rates, Finance, and Audit section of the Public Utility Commission of Oregon.
4 My business address is 3930 Fairview Industrial Dr. SE, Salem, Oregon 97308-
5 1088.

6 My name is Suparna Bhattacharya. I am a utility Economist in the Energy –
7 Rates, Finance, and Audit section of the Public Utility Commission of Oregon.
8 My business address is 3930 Fairview Industrial Dr. SE, Salem, Oregon 97308-
9 1088.

10

11 **Q. Have you filed opening testimony in this proceeding?**

12 A. Yes, we filed opening testimony Exhibit 700 and Exhibit 800; our qualification
13 statements are provided in Exhibit Staff/ 701 and Exhibit Staff/801.

14

15 **Q. What is the purpose of this testimony?**

16 A. In this testimony we respond to the Energy-Efficiency (EE) and Marginal-Cost-
17 of-Service and related rate spread issues that are addressed on behalf of the
18 Citizens' Utility Board of Oregon (CUB) by Bob Jenks and Jaime McGovern in
19 their joint Opening Testimony, Exhibit CUB/100.¹

20

21 **CUB's Proposal to Re-Allocate Energy Costs from**
22 **Residential to Industrial Customers: Introduction**

23

24 **Q. Have you reviewed Section IV labeled "Energy Efficiency and Marginal**
25 **Cost of Service," and Section V, labeled "Overcoming the Cap on Industrial**
26 **EE" of CUB's Opening Testimony?**

27 A. Yes.

¹ "IV. Energy Efficiency and Marginal Cost of Service," CUB/100, Jenks-McGovern/20. Related is
"V. Overcoming the Cap on Industrial EE," CUB/100, Jenks-McGovern/37.

1 **Q. What are the primary concerns expressed by CUB in Sections IV and V of**
2 **their testimony?**

3 A. The two primary concerns are: 1) a legal cap placed upon energy efficiency
4 (EE) projects conducted by the ETO (Energy Trust of Oregon) for PGE's
5 industrial customers is being reached, thereby compromising best-cost-
6 efficiency opportunities;² 2) ETO contributions from the residential class far
7 outstrip the project funding directed back to that class.³ A prime source of
8 these concerns is the fact that "SB 838 allowed additional funding for EE, but
9 put a cap on the amount of funding that a utility could receive from customers
10 with loads of more than 1aMW."⁴ The industrial EE project cap is generally
11 viewed as the quid pro quo of the cap placed on the funding paid out by those
12 large customers. Limits placed on EE funding by large industrial customers are
13 supposed to translate to limitations placed on the "direct benefits" which those
14 customers receive from EE.

15 **Q. What is the primary mechanism that CUB suggests for dealing with these**
16 **concerns?**

17 A. CUB suggests including energy efficiency within the marginal cost of service.
18 They introduce a methodology that would credit the residential class for its full
19 ETO contributions by way of a reduced energy cost allocation that would be
20 offset by an increased allocation to industrial customers.⁵

21 **Q. How, in CUB's estimation, would altering the energy cost allocation**
22 **resolve the concerns identified above?**

23 A. In CUB's view, shifting a significant portion of the revenue requirement from
24 residential customers to industrial customers corrects the inequity of residential
25 ratepayers' funding, through the ETO, more industrial energy efficiency projects
26 than residential projects.⁶ Also, CUB believes that increasing the industrial

² See CUB/100, Jenks-McGovern/37, Section V.

³ See CUB/100, Jenks-McGovern/28, lines 14-20.

⁴ See CUB/100, Jenks-McGovern/42, lines 14-16. SB 838 and its implications are discussed in some detail later in this testimony.

⁵ This is the subject of Section IV. of CUB's testimony (CUB/100, Jenks-McGovern/20-37).

⁶ See CUB/100, Jenks-McGovern/39, lines 10-20.

1 revenue requirement would neutralize the prohibition against “direct benefits”
2 that industrial customers would derive from the added EE made possible by SB
3 838.⁷ Eliminating *net* benefits would render moot the basis of the cap placed
4 by SB 838 on the funding of any industrial EE projects possibly attributable to
5 the added revenues collected under SB 838.

6 **Q. Do you agree with how CUB would resolve their concerns in this general**
7 **rate case? If not, why not?**

8 A. While Staff is sympathetic to both issues CUB is addressing, we do not agree--
9 for two primary reasons. First, we believe CUB’s approach may violate SB
10 838, which in Staff’s estimation places both a cap on charges for energy
11 efficiency funding that can be assessed to industrial customers larger than 1
12 aMW and limits the amount of ETO funding that can be directed to EE projects
13 for those same customers. The CUB approach would allow a portion of the
14 additional Energy Trust funding provided by residential customers under SB
15 838 to benefit the specific individual industrial customers, including customers
16 over 1 aMW, who participate in ETO-funded projects. At the same time, all
17 industrial customers would receive a rate increase due to the cost allocations
18 shift away from residential customers. Both outcomes appear to be in conflict
19 with SB 838.

20 Second, we do not believe, given the PGE resource supply and cost
21 structure, that EE/conservation (ETO funded or otherwise) constitutes a
22 marginal cost resource for the purpose of rate case cost allocations and pricing.
23

24 **I. Energy Efficiency as a Marginal Cost Resource**

25
26 **Q. What is the basis for CUB’s assertion that energy efficiency is a marginal**
27 **cost resource?**

28 A. They say, “for Oregon residential customers, EE [energy efficiency] has been
29 the primary resource added to meet growth. Therefore, as the go-to resource,

⁷ See CUB/100, Jenks-McGovern/36, lines 2-6; and Jenks-McGovern/38, lines 13-23 through
Jenks-McGovern/39, lines 1-9.

1 EE must be included in the modeling of energy marginal costs.”⁸ CUB also
2 shows EE comprising 20% of PGE’s 2025 “projected cumulative new
3 resources,” with base-load gas only comprising 51%.⁹

4 **Q. Do you consider EE as a marginal cost resource?**

5 A. No. EE is a system resource that is comparable to conventional generation
6 resources in the sense that EE can supplant or be a substitute for the latter.
7 But that comparability does not make EE a marginal cost resource. A marginal
8 cost resource is one whose level is adjusted up or down to meet changes in
9 electricity use. While EE has taken place and in the future will continue to take
10 place in the presence of load growth, and while the presence of EE allows PGE
11 to install less gas capacity than otherwise, load growth, per se, does not cause
12 EE to occur at the high level that is being projected.

13 Conservation/EE is acquired to the extent money is available to fund Energy
14 Trust activities. *An increase or decrease in loads does not cause an increase or*
15 *decrease in EE in order to meet that increase or decrease.* Given PGE’s
16 resource supply mix and cost structure, the overriding consequence of PGE
17 adjusting future growth projections would be to alter the megawatts of thermal
18 capability connected with the 51% gas plant figure noted above.¹⁰

19 It is true that were there no growth in loads or no need to replace plant that is
20 retired due to age or obsolescence, there would be less value in conservation
21 because no new plant or other capacity investment would be avoided due to
22 the improved energy efficiency.

23 **Q. Earlier you made the connection between having a marginal cost**
24 **resource and pricing. Would you please elaborate?**

⁸ See CUB/100, Jenks-McGovern/20, lines 17-20.

⁹ See CUB/100, Jenks-McGovern/32.

¹⁰ If, for example, PGE were to elevate its 2030 growth needs by 100 aMW (gross of conservation), the expected added capacity expansion would be nearly 75 aMW of thermal, and nearly 25 aMW of renewable resources, with the only aMW of EE being what was funded by the extra ETO revenues generated by the added gross revenues associated with the added 100 aMW of load.

1 A. In their Reply Testimony explaining how “CUB’s proposal go[es] beyond
2 traditional marginal cost analysis,” PGE’s Jay Tinker and Christopher Liddle say
3 the following (with my addition in brackets):

4 Marginal cost analysis is aimed at determining the cost of
5 generating an additional increment of output (marginal
6 generation capacity and marginal energy costs) to meet an
7 increment of load, so that prices can lead to efficient
8 consumption decisions by consumers. Energy efficiency is
9 not a traditional capacity or energy resource [in the sense
10 that it is adjusted upwards or downwards in the presence of
11 conventional increases or decreases in electricity demand].¹¹

12 An economic ideal is to have electricity prices reflect marginal energy and
13 capacity costs. It has long been Oregon’s regulatory policy to allocate costs in
14 a manner in keeping with that economic ideal—hence the use of what are
15 effectively marginal costs for the purpose of allocating costs among customer
16 schedules rather than using, solely, embedded/average costs.

17 Conservation should be part of any analysis to supply electricity at least cost.
18 However, cost effective conservation should be acquired regardless of load
19 growth and from that standpoint is not a resource that is added primarily if there
20 is additional electricity use or a requirement to replace fully depreciated plant
21 with expensive new plant.

22 23 **II. CUB’s Proposal is of Dubious Legality**

24
25 **Q. Earlier in this testimony you mentioned CUB’s complaint that “ETO**
26 **contributions by the residential class far outstrip the project funding**
27 **directed back to that class,” and that, according to CUB, this inequity**
28 **should be rectified by “shifting a significant portion of the revenue**
29 **requirement from residential customers to industrial customers” via the**
30 **marginal cost study. What is CUB’s cost re-allocation mechanism by**
31 **which that objective would be accomplished?**

¹¹ See PGE/1600, Tinker-Liddle/26, lines 11-15.

1 A. CUB's approach is to *not* base the different rate schedules' energy cost
2 allocations on the shares of energy consumed by each schedule but rather on
3 what those shares would be if subtracted from each schedules' consumption
4 was an amount of aMW of conservation that was secured by that schedule's
5 ETO contributions—regardless of where the ETO projects were actually
6 targeted. Based upon the previously mentioned 20% "contribution" towards
7 "cumulative new resources,"¹² the total secured conservation figure used by
8 CUB is 20% of the load projected for cost allocations purposes. Each customer
9 schedule would have its allocated load reduced by the portion of that 20% that
10 it funded, i.e., without regard for what schedules actually had their loads
11 reduced by the ETO-funded conservation projects.¹³ This way, for example, if
12 the residential class funded half of the ETO projects, it would have its load
13 reduced for marginal cost allocations purposes by the entire amount of aMW
14 that were avoided by half the projects *even if the entire ETO funding was*
15 *dedicated to projects that actually reduced large industrial loads* and nothing
16 went to reducing residential loads.

17 **Q. For customer schedules to reap the benefits of what they paid for sounds**
18 **eminently reasonable. What could be wrong with that?**

19 A. As stated in the introductory segment of this testimony, Staff has legal
20 concerns regarding CUB's approach.

21 **Q. Would you please provide some background on the legal issues?**

22 A. The 2007 legislature adopted SB 838. It authorized, for all but the largest
23 customers, public purpose charges beyond the standard 3% level that was
24 introduced by SB 1149. To avoid inequities caused by the larger customers'
25 not sharing in the increased ETO burden, SB 838 declares that those
26 customers should not benefit from projects bankrolled by the added funding
27 coming from the other customer schedules.

28 **Q. What is the precise SB 838 text to which you refer?**

¹² See CUB/100, Jenks-McGovern/32.

¹³ CUB describes this methodology at CUB/100, Jenks-McGovern/31-34.

1 A. It is as follows:

2 (2) The commission shall ensure that a [added emphasis] retail electricity
3 customer [singular, added emphasis] with a load greater than one average
4 megawatt:

5 (a) Is not required to pay an amount that is more than three percent of the
6 consumer's total cost of electricity service for the public purpose charge
7 under ORS 77.612 and any amounts included in rates under this section;
8 and

9 (b) Does not receive any direct benefit from energy conservation
10 measures if the costs of the measures are included in rates under this
11 section.

12 **Q. Attempting to make straightforward interpretations of the above**
13 **language, how might you question the legality of the CUB proposal which**
14 **you have just described?**

15 A. First, the CUB plan does nothing to limit the benefits received *individually* from
16 large industrial customers who are fortunate to receive EE funding from the
17 ETO for projects specific to those customers. In fact, CUB lauds its proposal
18 for its ability to, in its estimation, get around the direct-benefit provision of (2)(b)
19 by virtue of its causing industrial customers to experience a rate increase that
20 would offset the benefits those customers receive from the EE projects.¹⁴ But,
21 obviously, the EE projects won't be spread uniformly across the industrial class.
22 *Some* industrial customers will benefit far more than would be offset by the rate
23 increase they would share with *all* of the industrial class. Staff concludes that
24 CUB's approach will allow continued EE funding to large industrial customers,
25 which would violate the (2)(b) prohibition against a large customer receiving a
26 direct benefit (via a dedicated ETO EE project) from the additional EE funding
27 made possible by SB 838.

28 Second, the added industrial rate increase perpetrated under the CUB
29 proposal is inconsistent with (2)(a) of SB 838, which prohibits a large customer

¹⁴ The industrial rate increase makes possible the residential rate decrease, which in turn compensates the latter customers for their added ETO funding, most of which ostensibly would be going into the industrial EE projects. See CUB/100, Jenks-McGovern/41, line 18 to Jenks-McGovern/42 ("Section E. Implementing CUB's Proposed Marginal Cost Study Will Allow Residential And Small business Customers To Purchase All The Cheap EE Available From Industrial Customers Because Residential And Small Business Customers Will Get Credit For That Purchase").

1 (whether or not it participates in any ETO EE projects) from having to pay
2 more than the three percent standard for, or in behalf of, “the public purpose.”

3 **Q. You just referred to the “prohibition against a large customer receiving a**
4 **direct benefit (via a dedicated ETO EE project) from the additional EE**
5 **funding made possible by SB 838” Doesn’t CUB propose to get around**
6 **that stricture by imposing a separate definition of “direct benefit”—i.e., by**
7 **asking “the Commission [to] recognize that the direct benefit of EE is**
8 **lower power costs, and not the receiving of incentive payments” for EE**
9 **projects. CUB continues, “then the proper way to implement the SB 838**
10 **cap would be to place the cap on the receipt of direct benefits [as just**
11 **defined by CUB] and not on the receipt of incentive payments through EE**
12 **programs aimed at a customer class [in our case the large industrial**
13 **customers]. This could be done by implementing the marginal cost/cost**
14 **allocation approach advocated for by CUB.”¹⁵ Please respond.**

15 A. Preceding your citation was the sentence, “The direct benefit to all customers
16 (industrial and non-industrial alike) is the lower cost associated with energy
17 efficiency.”¹⁶ Staff agrees that all customers benefit *on a systems basis* from
18 cost-effective EE. But even if the CUB-defined direct benefits to large industrial
19 customers are precisely offset by their proposed rate increase¹⁷, there remain
20 the benefits which *some* customers receive *directly* from the ETO-funded EE
21 projects dedicated to *them*. Are we supposed to refer to these latter benefits as
22 “indirect benefits”? I would say that it makes more sense to refer to these latter
23 as the “direct benefits,” with the *system* benefits that all customers receive from
24 the specific EE projects labeled as the “indirect benefits.” But the point is that
25 however one chooses to label the benefits that the target customers receive
26 from the EE projects, they are benefits indeed. In saying that the large
27 customers are “not [to] receive any direct benefit from [the designated]

¹⁵ See CUB/100, Jenks-McGovern/38, lines 21-23 through Jenks-McGovern/39, lines 1-3.

¹⁶ See CUB/100, Jenks-McGovern/38, lines 19-20.

¹⁷ As a technical matter I did not see where CUB actually measured the system benefit from EE in terms of reduced power costs to large industrial customers so that they could be offset by some rate increase to those customers.

1 conservation measures,” clause (2)(b) should not be held hostage to a
2 semantic distinction as to what constitutes a direct benefit versus what
3 constitutes an indirect benefit.

4 **Q. Have you prepared a simplified numerical example that captures the**
5 **essence of the CUB approach and illustrates how the cited passages**
6 **from SB 838 would be violated by its adoption?**

7 A. Yes I have. The following shows ETO-funded conservation reducing loads by
8 20%. For illustrative purposes, and in keeping with the presumption that the
9 funding of industrial EE is more cost-beneficial than funding residential EE, the
10 entire load reduction occurs with the industrial class, although the large bulk of
11 the ETO funding comes from the residential class. As seen below, the CUB
12 approach adjusts loads *for allocations purposes* in order to reflect differences in
13 ETO *funding* between the customer classes.

14 , Hypothetical Loads Absent ETO-Funded Conservation

<u>Customer Class</u>	<u>Hypothetical Load</u>
Residential	700 aMW
Industrial	<u>500 aMW</u>
Total	1,200 aMW

20 Achieved Loads and Conventional Energy Cost Allocations

<u>Customer Class</u>	<u>Actual Load</u>	<u>Share of Energy Costs</u>
Residential	700 aMW	70%
Industrial	<u>300 aMW (1)</u>	<u>30%</u>
Total	1,000 aMW	100%

25 CUB'S Alternative Energy Cost Allocation Approach

<u>Customer Class</u>	<u>Adjusted Load</u>	<u>Share of Energy Costs</u>
Residential	520 aMW (3)	65%
Industrial	<u>280 aMW</u>	<u>35%</u>
Total	800 aMW (2)	100%

- 30 (1) In this example, all of the ETO-funded EE goes to the Industrial Class (reducing the load
31 from 500 aMW to 300 aMW). For illustration purposes, the level of EE is exaggerated.
32 (2) The adjusted total load is reduced by 20% from the projected actual load as justified by
33 CUB above in this testimony.
34 (3) The Residential Class receives a much larger load reduction *adjustment* (from 700 aMW
35 down to 520 aMW) due to having contributed proportionately more to the ETO funding

1 pool than, by assumption, did the Industrial Class. This same disparity in ETO
2 contributions is shown in Jenks-McGovern’s Table 7¹⁸, where, for example, Residential
3 Schedule 7 is shown (in the first numerical column) as having only slightly more than 7
4 times the load of Industrial Schedule 89, but benefits from some 34 times the energy
5 allocation offset (column 3) due to, ostensibly, having made 34 times Schedule 89’s ETO
6 contribution.

7 What we see from this example is that the relative generosity of the Residential
8 Class in supporting “outsized” ETO-funded industrial EE causes the Industrial
9 Class to experience a rate increase in the sense that it would bear energy costs
10 (at 35%) that are above its proportion of energy consumption (at 30%). That
11 rate increase will apply to all the industrial customers—not just to those who
12 benefit directly from the ETO-funded conservation projects.

13 **Q. What does Staff conclude from your numerical illustration?**

14 A. Funding additional EE for industrial customers, including customers over 1
15 aMW, and increasing the rates for these customers are contrary to a plain
16 reading of SB 838.

17 **Q. Having rejected the CUB approach, how would Staff eliminate the**
18 **concerns about industrial customers receiving outsized EE benefits**
19 **compared to their ETO contributions?**

20 A. “Fairness” holds that since all customers benefit equally from *system* benefits
21 obtained from ETO-funded EE, all customers should contribute equally.¹⁹ The
22 obvious legal remedy to achieve this would be to repeal, or dramatically revise,
23 SB 838 so that all customers would indeed contribute equally. Also implied in
24 statements by CUB is that the public purpose charge should be applied just to
25 the energy portion of customers’ bills, not to the entire portion.²⁰ Residential
26 customers bear a differentially greater burden due to their disproportionately

¹⁸ See CUB/100, Jenks-McGovern/34.

¹⁹ As CUB has said, “[t]he direct benefit of any EE investment is the benefit of a system that functions at a lower cost and functions more efficiently. [All] Customers benefit from EE because it lowers the costs of the utility and puts downward pressure on rates. Large customers benefit for the same reason as all customers.” CUB/100, Jenks-McGovern/41, lines 10-13.

²⁰ See CUB/100, Jenks-McGovern/26, lines 10-20.

1 greater distribution costs compared to what are incurred by large industrial
2 customers.

3

4 **Q. Does this conclude your rebuttal testimony?**

5 A. Yes.

6

7

CASE: UE 283
WITNESS: MATT MULDOON

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 1400

Return on Equity (ROE)

August 13, 2014

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is Matt Muldoon. My business address is 3930 Fairview Industrial
3 Dr. SE, Salem, Oregon 97302-1166.

4 **Q. Are you the same Matt Muldoon that offered direct testimony on behalf**
5 **of Staff?**

6 A. Yes and my Witness Qualification Statement is found in Exhibit Staff/201,
7 Muldoon/1.

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to address PGE's criticisms that the Staff
10 analysis:

- 11 • Has "technical errors" that bias its results downward,¹
- 12 • "Does not consider information from models other than the multi-stage
13 DCF model, and consequently ignores information from current market
14 conditions,"²
- 15 • Fails to take into account that PGE has more risk than other utilities, and
- 16 • Does not include utilities subject to generation-incentive regulation in
17 national average of ROEs used as a reasonableness check on Staff's
18 modeling results.

19 **Q. Did you prepare exhibits in support of this testimony?**

20 A. Yes. Please see Exhibits Staff/1401-1408.

¹ PGE/2000, Villadsen/3-4.

² PGE/2000, Villadsen/2-3. See also PGE/2000, Villadsen/6 ("Staff testimony relies exclusively on multi-stage DCF models.")

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Q. How is your testimony organized?

A. My testimony is organized as follows:

Issue 1 – Informed Staff Analysis page 2
Issue 2 – PGE Allegations page 8
Issue 3 – ICNU’s Analysis page 20
Issue 4 – Common Equity Flotation Costs page 23
Conclusion page 25

Staff Exhibits:

- Staff / 1401 – Update of Staff’s Value Line (VL) Dividends
- Staff / 1402 – Update of Staff’s VL Earnings per Share (EPS)
- Staff / 1403 – Total U.S. Population Trend
U.S. Department of Commerce Census Bureau
Accessed via St. Louis Federal Reserve FRED system
- Staff / 1404 – “America’s Lost Oomph –
Why Its Long-Term Growth Rate Has Slowed”
The Economist, July 2014
- Staff / 1405 – Value Line (VL) Reports
- Staff / 1406 – Spreads Over U.S. Treasuries for A vs. B Ratings
Bloomberg CRVF Function Plot as of July 3, 2014
- Staff / 1407 – Electric Utilities Get No Jolt Despite Improving
Economy, Electricity Sales Anemic for Seventh Year in
a Row by Rebecca Smith – WSJ – Jul. 28, 2014
- Staff / 1408 – PGE Earnings Conference Call Second Quarter 2014,
Selection of Slides of July 29, 2014 Pertaining to CAPX

Issue 1 – Informed Staff Analysis

Q. Do you agree that Staff did not take into account information from other models?

26
27

1 A. No. Staff performed a constant-growth DCF model analysis using the
2 Company's inputs and methods and performed a rough equity risk premium
3 analysis relying on an approach discussed by Professor Roger Ibbotson of the
4 Yale School of Management in *Rethinking the Equity Risk Premium*.³

5 **Q. Do you agree that Staff did not consider information from current**
6 **market conditions?**

7 A. No. *Staff's* analysis includes analysis of the current economic climate and its
8 impact on Staff's estimates of long-term growth.⁴ In addition to the inputs into
9 its DCF models based on current stock prices, Staff:

- 10 • Describes two material economic conditions changes since PGE's last
11 general rate case: investors' expectations of inflation dropped 15 basis
12 points, and the U.S. Social Security Administration (SSA) projections of
13 lower population growth and no delayed productivity surge after the 2008
14 great recession,⁵
- 15 • Cites to current analysis from the Energy Information Administration of the
16 Department of Energy (EIA) regarding forecasted GDP growth rates and
17 forecasted growth in electricity delivery,⁶ and
- 18 • Discusses an April 2014 Standard and Poor's (S&P) GICS Scorecard on
19 whether utilities are becoming a larger part of the U.S. economy.

3 Staff/200, Muldoon/24-25.

4 Staff/200, Muldoon/12-17.

5 Staff/200, Muldoon/14-16.

6 Staff/200, Muldoon/16-18.

1 **Q. Did Staff develop its recommendations while informed by authorized**
2 **ROEs in other parts of the country?**

3 A. Yes. Staff also analyzed recently authorized ROEs across the nation and
4 performed a rough equity risk premium analysis based on PGE's current stock
5 price.⁷

6 **Q. Do you agree that Staff's multi-stage DCF analysis has technical**
7 **errors?**

8 A. I do not. The "technical errors" that PGE identifies are not mistakes in Staff's
9 analysis but are methodological choices with which PGE disagrees. In order
10 to respond to PGE's criticisms, Staff will briefly describe Staff's analysis and
11 then address PGE's assertions.

12 **Q. Did Staff use robust and proven analytical methodologies?**

13 A. Yes. Staff performed two different multi-stage DCF models, a "30-Year Three
14 Stage Discounted Dividend Model with Terminal Valuation based on Growing
15 Perpetuity" (Model X) and a "30 Year Three-Stage Discounted Dividend Model
16 with Terminal Valuation based on P/E Ratio" (Model Y), using a cohort of proxy
17 companies obtained using seven criteria (screens).

18 **Q. Briefly describe this modeling again.**

19 A. For the first stage of the model, Staff estimated growth for each proxy company
20 using Value Line. For the second stage of the model (years 6-10), Staff
21 transitioned gradually from the Value Line forecast to the rate of long-term

⁷ Staff/200, Muldoon/18-20.

1 growth. For the third stage of the model, Staff used three different estimates of
2 long-term growth in the Gross Domestic Product (GDP).

3 **Q. As the growth rate is pivotal in this case, please describe what long-**
4 **term growth rates Staff relied on.**

5 A. The lowest estimate of long-term GDP growth, 5.02 percent, is a weighted
6 average of historic GDP and forecasts from three federal sources. Fifty-
7 percent weight is applied to the aggregate estimates of long-term GDP by the
8 U.S. Energy Information Administration (EIA), the Office of Management and
9 Budget (OMB), and the Congressional Budget Office (CBO), with each federal
10 source receiving one-third of the 50 percent weight. The remaining 50 percent
11 is the average annual historical real GDP growth rate, established with a
12 regression analysis, for the period 1980 through 2013, to which Staff applied
13 the TIPs inflation forecast.⁸

14 **Q. What is Staff's second growth rate?**

15 A. Staff's second long-term growth rate, 5.35 percent, is the average historical
16 real GDP growth rate, established using regression analysis for the period
17 1980 through 2013, to which Staff applied the TIPS inflation forecast.⁹

18 **Q. Is Staff's analysis and recommendation ignoring highest one in ten**
19 **super optimistic forecasters of GPD Growth?**

20 A. No. Staff's third and highest growth rate, 5.78 percent, is the Indiana Blue Chip
21 Top 10 growth projection. This reflects the growth that 9 of 10 referent and

⁸ Staff/200, Muldoon/12-13.

⁹ Staff/200, Muldoon/13.

1 informed Blue Chip survey responders would find higher than they could
2 support.

3 **Q. How are the three growth rates used in Staff's analysis?**

4 A. Using the cohort of proxy companies that met Staff's screens, Staff ran each of
5 its two DCF models three times, each time using a different long-term growth
6 rate.¹⁰

7 **Q. How did Staff evaluate the Company's peer cohort and test for the
8 impact of company size on its modeling results?**

9 A. After performing these initial six runs, Staff performed sensitivity analysis.

10 **Q. Please describe this process.**

11 A. First, Staff re-ran each model three times, again using the conservative, mid-
12 range, and optimistic long-term growth rates for the terminal growth stage as
13 described above, but this time including one additional company in the cohort
14 of proxy companies. The additional company had not been included in the
15 original cohort because it missed the target capital structure by a fraction of
16 one percent.¹¹

17 **Q. What was the next step?**

18 A. Next, Staff ran each of its models imposing a mid-capitalization (Mid-Cap) size
19 screen between two and ten billion capitalization to refine the cohort to utilities
20 with comparable capitalization to PGE.¹²

21 **Q. How did Staff test the impact of PGE's peer company selection?**

¹⁰ Staff/200, Muldoon/12-13.

¹¹ Staff/200, Muldoon/11.

¹² Staff/200, Muldoon/11.

1 A. Finally, Staff ran each of its models using PGE's cohort of 20 proxy companies,
2 again using the three different long-term growth rates for the third stage of
3 growth that are discussed above.¹³

4 **Q. How did Staff adjust for capital structures divergent to PGE's?**

5 A. Staff used the Hamada equation to de-lever or remove debt from the proxy
6 companies and then to re-lever or add debt to match PGE's 50 percent equity
7 target capital structure in this rate case.

8 **Q. What other adjustment does Staff make in this case?**

9 A. Staff makes an upward adjustment of 13 basis points to account for the cost of
10 PGE's equity flotation inclusive of a portion of interest carrying cost for an
11 equity forward provision.

12 **Q. Does Staff's range of reasonable ROE's encompass the entirety of**
13 **these modeling results including the results for each peer group and**
14 **sensitivity examined?**

15 A. Yes. The lower end of Staff's range of reasonable ROEs is most impacted by
16 Staff's composite growth rate, which is informed by federal forecasts of GDP
17 growth as compared to like projections from the same agencies a year ago.

18 **Q. Is the upper end of Staff's range of reasonable ROEs driven by results**
19 **from the Company's peer group utilizing the top growth rate?**

20 A. Interestingly no. Staff's Mid-Cap sensitivity generated higher required ROE
21 results than did the Company's peer group. Staff's upper range of reasonable

¹³ Staff/203.

1 ROEs is from the Mid-Cap sensitivity peer group utilizing the highest growth
2 rate adjusted for divergent capital structure from PGE's.

3 **Q. To clarify, Staff's recommendation includes results from the**
4 **Company's peer group, but because the Company's peer group did not**
5 **produce the highest modeling results, Staff's range of reasonable**
6 **ROEs brackets the results for the Company's peer group?**

7 A. Yes. Were Staff to rely on the Company's peer group and remove Staff's Mid-
8 Cap sensitivity peer set, Staff's upper limit in its range of recommended ROE's
9 would be five basis points lower.

10 **Issue 2 – PGE Allegations**

11 **Q. Please address PGE'S allegations regarding technical deficiencies.**

12 A. First, PGE asserts that Staff should have used actual 2012 Earnings per Share
13 (EPS) instead of forecasted 2012 EPS to estimate the 2016-2018 EPS for each
14 of the proxy companies, noting that it is preferable to use actuals when
15 possible.¹⁴

16 **Q. Is this material and dispositive?**

17 A. No. As PGE itself notes, substituting 2012 actual EPS for estimated has
18 "minimal impact on the results" of Staff's analysis.¹⁵

¹⁴ PGE/2000, Villadsen/15.

¹⁵ PGE/2000, Villadsen/18.

1 **Q. Has Staff updated the Value Line information anyway to capture as**
2 **much of the recent quarter's information as has been processed by**
3 **Value Line to date?**

4 A. Yes. Staff re-ran the models substituting more current quarter actual Value
5 Line information as was available on July 25, 2014. The results do not
6 materially inform or adjust Staff's recommendations. In any event, the updated
7 Value Line actual Dividends and Earnings per share are shown in Staff/1401
8 and Staff/1402.

9 **Q. What is the second PGE allegation?**

10 A. Second, PGE asserts that Staff "biased" the results of its analysis by excluding
11 from its cohort of proxy utilities any utility with a higher credit rating than PGE,
12 and inappropriately excluded companies with dividend reductions "some years
13 back" because the DCF model is forward looking.¹⁶ PGE also asserts that
14 Staff inappropriately included utilities with a larger capitalization than PGE in
15 Staff's cohort of proxy companies.

16 **Q. Doesn't proper peer screening and sensitivity analysis preclude such**
17 **concerns about Staff's modeling?**

18 A. Yes. Staff's selection of its cohort was based on application of seven different
19 screens. The multiple screens obtained a group of utilities reasonably
20 representative of PGE. Carefully selecting utilities comparable to PGE
21 obviates the need for outboard adjustments for specific PGE risk.

22 **Q. Does Staff's screening eliminate companies that are not like PGE?**

¹⁶ PGE/2000, Villadsen/12, 18.

1 A. Yes. As PGE notes, the companies with better credit ratings than PGE “have a
2 higher growth rate on average than Staff’s sample companies.”¹⁷ In other
3 words, the excluded companies’ growth rates are different than those utilities
4 that satisfied all of Staff’s screens; screens designed to identify companies that
5 are reasonably representative of PGE. PGE’s observation regarding the
6 excluded companies reinforces Staff’s conclusion that companies that had
7 higher credit ratings than PGE would not be representative of PGE for
8 purposes of determining its ROE. And, manipulating the screens in order to
9 get a cohort of proxy utilities that will produce more desirable results, as PGE
10 suggests, defeats the purpose of Staff’s rigid screening.

11 **Q. Can Staff provide examples as this discussion progresses to illustrate**
12 **what utilities are being discussed and how these utilities are or are not**
13 **representative of PGE?**

14 A. Yes. Staff will provide examples to illustrate its points in summary or as
15 modeling elements are discussed.

16 **Q. Please provide an exhibit showing the difference credit ratings make.**

17 A. Staff/1406 Muldoon/1 shows the spreads over U.S. treasuries that are
18 indicative of PGE’s borrowing costs when bonds are not secured by the utility’s
19 assets, relative to those of higher rated utilities like PacifiCorp.

20 It costs utilities operating on the lower credit rating curve, with the higher
21 spread over UST, more in fees to arrange for unsecured letters of credit and to

¹⁷ PGE/2000, Villadsen/16.

1 do other financing than companies operating on PacifiCorp's curve associated
2 with higher credit ratings.

3 **Q. Does this matter a lot on an everyday basis?**

4 A. It matters less when everything is going smoothly. But when a utility has
5 pressure on its earnings, interest coverage ratios, and other dimensions that
6 bankers and credit rating agencies care a lot about, these higher costs put
7 pressure on cash flows that could otherwise be used to increase dividends or
8 support activities growing the value of stock held. When the utility has to duck
9 or otherwise deal with a challenging situation, a higher credit rating affords
10 more headroom to use typical financing tools to usual effect. In contrast a
11 utility operating on PGE's credit spread curve has to work harder and more
12 creatively to achieve the same successful outcomes.

13 **Q. Why does PGE'S argument that Staff should not have excluded**
14 **companies that recently cut their dividends because DCF analysis is**
15 **forward looking make little sense.**¹⁸

16 A. A glance at Yahoo Finance confirms that the majority of PGE's shareholders,
17 as well as those of its potential electric utility peers, are institution investors and
18 fund managers. These conservative investors match predictable cash flows to
19 portfolios of assets that meet the needs of specific funds and counter cash
20 flows like insurance payout obligations. Companies that cut dividends, even
21 for ostensibly good reasons like investment in new generation and
22 transmission or to acquire other utilities or utility assets, may have their stock

¹⁸ PGE/2000, Villadsen/12.

1 prices hammered by investors who counted on predictable dividend cash flows
2 into the future.

3 And once a dividend-paying security with a formerly predictable pattern of
4 dividend issuance fails to meet dividend expectation, burned investors and
5 money managers are reluctant to risk their money or reputation again on the
6 same security for some time. Accordingly, Staff typically screens out utilities
7 that have cut dividends for a period of four to five years.

8 **Q. Does Staff find that utilities that have recently cut dividends are like**
9 **PGE or that investors expect PGE is about to cut dividends?**

10 A. No.

11 **Q. PGE has concerns with respect to Staff's inclusion of utilities with**
12 **more capitalization than PGE. Is this a valid concern?**

13 A. No. PGE fails to recognize that Staff performed sensitivity analysis that limited
14 the cohort utilities to Mid-Cap regulated electric utilities with similar
15 capitalization as PGE. Staff's upward point of its reasonable range of ROEs is
16 five bps higher than like analysis based on PGE's peer cohort.¹⁹

17 **Q. Please explain that further.**

18 A. Staff's sensitivity analysis included model runs using the cohort of companies
19 used by PGE and the three estimates of long-term growth used in Staff's initial
20 modeling. And, as already noted, Staff upper bound of its reasonable range of
21 ROEs is driven neither by Staff's primary peer group, nor by PGE's peer

¹⁹ See Staff/203 Muldoon/1 Model Y with Blue Chip Top 10 Growth for comparison of five bps difference between Company peer group results and results for Staff's Mid-Cap cohort.

1 cohort. Rather, Staff's Mid-Cap sensitivity peer set generated the highest
2 merited ROE.

3 **Q. If the upper limit of Staff's range of reasonable ROEs is driven by its**
4 **Mid-Cap sensitivity analysis, which generated higher ROE results than**
5 **using PGE's own peer group, then where is the bias regarding Cap-**
6 **size?**

7 A. There is none.

8 **Q. PGE asserts that the long-term growth rate used to determine the**
9 **lower end of Staff's range of reasonable ROEs (the weighted average**
10 **of government-issued GDP forecasts and historic GDP), may be too**
11 **low because Staff did not include a more optimistic growth rate**
12 **forecast along with the government-issued forecasts, and because**
13 **Staff relies on a regression analysis to determine the average**
14 **historical growth in GDP rather than relying on a simple arithmetic**
15 **average. What is Staff's response?**

16 A. PGE misses the point of Staff's use of three different estimates of long-term
17 growth.

18 Staff performed its models using estimates of long-term growth that ranged
19 from conservative (weighted average of government-issued forecasts and
20 annual historical average) to optimistic (Blue Chip Top 10) expectations.

21 Tempering the conservative forecasts of the federal agencies with a more
22 optimistic forecast would serve no analytical purpose. Notably, the low end of

1 Staff's range of reasonable ROEs is balanced by the high end based on
2 optimistic estimates of long-term growth.

3 **Q. Provide an article in lay terms that explains what direction U.S. GDP**
4 **growth is taking and offers a material explanation why.**

5 A. Please see two recent articles from the July edition of The Economist in
6 Staff/1404. This is material in light of the U.S. Energy Information
7 Administration recent statement that it "no longer foresees any sustained
8 period in which electricity sales will keep pace with GDP growth".²⁰

9 **Q. Does PGE's assertion that Staff should have used an arithmetic**
10 **average of historical GDP rather than a geometric average (regression**
11 **analysis) because the geometric average understates historical growth**
12 **in GDP have any merit?**²¹

13 A. No. Staff's use of a geometric average to estimate long-term growth is
14 consistent with past Commission practice. The Commission concluded in a
15 previous docket:

16 The evidence of record indicates that neither the geometric average nor
17 arithmetic average method is appropriate under all circumstances. The
18 arithmetic mean provides a better measure of typical performance over a
19 single historical period (e.g. one year). The geometric mean, however, is
20 the best estimate of the ending value of an investment over multiple
21 periods. As one author states: "The best estimate of a future year's return

²⁰ See Staff/1407 for "Electric Utilities Get No Jolt Despite Improving Economy" by Rebecca Smith of the Wall Street Journal, published July 29, 2014.

²¹ PGE/2000, Villadsen/16-17.

1 based on a random distribution of the prior years' returns is the arithmetic
2 average. Statistically, it is our best guess for the holding period return in a
3 given year. *If we wish to estimate the ending value of an investment over*
4 *multiyear horizon conditioned on past experience, however, we should use*
5 *the geometric return.*"²²

6 **Q. Please address PGE's argument that Staff should have performed**
7 **outboard adjustments to take into account specific PGE risk related to**
8 **its large capital expenditure program, its reliance on power purchase**
9 **agreements (PPAs), and relatively small financial size.**

10 A. Staff does not agree that outboard adjustments as described are necessary.
11 First, as discussed above, Staff's screens are designed to obtain a cohort of
12 proxy utilities that is reasonably representative of PGE. Staff's rigorous
13 screens generally make it unnecessary to make outboard adjustments to
14 Staff's analytical results to take into account PGE-specific risk.

15 **Q. What is the second element of Staff's reasoning?**

16 A. Second, Staff did perform sensitivity analysis that took into account PGE's size,
17 which results in an upward adjustment to Staff's range of reasonable ROEs.
18 Accordingly, any outboard adjustment for size would double count this "risk."

19 **Q. Considering a third topic, does Staff agree with PGE's concerns**
20 **regarding imputed debt?**

²² 1994 WL 114354, Order No. 94-336, *Re GTE Northwest, Inc.* (Docket No. UT 113), *Citing* Mark Kritzman, 'What Practitioners Need to Know About Return and Risk,' *Financial Analysts Journal*, May/June 1993, p. 15 (emphasis in original).

1 A. No. Staff disagrees with the premise that PGE's capital expenditure program
2 and PGE's reliance on PPA's warrant an increase to PGE's ROE. It is Staff's
3 understanding that both Standard & Poor's and Moody's have observed that
4 PGE experiences less than historic regulatory lag in cap-ex cost recovery and
5 extremely favorable capital markets, which reduces the borrowing cost
6 associated with PGE's new facilities.

7 Staff detects no particular incremental risk in the Company's expansion of rate
8 base, which incidentally is touted by PGE as a reason to invest in the
9 Company.²³ As other utilities are embracing risky merger and acquisition as a
10 way to support lagging sales and rate base growth, PGE is meeting these
11 investor expectations holistically.

12 **Q. Are PGE's credit ratings about to be downgraded due to risks the**
13 **Company faces?**

14 A. No. PGE's stable and recently upgraded Moody's credit ratings indicate that
15 PGE's ROE needs no outboard risk adjustment. Rather, Staff sees a
16 Company whose Integrated Resource Planning and internal financial
17 management with proven ability to finance new cap-ex at historically low cost
18 have inspired strong demand for the Company's common stock and debt alike.
19 Staff thinks the Moody's upgrade announced on January 30, 2014, and the
20 Company's first mortgage bond debt ratings leave investment banks with
21 minimal expectation of PGE default on its debt obligations. Proven corporate

²³ Exhibit Staff/1408 provides slides for three generation construction projects that the Company's investor presentation on July 29, 2014 archived at <http://www.media-server.com/m/p/5q2to9jf> presents as representing an increase of \$1.2B in average rate base which will total \$4.5B in 2017, that will "drive value for our shareholders."

1 financing, recently upgraded credit ratings and a good cost recovery track
2 record do not translate into heightened riskiness for investors.

3 In any event, if the Commission were to make outboard adjustments to account
4 for PGE-specific risks, it should also make off-setting adjustments taking into
5 account factors that mitigate PGE's risk. For example, PGE is not reliant on
6 oil-fired generation, geographically isolated, replacing coal plants with nuclear
7 plants with associated risks, and so on. Further, PGE has access to wholesale
8 power markets in the western U.S. and primarily the PNW.

9 **Q. How does Value Line characterize PGE's risks and investor**
10 **expectations for total return?**

11 A. Before answering this question, Staff feels that it is necessary to recognize that
12 some utilities must be average, and that average is meeting expectations and
13 should not be taken as a criticism, but rather a statistical fact. Solid, reliable
14 utilities without substantial material risks are a good thing.

15 **Q. Fine, so what does Value Line say regarding PGE?**

16 A. Value Line says PGE "does not stand out among electric utility equities."²⁴

17 **Q. What does a "riskier than peers utility" look like?**

18 A. Value Line describes PNM Resources' (PNM) aggregate challenges that make
19 it riskier than its peers:

- 20 • Its operating area is depressed compared to that of other utilities;
- 21 • A large city is discontinuing its relationship with the utility;
- 22 • It is shutting two coal plants without planned replacements; and

²⁴ Staff/1405 Muldoon/33 (lower right hand corner summary).

- 1 • One replacement may be a nuclear plant.²⁵

2 Staff clarifies that PNM is not a part of Staff's peer cohort of companies
3 because PNM cut dividends in 2008 and again in 2011. If this utility manages
4 to overcome all its challenges and keeps a stable dividend through the end of
5 2016, it would pass Staff's screening on this dimension. While PNM might not
6 want to disappoint investors regarding its dividend, it may have no choice if it
7 can't meet all those challenges.

8 Staff does not claim that PGE is like PNM or that PGE is about to start cutting
9 dividends due to a convergence of risks like that described above. In fact,
10 Staff has difficulty imagining the investor presentation wherein PGE tells
11 investors that the Company thinks its risks are like those described for PNM
12 and that PGE might have to cut dividends occasionally, or that it has been
13 cutting its dividends off and on but intends to stop doing so in the future.

14 **Q. What does "more capital expenditure than peers" look like?**

15 A. Scana Corp (Scana) could be one such utility. Scana is having cost overruns
16 as it works to bring two nuclear plants online. The utility is having difficulty
17 keeping the cost in the neighborhood of \$6.2 billion.²⁶

18 Scana also failed to pass Staff's screen because it generates too little of its
19 revenue from regulated electric power. Scana is part of PGE's peer cohort in
20 this case. Staff makes no claim that out of the pool of regulated U.S. electric

²⁵ Staff/1405 Muldoon/35.

²⁶ Staff/1405 Muldoon/38.

1 utilities, it is Scana that most closely represents those characteristics an
2 investor would associate with PGE.

3 **Q. What do “capital expenditure like peers” look like?**

4 A. Allete, Inc. (Allete) is an electric utility that both the Company and Staff
5 recommend as a peer that closely resembles PGE’s characteristics. Value Line
6 described Allete as building a large wind plant, making a \$310 million
7 environmental retrofit to a coal plant, and building a high voltage transmission
8 line to Canada.²⁷ PGE’s capital expenditures appear to Staff to be comparable
9 to Allete’s.

10 **Q. Staff’s sensitivity peer group included TECO Energy, Inc. TECO is**
11 **buying New Mexico Gas Company.²⁸ Shouldn’t TECO be removed from**
12 **Staff’s peer group based on this recent merger and acquisition**
13 **activity?**

14 A. Yes. Staff left TECO as a stand-alone sensitivity. Removing TECO does not
15 impact the upper or lower bounds of Staff’s range of reasonable ROEs, but
16 would merit Commission reduction of Staff’s point ROE estimate by three bps.

17 **Q. Does Staff agree with the Company’s selection of peers?**

18 A. No. Staff disagrees with the Company’s selection of peer utilities. However,
19 as already noted, Staff ran its models using the Company’s peer group and the
20 results of that modeling fell within the range of reasonable ROEs established
21 with Staff’s cohort of utilities.

²⁷ Staff/1405 Muldoon/2.

²⁸ Staff/1405 Muldoon/38.

1 **Q. Please address PGE’s argument that Staff improperly excluded ROEs**
2 **from Virginia, which has incentive-based regulation, from the average of**
3 **ROEs in the United States.**

4 A. Elimination of just Virginia-specific generation ROEs, which are higher than the
5 national average, is reasonable to illustrate a nationally declining ROE trend.
6 Restricting ROEs to those not settled, but rather litigated, before respective
7 Commissions in Oregon, Washington, Idaho, and Utah, shows a downward
8 trend. ROEs in these northwest states tend to be lower than the national
9 average. Looking at recent litigated rate case decisions in these states,
10 PacifiCorp’s 9.5 percent ROE in WA UTC Order No. 05 in Docket No. 130043;
11 and Northwest Natural Gas Corporation’s 9.5 percent ROE before the
12 Commission in Order No. 12-408 in Docket No. UG 221, one sees the
13 downward NW regional trend in litigated ROEs continues.

14 **Issue 3 – ICNU’s Analysis**

15 **Q. Does Staff disagree with PGE and the Industrial Customers of**
16 **Northwest Utilities (ICNU) that the Commission should count PGE’s**
17 **PPAS as debt to be included in the calculation of PGE’s capital**
18 **structure?²⁹**

19 A. Yes. The Commission does not include imputed debt in the category of long-
20 term debt with maturities over one year. Furthermore, PGE asked for a capital

²⁹ PGE/2000, Villadsen/8-9; ICNU/200, Gorman work papers’ imputed interest expense in Cell D23 of Tab “ICNU 218 Gorman1” in ICNU 202 & 218 (Public Version).xls.

1 structure of 50 percent debt and 50 percent equity and parties to this docket
2 have stipulated to this capital structure. It is not appropriate to impute a
3 different capital structure to PGE for the purpose of calculating its ROE.

4 **Q. Does Staff have another point of disagreement with the ICNU's**
5 **testimony regarding ROE?**

6 A. Yes. ICNU's weighting of 70 percent weight to the upper end of risk premium
7 estimates overstates modeling results.³⁰ It is uncertain over what time frame
8 the Federal Reserve will support continued historically low interest rates. In
9 addition, it is hard to predict how long a flight to quality based in part of
10 financial, political and military geopolitical instability will continue.
11 Given that U.S. treasury yields are now today 50 basis points below much
12 estimation for this period, like those of Kiplinger's Letter made at the start of the
13 year, Staff cautions that it is extremely difficult to accurately presume the timing
14 or certainty of upward interest rate movements.

15 **Q. Does Staff have other points of disagreement with ICNU's ROE**
16 **testimony?**³¹

17 A. Yes. ICNU gives equal weight to each of their models, thereby assigning
18 inappropriately low weight to their three-stage DCF modeling. If ICNU gave
19 more weight to their three-stage DCF modeling, their recommended range of
20 ROE's would be within the range recommended by Staff.

³⁰ ICNU/200 Gorman/25.

³¹ PGE/2000, Villadsen/8-9; ICNU/200, Gorman/25.

1 **Q. Does Staff have a final material disagreement with ICNU's ROE**
2 **testimony?**³²

3 A. Yes. ICNU adopted PGE's choice of peer companies to estimate ROE.³³
4 However, ICNU notes that it was inappropriate for PGE to exclude the low-end
5 DCF return of two of PGE's peer utilities without also excluding the high-end
6 peers.³⁴ ICNU's Opening Testimony also recommends the removal of certain
7 peers.³⁵ However, ICNU did not perform its own screening to eliminate the
8 outlier peers. Without that control ICNU's recommended results using the
9 Company peers overstate the Company's required ROE.

10 **Q. How have ICNU's Opening Testimony and the Company's Reply**
11 **Testimony impacted Staff analysis and Staff's recommendations?**

12 A. Staff has updated the Value Line actual dividend and earnings per share inputs
13 to its model as recommended by the Company. The impact to its
14 recommendation is minimal. The small shift in timing of earnings per share
15 and dividends and near term Value Line growth rates did not shift the end
16 points of Staff's recommended range of reasonable ROEs. However, removal
17 of TECO due to its acquisition of New Mexico Gas could warrant a three bps
18 reduction to Staff's recommended point estimate of ROE.³⁶ Staff does not,

³² ICNU/200, Gorman/37, lines 9-14.

³³ ICNU/200, Gorman/9 @6-7.

³⁴ ICNU/200, Gorman/37, lines 9-14.

³⁵ ICNU/200, Gorman/22 suggests that IdaCorp is not a good peer fit for PGE and should be removed.

³⁶ See Staff/203 Muldoon/1 Model Y for comparison of three bps difference between Staff peer group results and results for Staff's sensitivity 1 with TECO.

1 **Q. Wasn't this issue addressed by Commission Order 13-459 in**
2 **Docket No. UE 262?**

3 A. Yes. Order 13-459 assigned no recognition to equity flotation costs. However,
4 a proposal like Staff's in this docket was not one of the options offered in that
5 rate case.

6 **Q. Why would retirement within ROE calculations within five years be a**
7 **better option than those considered in the past?**

8 A. This short retirement time will smooth impacts on ratepayers while assuring the
9 Company that costs will be recovered in the near term, at a prudent proportion
10 of the dollar value of common stock floated.

11 **Q. Though the Commission need not address equity flotation costs, does**
12 **Staff suggests as a matter of fairness, that the Commission consider**
13 **this issue?**

14 A. Yes.

15

1

Conclusion

2

Q. What recommendation regarding ROE does Staff now make?

3

A. Staff recommends that the Commission consider an upward adjustment of 13 bps to retire equity flotation cost to be applied to PGE rate cases affecting rates in effect through and only through December 31, 2019.

4

5

6

Inclusive of 13 bps to retire equity flotation costs, Staff recommends a range of reasonable ROE's of 8.8 percent to 9.6 percent. Staff offers 9.2 percent to the Commission as a reasonable midpoint ROE from which to consider the merits of testimony submitted in this case.

7

8

9

10

Q. How do you conclude your rebuttal testimony?

11

A. It is not remarkable that PGE looks like a well-run utility with average risk on dimensions that matter to investors. A solid utility that plans ahead and proactively controls risks meets the needs of risk-averse ratepayers. This stability also makes PGE common stock attractive to institutional and conservative investors who rely on stable growing dividends to meet their obligations in turn.

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CASE: UE 283
WITNESS: MATT MULDOON

**PUBLIC UTILITY COMMISSION
OF
OREGON**

**STAFF EXHIBIT 1401
Updated Value Line Dividends**

**Exhibits in Support of
Rebuttal Testimony**

August 13, 2014

Value Line Dividends Declared per Share
(Div)

#	Abbreviated Utility	UE 283 *PGE	UE 283 Staff	VL Corporate Name Electric Utility	SEC Edgar CIK	SEC Edgar SIC	SEC File #	IRS EIN #	Ticker	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2010 Yr	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2011 Yr	2012 Q1	2012 Q2	2012 Q3	2012 Q4
1	1 AEP	No	Yes	American Electric Power Co., Inc.	000004904	4911	1-3525	13-4922640	AEP	0.41	0.42	0.42	0.46	1.71	0.46	0.46	0.46	0.47	1.85	0.47	0.47	0.47	0.47
2	2 Alliate	Yes	Yes	Alliate, Inc.	000006756	4931	1-3548	41-0418150	ALE	0.44	0.44	0.44	0.44	1.76	0.445	0.445	0.445	0.445	1.78	0.46	0.46	0.46	0.46
3	3 Alliant	Yes	No	Alliant Energy Corporation	0000352541	4931	1-9894	39-1380265	LNT	0.395	0.395	0.395	0.395	1.58	0.425	0.425	0.425	0.425	1.70	0.45	0.45	0.45	0.45
4	5 Avista	Yes	No	Avista Corporation	0000104918	4931	1-3701	91-0462470	AVA	0.25	0.25	0.25	0.25	1.00	0.275	0.275	0.275	0.275	1.10	0.29	0.29	0.29	0.29
5	6 Black Hills	Yes	No	Black Hills Corporation	0001130464	4911	1-31303	46-0458824	BKH	0.36	0.36	0.36	0.36	1.44	0.365	0.365	0.365	0.365	1.46	0.37	0.37	0.37	0.37
6	9 Cleco	Yes	Yes	Cleco Corporation	0001089819	4911	1-15759	72-1445282	CNL	0.225	0.25	0.25	0.25	0.98	0.25	0.28	0.28	0.3125	1.12	0.3125	0.3125	0.3375	0.3375
7	10 CMS	Yes	No	CMS Energy Corporation	0000811156	4931	1-9513	38-2726431	CMS	0.15	0.15	0.15	0.21	0.66	0.21	0.21	0.21	0.21	0.84	0.24	0.24	0.24	0.24
8	13 DTE	No	Yes	DTE Energy Company	0000936340	4911	1-11607	38-3217752	DTE	0.53	0.53	0.53	0.56	2.15	0.56	0.56	0.5875	0.5875	2.30	0.5875	0.5875	0.5875	0.62
9	15 Edison Int'l	No	Yes	Edison International	0000827052	4911	1-9936	95-4137452	EIX	0.315	0.315	0.315	0.315	1.26	0.32	0.32	0.32	0.32	1.28	0.325	0.325	0.325	0.325
10	21 Great Plains	Yes	No	Great Plains Energy Incorporated	0001143068	4911	1-32206	43-1916803	GXP	0.2075	0.2075	0.2075	0.2075	0.83	0.2075	0.2075	0.2075	0.2125	0.84	0.2125	0.2125	0.2125	0.2175
11	22 Hawaiian	Yes	No	Hawaiian Electric Industries, Inc.	0000354707	4911	1-8503	99-0208097	HE	0.31	0.31	0.31	0.31	1.24	0.31	0.31	0.31	0.31	1.24	0.31	0.31	0.31	0.31
12	23 IDACORP	Yes	Yes	IDACORP, Inc.	0001057877	4911	1-14465	82-0505802	IDA	0.30	0.30	0.30	0.30	1.20	0.30	0.30	0.30	0.30	1.20	0.33	0.33	0.33	0.38
13	26 MGE	Yes	No	MGE Energy, Inc.	0001161728	4900	0-4965	39-2040501	MGEE	0.2456	0.2456	0.2501	0.2501	0.99	0.2501	0.2501	0.2551	0.2551	1.01	0.2551	0.2551	0.2634	0.2634
14	29 NorthWestern	Yes	No	NorthWestern Corporation	0000073088	4931	1-10499	46-0172280	NWE	0.34	0.34	0.34	0.34	1.36	0.36	0.36	0.36	0.36	1.44	0.37	0.37	0.37	0.37
15	31 OGE	Yes	No	OGE Energy Corporation	0001021635	4911	1-12579	73-1481638	OGE	0.1813	0.18125	0.18125	0.18125	0.73	0.1875	0.1875	0.1875	0.1875	0.75	0.19625	0.19625	0.19625	0.19625
16	34 PG&E	No	Yes	PG&E Corporation	0001004980	4931	1-12609	94-3234914	PCG	0.42	0.455	0.455	0.455	1.79	0.455	0.455	0.455	0.455	1.82	0.455	0.455	0.455	0.455
17	35 PGE	Yes	No	Portland General Electric Company	0000784977	4911	1-05532-99	93-0256820	POR	0.255	0.255	0.26	0.26	1.03	0.26	0.26	0.265	0.265	1.05	0.265	0.265	0.27	0.27
18	36 Pinnacle	Yes	No	Pinnacle West Capital Corporation	0000764622	4911	1-8962	86-0512431	PNW	0.525	0.525	0.525	0.525	2.10	0.525	0.525	0.525	0.525	2.10	0.525	0.525	0.525	0.545
19	37 PNM	Yes	No	PNM Resources, Inc.	0000784977	4911	1-05532-99	93-0256820	PNM	0.125	0.125	0.125	0.125	0.50	0.125	0.125	0.125	0.125	0.50	0.145	0.145	0.145	0.145
20	40 SCANA	Yes	No	SCANA Corporation	0000754737	4931	1-8809	57-0784499	SCG	0.47	0.475	0.475	0.475	1.90	0.475	0.485	0.485	0.485	1.93	0.485	0.495	0.495	0.495
21	43 TECO	Yes	No	TECO Energy, Inc.	0000350563	4911	1-8180	59-2052286	TE	0.20	0.205	0.205	0.205	0.82	0.205	0.215	0.215	0.215	0.85	0.22	0.22	0.22	0.22
22	45 UNS	Yes	No	UNS Energy Corporation (Formerly: UniSource)	0000941138	4911	1-13739	86-0786732	UNS	0.39	0.39	0.39	0.39	1.56	0.42	0.42	0.42	0.42	1.68	0.43	0.43	0.43	0.43
23	47 Westar	Yes	Yes	Westar Energy, Inc.	0000054507	4931	1-3523	48-0290150	WR	0.30	0.31	0.31	0.31	1.23	0.31	0.32	0.32	0.32	1.27	0.32	0.33	0.33	0.33
24	48 Wisconsin	Yes	No	Wisconsin Energy Corporation	0000783325	4931	1-09057	39-1391525	WEC	0.20	0.20	0.20	0.20	0.80	0.26	0.26	0.26	0.26	1.04	0.30	0.30	0.30	0.30
TOTALS		20	8																				
			9																				
			4																				

CASE: UE 283
WITNESS: MATT MULDOON

**PUBLIC UTILITY COMMISSION
OF
OREGON**

**STAFF EXHIBIT 1402
Updated Value Line Earnings per Share**

**Exhibits in Support of
Rebuttal Testimony**

August 13, 2014

Value Line Earnings Per Share
(EPS)

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23

#	Abbreviated Utility	UE 283 PGE	UE 283 Staff	VL Corporate Name Electric Utility	SEC Edgar CIK	SEC Edgar SIC	SEC File #	IRS EIN #	Ticker	2011	2011	2011	2011	2011	2012	2012	2012	2012	2012	2013	2013	2013
										Q1	Q2	Q3	Q4	Yr	Q1	Q2	Q3	Q4	Yr	Q1	Q2	Q3
1	AEP	No	Yes	American Electric Power Co., Inc.	0000004904	4911	1-3525	13-4922640	AEP	0.83	0.73	1.17	0.41	3.14	0.80	0.75	1.00	0.43	2.98	0.75	0.73	1.10
2	Allite	Yes	Yes	Allite, Inc.	0000066756	4931	1-3548	41-0418150	ALE	1.07	0.48	0.57	0.53	2.65	0.66	0.39	0.78	0.75	2.58	0.83	0.35	0.63
3	Alliant	Yes	No	Alliant Energy Corporation	0000352541	4931	1-9894	39-1380265	LNT	0.68	0.44	1.12	0.51	2.75	0.50	0.58	1.34	0.63	3.05	0.72	0.59	1.43
4	Avista	Yes	No	Avista Corporation	0000104918	4931	1-3701	91-0462470	AVA	0.73	0.39	0.18	0.42	1.72	0.65	0.31	0.10	0.26	1.32	0.71	0.43	0.19
5	Black Hills	Yes	No	Black Hills Corporation	0001130464	4911	1-31303	46-0458824	BKH	0.73	0.09	-0.29	0.44	0.97	0.80	0.12	0.38	0.67	1.97	0.97	0.69	0.52
6	Cleco	Yes	Yes	Cleco Corporation	0001089819	4911	1-15759	72-1445282	CNL	0.48	0.52	1.08	0.51	2.59	0.50	0.77	1.05	0.38	2.70	0.45	0.69	1.09
7	CMS	Yes	No	CMS Energy Corporation	0000811156	4931	1-9513	38-2726431	CMS	0.51	0.26	0.53	0.15	1.45	0.36	0.37	0.55	0.25	1.53	0.53	0.29	0.46
8	DTE	No	Yes	DTE Energy Company	0000936340	4911	1-11607	38-3217752	DTE	1.04	0.67	1.07	0.89	3.67	0.91	0.87	1.30	0.80	3.88	1.34	0.60	1.13
9	Edison Int'l	No	Yes	Edison International	0000827052	4911	1-9936	95-4137452	EIX	0.62	0.54	1.31	0.76	3.23	0.54	0.55	1.09	2.39	4.57	0.78	0.78	1.41
10	Great Plains	Yes	No	Great Plains Energy Incorporated	0001143068	4911	1-32206	43-1916803	GXP	0.01	0.31	0.91	0.02	1.25	-0.07	0.41	0.95	0.03	1.32	0.17	0.41	0.93
11	Hawaiian	Yes	No	Hawaiian Electric Industries, Inc.	0000354707	4911	1-8503	99-0208097	HE	0.30	0.28	0.50	0.36	1.44	0.40	0.40	0.49	0.38	1.67	0.34	0.41	0.48
12	IDACORP	Yes	Yes	IDACORP, Inc.	0001057877	4911	1-14465	82-0505802	IDA	0.60	0.42	2.16	0.18	3.36	0.50	0.71	1.84	0.32	3.37	0.7	0.93	1.46
13	MGE	Yes	No	MGE Energy, Inc.	0001161728	4900	0-4965	39-2040501	MGEE	0.51	0.38	0.61	0.27	1.77	0.46	0.41	0.68	0.31	1.86	0.65	0.4	0.7
14	NorthWestern	Yes	No	NorthWestern Corporation	0000073088	4931	1-10499	46-0172280	NWEE	0.89	0.30	0.41	0.93	2.53	0.88	0.31	0.30	0.77	2.26	1.01	0.37	0.40
15	OGE	Yes	No	OGE Energy Corporation	0001021635	4911	1-12579	73-1481638	OGE	0.13	0.52	0.90	0.18	1.73	0.19	0.47	0.94	0.19	1.79	0.12	0.46	1.08
16	PG&E	No	Yes	PG&E Corporation	0001004980	4931	1-12609	94-3234914	PCG	0.50	0.91	0.68	0.69	2.78	0.66	0.55	0.87	-0.01	2.07	0.55	0.74	0.36
17	PGE	Yes	No	Portland General Electric Company	0000784977	4911	1-05532-99	93-0256820	POR	0.92	0.29	0.36	0.38	1.95	0.65	0.34	0.50	0.38	1.87	0.65	0.13	0.40
18	Pinnacle	Yes	No	Pinnacle West Capital Corporation	0000764622	4911	1-8962	86-0512431	PNW	-0.15	0.78	2.24	0.11	2.98	-0.07	1.12	2.21	0.24	3.50	0.22	1.18	2.04
19	PNM	Yes	No	PNM Resources, Inc.	0000784977	4911	1-05532-99	93-0256820	PNM	0.04	0.21	0.61	0.22	1.08	0.17	0.33	0.68	0.13	1.31	0.13	0.34	0.68
20	SCANA	Yes	No	SCANA Corporation	0000754737	4931	1-8809	57-0784499	SCG	1.00	0.43	0.80	0.74	2.97	0.91	0.54	0.91	0.78	3.14	1.11	0.60	0.94
21	TECO	Yes	No	TECO Energy, Inc.	0000350563	4911	1-8180	59-2052286	TE	0.24	0.36	0.42	0.25	1.27	0.20	0.30	0.42	0.22	1.14	0.19	0.24	0.29
22	UNS	Yes	No	UNS Energy Corporation (Formerly: UniSource)	0000941138	4911	1-13739	86-0786732	UNS	0.35	0.71	1.46	0.22	2.74	0.17	0.64	1.21	0.18	2.20	0.27	0.63	1.62
23	Westar	Yes	Yes	Westar Energy, Inc.	0000054507	4931	1-3523	48-0290150	WR	0.27	0.38	0.98	0.16	1.79	0.21	0.46	1.09	0.37	2.15	0.40	0.53	1.04
24	Wisconsin	Yes	No	Wisconsin Energy Corporation	0000783325	4931	1-09057	39-1391525	WEC	0.72	0.41	0.55	0.50	2.18	0.74	0.51	0.67	0.43	2.35	0.76	0.52	0.60
TOTALS		20	8																			
			9																			
			4																			

Value Line Earnings Per Share
(EPS)

1 2 3 4 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43
Light Blue quarterly values are implied by VL's forecasts through 2019.

		Value Line Estimated EPS																			EPS					
		Value Line Estimated EPS																			VL Avg	Div Growth				
#	Abbreviated Utility	UE 283 PGE	UE 283 Staff	2013 Q4	2013 Yr	2011-13 Average	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2014 Yr	2012-14 Average	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2015 Yr	2016 Yr	2017 Yr	2018 Yr	2019 Yr	2017 - 19 Yr	2017 - 19 vs. 2012-14	#	#	
1	1	AEP	No	Yes	0.60	3.18	3.10	1.15	0.75	1.10	0.45	3.45	3.20	1.00	0.80	1.15	0.50	3.45	3.62	3.81	4.00	4.19	4.00	4.5%	1	1
2	2	Alliate	Yes	Yes	0.82	2.63	2.62	0.80	0.45	0.70	0.85	2.80	2.67	0.90	0.45	0.75	0.90	3.00	3.23	3.48	3.75	4.02	3.75	7.0%	2	2
3	3	Alliant	Yes	No	0.55	3.29	3.03	0.97	0.65	1.45	0.58	3.65	3.33	0.85	0.70	1.65	0.70	3.90	3.95	4.00	4.05	4.10	4.05	4.0%	3	3
4	5	Avista	Yes	No	0.53	1.86	1.63	0.75	0.45	0.15	0.50	1.85	1.68	0.8	0.45	0.15	0.55	1.95	2.05	2.15	2.25	2.35	2.25	6.1%	5	4
5	6	Black Hills	Yes	No	0.43	2.61	1.85	0.95	0.45	0.50	0.75	2.65	2.41	0.95	0.50	0.55	0.80	2.80	2.94	3.09	3.25	3.41	3.25	6.2%	6	5
6	9	Cleco	Yes	Yes	0.41	2.64	2.64	0.43	0.47	1.15	0.40	2.45	2.60	0.55	0.75	1.25	0.45	3.00	3.16	3.32	3.50	3.68	3.50	6.2%	9	6
7	10	CMS	Yes	No	0.37	1.65	1.54	0.75	0.30	0.50	0.20	1.75	1.64	0.55	0.4	0.60	0.3	1.85	1.97	2.11	2.25	2.39	2.25	6.5%	10	7
8	13	DTE	No	Yes	0.70	3.77	3.77	1.84	0.66	1.25	0.90	4.65	4.10	1.60	0.80	1.40	1.00	4.80	5.02	5.26	5.50	5.74	5.50	6.1%	13	8
9	15	Edison Int'l	No	Yes	0.81	3.78	3.86	0.45	0.75	1.45	0.75	3.40	3.92	0.80	0.80	1.50	0.75	3.85	4.06	4.27	4.50	4.73	4.50	2.8%	15	9
10	21	Great Plains	Yes	No	0.11	1.62	1.40	0.15	0.45	0.98	0.12	1.70	1.55	0.17	0.46	1.00	0.12	1.75	1.83	1.91	2.00	2.09	2.00	5.3%	21	10
11	22	Hawaiian	Yes	No	0.39	1.62	1.58	0.37	0.40	0.47	0.36	1.60	1.63	0.37	0.40	0.50	0.38	1.65	1.76	1.88	2.00	2.12	2.00	4.2%	22	11
12	23	IDACORP	Yes	Yes	0.55	3.64	3.46	0.60	0.70	1.85	0.35	3.50	3.50	0.65	0.80	1.65	0.35	3.45	3.52	3.58	3.65	3.72	3.65	0.8%	23	12
13	26	MGE	Yes	No	0.41	2.16	1.93	0.80	0.50	0.75	0.45	2.50	2.17	0.80	0.55	0.80	0.50	2.65	2.84	3.04	3.25	3.46	3.25	8.4%	26	13
14	29	NorthWestern	Yes	No	0.68	2.46	2.42	1.17	0.31	0.36	0.81	2.65	2.46	1.05	0.38	0.44	0.88	2.75	2.83	2.91	3.00	3.09	3.00	4.1%	29	14
15	31	OGE	Yes	No	0.29	1.95	1.82	0.25	0.50	1.10	0.20	2.05	1.93	0.20	0.55	1.15	0.20	2.10	2.23	2.36	2.50	2.64	2.50	5.3%	31	15
16	34	PG&E	No	Yes	0.19	1.84	2.23	0.55	0.6	0.65	0.4	2.20	2.04	0.60	0.65	0.75	0.50	2.50	2.66	2.82	3.00	3.18	3.00	8.1%	34	16
17	35	PGE	Yes	No	0.59	1.77	1.86	0.70	0.35	0.50	0.5	2.05	1.90	0.75	0.36	0.52	0.52	2.15	2.26	2.38	2.50	2.62	2.50	5.7%	35	17
18	36	Pinnacle	Yes	No	0.22	3.66	3.38	0.15	1.20	2.20	0.15	3.70	3.62	0.15	1.25	2.30	0.15	3.85	3.98	4.11	4.25	4.39	4.25	3.3%	36	18
19	37	PNM	Yes	No	0.21	1.36	1.25	0.20	0.35	0.70	0.25	1.50	1.39	0.25	0.35	0.70	0.25	1.55	1.78	2.05	2.35	2.65	2.35	11.1%	37	19
20	40	SCANA	Yes	No	0.74	3.39	3.17	1.37	0.54	0.95	0.74	3.60	3.38	1.3	0.60	1.00	0.80	3.70	3.87	4.06	4.25	4.44	4.25	4.7%	40	20
21	43	TECO	Yes	No	0.20	0.92	1.11	0.22	0.25	0.35	0.18	1.00	1.02	0.23	0.26	0.37	0.19	1.05	1.17	1.30	1.45	1.60	1.45	7.3%	43	21
22	45	UNS	Yes	No	0.32	3.04	2.66	0.25	0.75	1.67	0.45	3.12	2.79	0.45	0.80	1.65	0.50	3.40	3.53	3.66	3.80	3.94	3.80	6.4%	45	22
23	47	Westar	Yes	Yes	0.32	2.29	2.08	0.52	0.55	1.05	0.33	2.45	2.30	0.40	0.60	1.25	0.45	2.70	2.77	2.83	2.90	2.97	2.90	4.8%	47	23
24	48	Wisconsin	Yes	No	0.63	2.51	2.35	0.91	0.5	0.67	0.57	2.65	2.50	0.80	0.61	0.72	0.62	2.75	2.91	3.07	3.25	3.43	3.25	5.4%	48	24
TOTALS		20	8	9	4																					
																						Mean				
																						Company	5.4%			
																						Staff	5.0%			

CASE: UE 283
WITNESS: MATT MULDOON

**PUBLIC UTILITY COMMISSION
OF
OREGON**

**STAFF EXHIBIT 1403
U.S. Population Trend**

**Exhibits in Support of
Rebuttal Testimony**

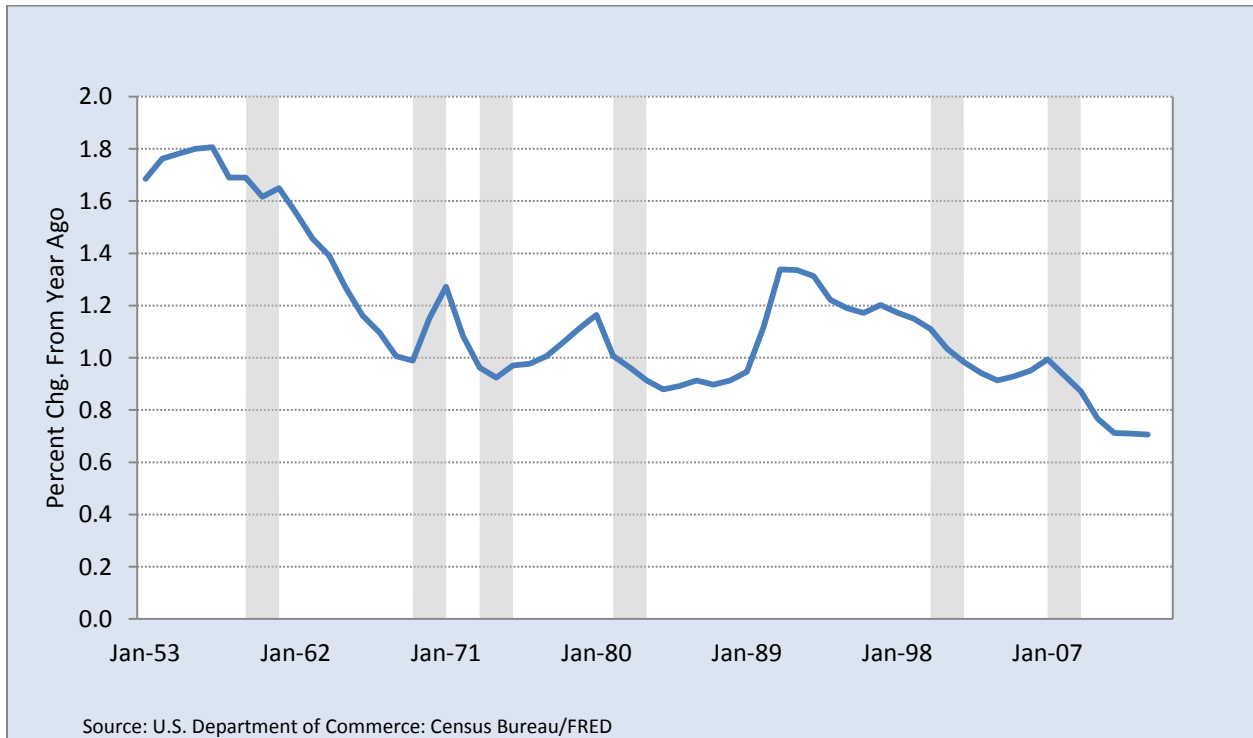
August 13, 2014

US Department of Commerce – Census Bureau

US Total Population Trend

Accessed by Staff on July 3, 2014

via the St. Louis Federal Reserve FRED System



CASE: UE 283
WITNESS: MATT MULDOON

**PUBLIC UTILITY COMMISSION
OF
OREGON**

**STAFF EXHIBIT 1404
The Economist on GDP Growth**

**Exhibits in Support of
Rebuttal Testimony**

August 13, 2014

The Economist Magazine
America's Lost Oomph
Why Its Long-Term Growth Rate Has Slowed
July 19, 2014



Title: America's Lost Oomph; The American Economy



Source: *The*. 412.8896 (July 19, 2014): p9 (US).

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The country's potential growth rate is barely half what it was two decades ago. Here's how to raise it

BACK in the mid-1990s, America's economic prospects suddenly brightened. Productivity soared. Immigrants and foreign capital flocked to take advantage of what was quickly dubbed the "New Economy". The jobless rate fell to 4%, yet inflation remained low. All this led economists to conclude that America's potential rate of growth – the speed at which the economy can expand while keeping [unemployment](#) steady and inflation stable – had risen sharply from its decades-long average of 3%, to 3.5% or even higher.

Sadly, the New Economy is no more. The recovery from the recession of 2008-09 has been the weakest of the post-war era, and evidence is mounting that America's potential growth rate has plummeted. Its **two big determinants**, the **supply of workers** and the **rise in their productivity**, have **both fallen short**. Performance in the past year has been particularly feeble: America's labor force has not grown at all and output per hour worked has fallen. The **IMF recently cut its estimate of the country's potential rate of growth to 2%. Other economists put it as low as 1.75%**.

So far, the slide in potential has had little practical impact. Because the recession was so deep and the recovery so weak, the economy is still operating below its capacity. But in the long term a halving of the economic speed limit would have grim consequences. Living standards would rise more slowly, tax revenues would be lower and the burden of paying today's debts heavier.

Solving the short-term problem means boosting demand, so the Federal Reserve should keep interest rates low. But to pep up long-term growth, America also needs to address the supply side. In particular, it needs more workers and faster increases in productivity.

The not-so-mysterious case of the disappearing worker

The number of working-age Americans rose by an average of 1.2% a year in the 1990's and by a mere 0.4% in 2013. The proportion of them actually in the workforce has fallen from over 67% to less than 63%. The recession is partly to blame, because after years of joblessness some people have given up looking for work. That is one reason why boosting the recovery is important. The ageing of the baby-boomers is another reason. The number of people in their late 50s (when participation in the workforce starts to drop) and older is rising fast.

Both these vulnerabilities are exacerbated by a self-inflicted problem: policies that depress the supply of workers. Most damaging is America's broken immigration system. Getting into the country has become much more difficult. The number of visas issued today for highly skilled people is a fraction of what it was in the 1990s, even as the number of unfilled vacancies for skilled workers soars. Deportations have surged and the southern border has become far harder to cross.

Obamacare, though good in other respects, tends to shrink the labor force because it helps people get health care without working. There is less to be said for the outdated social safety net, which manages both to be stingy and to discourage work. America spends a smaller proportion of its GDP than other rich countries on retraining the jobless and helping them find work. It has not raised the retirement age and it has allowed its disability-insurance system to become an ersatz welfare scheme. The number of workers on disability, hardly any of whom will work again, has doubled since 1997 to 9m. For once, Europe could teach America some labor-market lessons: thanks to welfare reforms, the proportion of Europeans in the workforce is now rising.

The mystery of the slump in productivity

In the long run, the most powerful way to boost growth is for workers to become more productive, as they did in the 1990s. But raising productivity is hard, and the recent slump puzzling. Innovation drives productivity growth, and a dizzying array of new developments, from "big data" to the "internet of things", suggests that innovation is speeding up. Yet the growth in the average worker's output per hour was slowing before the 2007 crisis and has fallen further since.

That may change, because it takes a while for firms to react to disruptive technologies. Computers started to spread in the 1980s but their impact did not show up in the data for more than a decade. The latest surge in innovation will also take a few years to translate into higher output per hour. The slow recovery from the recession may have lengthened this delay, by deterring many firms from investing in information technology. But here, too, politicians have made matters worse.

There is much America's government could do to boost investment. It could, for instance, increase public spending on infrastructure. It could reduce the sky-high corporate tax rate which encourages firms – such as AbbVie, which is proposing to shift its base to Britain by buying Shire – to move abroad rather than invest at home. And it could start cutting the endless sprawl of job-destroying regulations that companies say is a worse problem even than taxes. It is doing none of these things.

The impact of a supply-side revolution, with immigration reform, an overhaul of disability and training schemes, infrastructure investment, deregulation and corporate-tax reform all high on the agenda would be gradual. But even the prospect would strengthen the recovery, by encouraging investment and deterring the Fed from raising interest rates too soon.

Thoughtful politicians have produced schemes for radical change in almost all of these areas, but their plans – like so much else – have fallen victim to America's polarized politics. The Republicans stand in the way of loosening immigration rules, while Democrats fear that supply-side reforms are a plot to hurt the average Joe. Both sides Hoover up cash from special interests keen to keep anticompetitive regulations in place. Barack Obama, the least business-friendly president for decades, has devoted far too little attention to the problem. So the odds rise that America's economy will continue to lumber along at an underwhelming pace and Americans will have no one to blame but their leaders.

Source Citation (MLA 7th Edition)

"America's lost oomph; The American economy." *The Economist* 19 July 2014: 9(US). *Educators*

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Title: Jobs Are Not Enough; America's Economy



Source: *The Economist*. 412.8896 (July 19, 2014): p23 (US).

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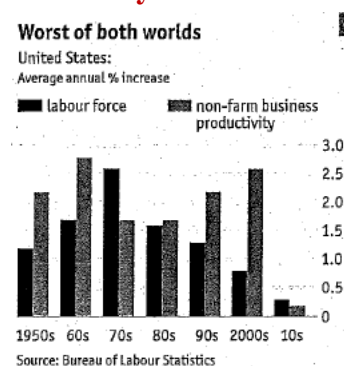
New figures show that the speed at which America's economy can grow without stoking inflation has fallen

AMERICAN workers have had no news this good for years. In June employers added 288,000 jobs, bringing the total for the year to 1.4m, the best six-month stretch since 2006.

Unemployment has sunk to 6.1%, the lowest rate in almost six years. It could hit levels long regarded as "full employment" within a year. Help-wanted signs are proliferating, with vacancies up by 20% since January.

Such an ebullient labor market is usually the token of a booming economy. Not now. In the first quarter gross domestic product fell by 2.9% at an annual rate, the worst showing since the recession. This was a result in part of bad weather. Yet the second quarter will only be strong enough to make up the ground lost in the first. Economists had thought 2014 would be the best year since the recession; with growth in the first half of around zero, it is shaping up to be the worst.

Economic growth over the business cycle is driven mostly by swings in demand, and in recent years demand has been held back: households have been repaying their debts; the government has restrained its spending and raised taxes; and interest rates, having reached zero, are unable to fall further. Over the long run, however, a **country's potential growth depends on supply: how many workers** it has and **how productive** they are. The recent divergence between



America's employment and output suggests the country faces not just deficient demand but also enfeebled supply, as more people working without more output means lower productivity. That is bad news for all Americans since their standard of living depends on productivity. It is also a headache for the Federal Reserve, since inflation emerges more quickly when economic capacity is expanding more slowly. Thus it could mean interest rates rising sooner than might otherwise be expected. If so, though, it would also mean they might not rise that high; in a slower-growing economy, there is less demand for capital.

In the 1990s America boasted one of the rich world's highest potential growth rates, of more than 3%, thanks to a labor force that was expanding by more than 1% a year and productivity, fuelled by the spread of information technology, growing at around 3% a year (see chart 1). By 2007 the **Congressional Budget Office (CBO)** had **trimmed** its **estimate** of **potential growth** to a still respectable 2.6%. It now thinks it **may be just 2.1%** (see chart 2 on next page). The **Fed** has **lowered** its **projections** of **long-term growth by almost as much**.

Even that may be optimistic. The recent spell of strong jobs growth and feeble output means that **productivity declined by 0.4% over the past year**, JPMorgan calculates. The labor force did

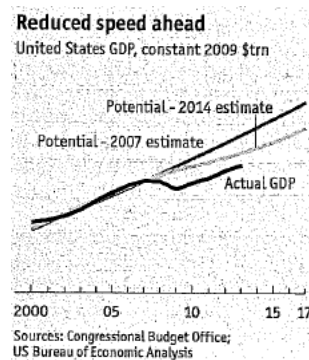
not grow at all. Economic theory holds that unemployment declines when the economy grows faster than its potential on the upswing of the business cycle. If the slow growth of the past year was above the long-term potential, as the rapid drop in unemployment suggests, it would seem to imply that the long-term potential was actually negative. Things are almost certainly not that bad. Still, JPMorgan reckons America's potential growth is just 1.75% – about half the rate it enjoyed from 1947 to 2007.

Measuring potential growth is notoriously difficult. Productivity is volatile, making underlying trends hard to discern. Disentangling short-term demand from long-term supply is complicated by the fact that the former has a direct effect on the latter. When the economy is booming, businesses invest and innovate more, which raises productivity, and people who might have stayed at home, retired or remained in school join the labor force. That is what happened in the 1990s: as the economic boom continued with no uptick in inflation, economists concluded that potential growth had risen.

The great reversion

The optimistic way to read the current situation is as the same thing happening in reverse: potential growth may be being depressed by the hangover of weak demand from the Great Recession, rather than by underlying structural forces. For example, the labor force has grown by just 0.3% per year so far this decade, compared with 0.8% in the previous decade, and the participation rate – the share of the working-age population either working or looking for work – has fallen from 65.9% at the end of 2007 to 62.8%. Some of that is structural: of particular note is the fact that the first baby boomers qualified for Social Security (the public pension) in 2008. Some is cyclical: those who have not found work since the recession are quitting the jobs market. But which effect is bigger?

A new report by Barack Obama's Council of Economic Advisers reckons 1.6 percentage points of the 3.1-point decline in participation can be explained by ageing alone. It reckons another half point is clearly cyclical. That leaves a gap of roughly one percentage point requiring explanation. One factor is that 16- to 24-year-olds are staying in education longer, and are less likely to work while learning. But participation among those aged from 25 and 54, the biggest and most active portion of the workforce, has also fallen – and it was doing so before the recession hit.



This fall has been most striking for those with less education: participation has dropped by four percentage points for those with only a high-school diploma, according to Judd Cramer, a doctoral student at Princeton University. These are the workers most likely to be displaced by technology or foreign competition. But this long-standing trend was made worse by the recession; participation in states hit harder by the recession fell more than it did in those less afflicted, according to Christopher Erceg and Andrew Levin of the International Monetary Fund.

In theory, a hotter economy should draw some of these workers back into the labor market. In practice, the impact is likely to be small. Many dropouts have retired or begun collecting disability benefits, a decision that is "more or less permanent", according to Shigeru Fujita of the Federal Reserve Bank of Philadelphia. And the structural problem will get worse; the baby-boomers will continue to retire, even as the supply of new workers shrivels. The

Census Bureau reckons America's working-age population will grow by just 0.3% a year from 2010 to 2030, less than a third of the rate of the past two decades. Ageing is not the only reason: **falling fertility rates** and **declining immigration** also play a role.

Like labor, productivity is growing more slowly, averaging a little over 1% since the recovery began, about half the average of 2.3% from 1947 to 2007. This might be partly cyclical: weak sales and financial crises have discouraged investment in recent years. But productivity growth had begun to slow even before the recession, from around 2005. John Fernald of the Federal Reserve Bank of San Francisco attributes this to the waning of the IT revolution. Led by the likes of Walmart, a fiercely efficient retailer, businesses began using IT in the late 1990s to better manage supply chains, deploy workers and design products. By 2005 they had reaped most of the benefits, the theory runs, and the pace of innovation in semiconductors had slowed.

The spread of social media which allow new forms of working, of automation which increases an individual's output and of many other technological innovations which, like those of the previous wave, are taking their time to show up in the productivity figures may yet improve the outlook. But such a pay-off could be many years away. As Michael Feroli of JPMorgan notes, the share of GDP devoted to investments in IT plunged during the recession and has continued to fall, even as investment of other sorts has recovered. The Bank Credit Analyst, an investment journal, notes that lower potential growth means business needs less capital to meet future sales. That would explain why investment, at 12% of GDP, remains below its pre-recession peak.

Even if potential growth picks up a bit, **America will increasingly resemble the ageing slow-growth economies on which it used to look down.** To improve potential growth policymakers can take various steps, such as raising the age at which the elderly receive government benefits, lowering the top corporate-tax rate and reforming support for the disabled. But such steps would take years to bear fruit. In the meantime the Fed has held interest rates at zero out of a belief that the economy is loaded with spare capacity which is holding down inflation.

Recent data have prompted a reappraisal. Not only has unemployment fallen rapidly, broader measures of underemployment which include the unemployed who have given up looking for work have fallen even further. Yet **participation has not risen.** Meanwhile, employers are having more trouble filling jobs: in May 3.2% of all jobs went vacant, close to a seven-year high, suggesting the jobless lack the skills that employers are looking for.

All this indicates that the economy is closer to full employment than the Fed had expected just a year ago. Given how quiescent wages and prices remain, rate rises seem still at least a year away. But as Janet Yellen, the Fed chair, noted on July 15th, that date will come sooner if unemployment keeps falling so quickly.

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CASE: UE 283
WITNESS: MATT MULDOON

**PUBLIC UTILITY COMMISSION
OF
OREGON**

**STAFF EXHIBIT 1405
Value Line (VL) Electric Utility Reports**

**Exhibits in Support of
Rebuttal Testimony**

August 13, 2014

ALLIANT ENERGY NYSE:LNT				RECENT PRICE	P/E RATIO		Trailing: 16.4 Median: 14.0		RELATIVE P/E RATIO	DIVID YLD	VALUE LINE						
				58.09	15.9				0.85	3.5%							
TIMELINESS	2	Raised 5/16/14	High: 26.1	28.8	30.6	40.0	46.5	42.4	31.5	37.7	44.5	47.7	54.2	60.1	Target Price	Range	
SAFETY	2	Raised 9/28/07	Low: 15.0	23.5	25.6	27.5	34.9	22.8	20.3	29.2	33.9	41.9	43.7	50.0	2017	2018	2019
TECHNICAL	4	Lowered 6/13/14	LEGENDS 0.90 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession														
BETA	.75	(1.00 = Market)	2017-19 PROJECTIONS Ann'l Total Price Gain Return High 6.5 (+10%) 6% Low 4.5 (-25%) -2%														
Insider Decisions			to Buy 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 to Sell 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 Options 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 to Sell 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0														
Institutional Decisions			3Q2013 4Q2013 1Q2014 to Buy 158 164 169 to Sell 129 131 145 Net's(000) 64486 66218 65998 Percent shares traded 12 8 4														
Alliant Energy, formerly called Interstate Energy Corporation, was formed on April 21, 1998 through the merger of WPL Holdings, IES Industries, and Interstate Power. WPL stockholders received one share of Interstate Energy stock for each WPL share, IES stockholders received 1.14 Interstate Energy shares for each IES share, and Interstate Power stockholders received 1.11 Interstate Energy shares for each Interstate Power share.			2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	REVENUES PER SH	39.16	
CAPITAL STRUCTURE as of 3/31/14 Total Debt \$3560.7 mill. Due in 5 Yrs \$772.6 mill. LT Debt \$2980.6 mill. LT Interest \$160.0 mill. (LT interest earned: 3.6x)			25.56	28.02	28.93	31.15	33.33	31.02	30.81	33.02	27.88	33.87	35.25	37.35	"Cash Flow" per sh	6.85	
Pension Assets-12/13 \$965.6 mill. Oblig. \$1113.4 mill. Pfd Stock \$200.0 mill. Pfd Div'd \$10.2 mill. 8,000,000 shs.			4.69	5.46	4.33	5.12	4.56	4.21	5.21	5.51	5.90	6.20	6.60	6.85	Earnings per sh A	4.05	
Common Stock 110,937,182 shs.			1.85	2.21	2.06	2.69	2.54	1.89	2.75	2.75	3.05	3.29	3.65	3.90	Div'd Decl'd per sh B = †	2.40	
MARKET CAP: \$6.4 billion (Large Cap)			1.02	1.05	1.15	1.27	1.40	1.50	1.58	1.70	1.80	1.88	2.04	2.20	Book Value per sh C	34.80	
ELECTRIC OPERATING STATISTICS			5.55	4.51	3.42	4.91	7.96	10.87	7.82	6.07	10.43	9.21	7.50	9.46	Cap'l Spending per sh	6.80	
% Change Retail Sales (KWH)			22.13	20.85	22.83	24.30	25.56	25.07	26.09	27.14	28.25	29.45	30.00	31.35	Common Shs Outs't'g D	115.00	
Avg. Indust. Use (MWH)			115.04	117.04	116.13	110.36	110.45	110.66	110.89	111.02	110.99	110.98	111.00	112.00	Avg Ann'l P/E Ratio	13.8	
Avg. Indust. Revs. per KWH (¢)			14.0	12.6	16.8	15.1	13.4	13.9	12.5	14.5	14.5	15.3	15.3	15.3	Relative P/E Ratio	.85	
Capacity at Peak (MW)			.74	.67	.91	.80	.81	.93	.80	.91	.92	.86	.86	.86	Avg Ann'l Div'd Yield	4.2%	
Peak Load, Summer (MW)			3.9%	3.8%	3.3%	3.1%	4.1%	5.7%	4.6%	4.3%	4.1%	4.1%	4.1%	4.1%			
Annual Load Factor (%)			2958.7	3279.6	3359.4	3437.6	3681.7	3432.8	3416.1	3665.3	3094.5	3276.8	3450	3800	Revenues (\$mill)	4500	
% Change Customers (yr-end)			229.5	337.8	260.1	320.8	280.0	208.6	303.9	304.4	337.8	376.2	360	385	Net Profit (\$mill)	465	
Fixed Charge Cov. (%)			26.7%	19.0%	43.8%	44.4%	33.4%	--	30.1%	19.0%	21.5%	12.4%	15.0%	20.0%	Income Tax Rate	30.0%	
ANNUAL RATES			8.1%	3.0%	3.1%	2.4%	--	--	--	8.8%	6.5%	7.0%	7.0%	7.0%	AFUDC % to Net Profit	8.0%	
Past 10 Yrs.			45.0%	41.6%	31.4%	32.4%	36.3%	44.3%	46.3%	45.7%	48.4%	46.5%	47.5%	47.5%	Long-Term Debt Ratio	46.0%	
Past 5 Yrs.			50.2%	53.1%	62.9%	61.9%	58.6%	51.2%	49.5%	50.9%	48.4%	47.0%	49.5%	49.5%	Common Equity Ratio	51.5%	
Est'd '11-'13			5104.7	4599.1	4218.4	4329.5	4815.6	5423.0	5840.8	5921.2	6476.6	6529.8	6650	6850	Total Capital (\$mill)	7800	
to '17-'19			5284.6	4866.2	4944.9	4679.9	5353.5	6203.0	6730.6	7037.1	7838.0	7147.3	8200	8500	Net Plant (\$mill)	9500	
"Cash Flow"			6.1%	8.9%	7.5%	8.6%	7.0%	5.1%	6.6%	6.4%	6.3%	6.5%	7.0%	7.0%	Return on Total Cap'l	7.0%	
Earnings			8.2%	12.6%	9.0%	11.0%	9.1%	6.9%	9.7%	9.5%	10.1%	10.2%	10.5%	10.5%	Return on Shr. Equity	11.0%	
Dividends			8.2%	13.1%	9.1%	11.3%	9.3%	6.8%	9.9%	9.5%	10.3%	10.3%	11.0%	11.5%	Return on Com Equity E	11.5%	
Book Value			3.8%	8.1%	4.0%	5.9%	3.8%	.9%	3.8%	3.3%	3.9%	4.0%	4.0%	4.5%	Retained to Com Eq	5.0%	
			58%	42%	59%	50%	62%	88%	64%	67%	84%	64%	62%	61%	All Div'ds to Net Prof	58%	
QUARTERLY REVENUES (\$mill.)			BUSINESS: Alliant Energy Corp., formerly named Interstate Energy, is a holding company formed through the merger of WPL Holdings, IES Industries, and Interstate Power. Supplies electricity, gas, and other services in Wisconsin, Iowa, and Minnesota. Elect. revs. by state: WI, 47%; IA, 50%; MN, 3%. Elect. rev.: residential, 38%; commercial, 24%; industrial, 29%; wholesale, 7%; other, 2%. Fuel sources, 2013: coal, 48%; nuclear, 17%; gas, 4%; other, 31%. Fuel costs: 50% of revs. 2013 depreciation rate: 5.6%. Estimated plant age: 11 years. Has 3,950 employees. Chairman & Chief Executive Officer: Patricia L. Kampling, Incorporated: Wisconsin. Address: 4902 N. Billmore Lane, Madison, Wisconsin 53718. Telephone: 608-458-3311. Internet: www.alliantenergy.com.														
EARNINGS PER SHARE A			Alliant Energy reported strong quarterly results to start off the year. Aided by the harsh winter weather, the Wisconsin-based utility was able to post a 38% rise in quarterly profit. Unusually cold temperatures during the first three months of the year were the catalysts that helped fuel demand in the company's gas and electric units. Revenue from the gas unit rose 22% for the quarter, while the electric segment advanced 7%. In addition, the company's 'other' division, which includes wholesale energy market exchanges, increased 27% year over year. In sum, total revenue of \$952.8 million increased 11% over the prior year's tally. Likewise, overall share net came in at \$0.97, and was aided by lower operating expenses as a percentage of revenue. Further, the company should continue to see strong earnings growth over the next few years as household demand for gas and electric rises.														
DIVIDENDS PAID B = †			The utility recently reached a rate agreement with customers in its Iowa-based segment. The terms include steady base electric rates through 2016, as well as credits of up to \$100 million that will be distributed over the next three years. In return, Alliant will be able to continue improving and expanding its Iowa electric system. The company had already invested more than \$750 million in Iowa, and plans to add another \$500 million over the next few years in the hopes of improving its infrastructure and customer base.														
QUARTERLY DIVIDENDS PAID B = †			The stock's dividend yield is about average for a utility. In April, the board of directors declared a quarterly dividend of \$0.51 a share, which at the current price translates to a 3.5% annualized yield. Moreover, Alliant has now paid out 274 consecutive quarterly dividend payments dating back to 1946, when the company first emerged as a player in the energy industry.														
QUARTERLY DIVIDENDS PAID B = †			This timely issue should be sought by investors who value dividend growth and stability. The company's impressive Financial Strength rating, along with the equity's low volatility and a steady income stream makes this issue appealing to conservative, income-oriented investors. Long-term total return potential, however, is less than enticing.														
QUARTERLY DIVIDENDS PAID B = †			Daniel Herigson June 20, 2014														
QUARTERLY DIVIDENDS PAID B = †			Company's Financial Strength A Stock's Price Stability 100 Price Growth Persistence 95 Earnings Predictability 75														
QUARTERLY DIVIDENDS PAID B = †			To subscribe call 1-800-833-0046.														

(A) Diluted EPS. Excl. nonrecur. gains (losses): '03, net 24¢; '04, (58¢); '05, (\$1.05); '06, 83¢; '07, \$1.09; '08, 7¢; '09, (88¢); '10, (15¢); '11, (1¢); '12, (16¢). Next egs. rpt. due late July. (B) Divs historically paid in mid-Feb., May, Aug., and Nov. = Div'd reinvest. plan avail. † Shareholder invest. plan avail.

(C) Incl. deferred chgs. in '13: \$85.8 mill. Divs historically paid in mid-Feb., May, Aug., and Nov. = Div'd reinvest. plan avail. † Shareholder invest. plan avail.

(D) In mill. (E) Rate base: Orig. cost. Rates all'd on com. eq. in IA in '13: 9.5%; in WI in '13 Regul. Cfm.: WI, Above Avg.; IA, Avg.

Company's Financial Strength A
Stock's Price Stability 100
Price Growth Persistence 95
Earnings Predictability 75

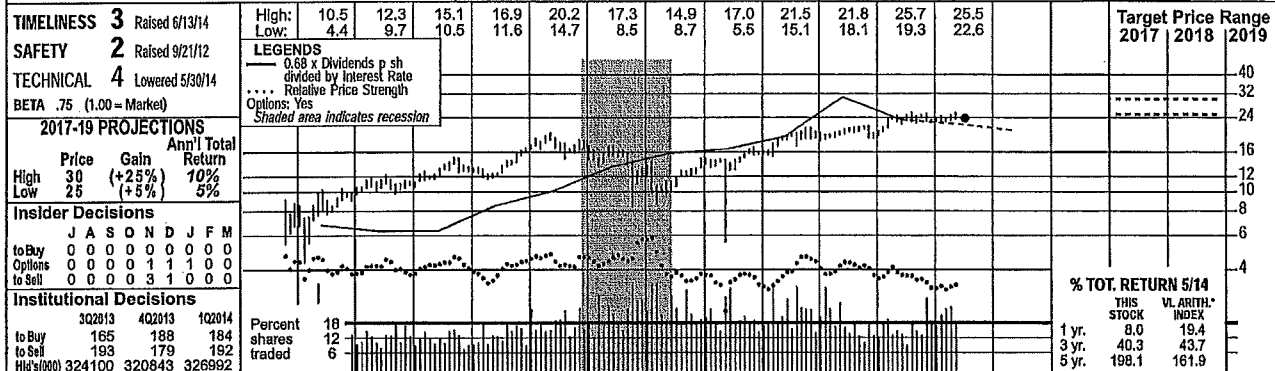
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BLACK HILLS CORP. NYSE-BKH										RECENT PRICE	58.21	P/E RATIO	25.0	(Trailing: 22.3; Median: 17.0)	RELATIVE P/E RATIO	1.33	DIV'D YLD	2.7%	VALUE LINE	
TIMELINESS	3	Lowered 9/13/13	High:	33.5	32.5	44.6	37.9	45.4	44.0	28.0	34.5	34.8	37.0	55.1	59.1	51.1	Target Price	2017	2018	2019
SAFETY	3	Lowered 8/15/03	Low:	21.8	26.5	29.2	32.5	35.4	21.7	14.5	25.7	25.8	30.3	36.9						
TECHNICAL	3	Lowered 5/2/14																		
BEYA	.90	(1.00 = Market)	LEGENDS 0.88 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession																	
2017-19 PROJECTIONS High Price 60 (+5%) Low Price 40 (-30%) Ann'l Total Return 4% Gain (-30%) Loss (-5%)																				
Insider Decisions J J A S O N D J F to Buy 1 0 to Sell 0 to Buy 0 to Sell 0 Hld's(000) 30769 30852 31116																				
Institutional Decisions 2Q2013 3Q2013 4Q2013 to Buy 98 95 94 to Sell 92 86 96 Hld's(000) 30769 30852 31116																				
Percent shares traded 18 12 6																				
% TOT. RETURN 3/14 1 yr. 34.8 3 yr. 84.1 5 yr. 303.8																				
© VALUE LINE PUB. LLC '17-19																				
1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Revenues per sh	34.00	
31.48	37.05	69.89	57.96	15.74	35.17	34.54	41.97	19.89	18.41	26.03	32.58	33.29	28.96	26.55	28.67	29.95	31.10	6.15	7.50	
2.72	2.88	3.68	5.27	4.93	4.26	4.46	4.81	5.04	5.29	2.95	5.41	4.88	4.01	5.59	5.93	6.15	6.50	2.80	3.25	
1.60	1.70	2.37	3.42	2.33	1.84	1.74	2.11	2.21	2.68	.18	2.32	1.66	1.01	1.97	2.61	2.65	2.80	1.64	1.90	
1.00	1.04	1.08	1.12	1.16	1.20	1.24	1.28	1.32	1.37	1.40	1.42	1.44	1.46	1.48	1.52	1.56	1.64	1.64	1.90	
1.18	4.89	5.79	14.07	8.65	2.80	2.80	4.18	9.24	6.92	8.51	8.90	12.04	10.03	7.90	7.97	10.05	8.70	10.05	8.25	
9.58	10.14	11.95	18.95	19.66	21.72	22.43	22.29	23.68	25.66	27.19	27.84	28.02	27.53	27.88	29.39	30.45	31.50	30.45	35.25	
21.58	21.37	23.30	26.89	28.93	32.30	32.48	33.16	33.37	37.80	38.64	38.97	39.27	43.92	44.21	44.50	44.75	46.00	44.75	46.75	
14.9	13.6	10.9	11.4	12.5	15.9	17.1	17.3	15.8	15.0	NMF	9.9	18.1	NMF	17.1	18.2	18.2	18.2	18.2	16.0	
.77	.78	.71	.58	.68	.91	.90	.92	.85	.80	NMF	.66	1.15	NMF	1.09	1.03	1.03	1.03	1.03	1.00	
4.2%	4.5%	4.2%	2.9%	4.0%	4.1%	4.2%	3.5%	3.8%	3.4%	4.2%	6.2%	4.8%	4.6%	4.4%	3.2%	3.2%	3.2%	3.2%	3.7%	
CAPITAL STRUCTURE as of 12/31/13 Total Debt \$1479.5 mill. Due in 5 Yrs \$357.5 mill. LT Debt \$1397.0 mill. LT Interest \$62.2 mill. (LT Interest earned: 3.7x) Leases, Un capitalized Annual rentals \$2.8 mill.																				
Pension Assets-12/13 \$280.4 mill. Oblig. \$321.4 mill.																				
Pfd Stock None																				
Common Stock 44,503,454 shs. as of 1/31/14																				
MARKET CAP: \$2.6 billion (Mid Cap)																				
ELECTRIC OPERATING STATISTICS 2011 2012 2013 % Change Retail Sales (KWh) +1.3 +2 +1.0 Avg. Indust. Use (MWh) 8482 8921 9740 Avg. Indust. Revs. per KWh (\$) 7.58 8.01 8.19 Capacity at Yearend (Mw) 1315 1318 N/A Peak Load, Summer (Mw) 1025 1036 988 Annual Load Factor (%) N/A N/A N/A % Change Customers (y-end) +3 +3 +8																				
Fixed Charge Cov. (%) 160 205 224																				
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '11-'13 to '17-'19 Revenues -2.5% 5.5% 3.5% "Cash Flow" .5% 3.0% 6.5% Earnings -3.0% 2.0% 9.5% Dividends 2.5% 1.5% 4.0% Book Value 3.5% 2.0% 3.5%																				
QUARTERLY REVENUES (\$ mill.) Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 400.8 260.7 249.5 361.2 1272.2 2012 365.8 242.4 246.8 318.9 1173.9 2013 380.7 279.8 259.9 355.5 1275.9 2014 420 285 280 355 1340 2015 420 305 300 375 1400																				
EARNINGS PER SHARE A Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 .73 .09 d.29 .44 1.01 2012 .80 .11 .38 .68 1.97 2013 .97 .69 .52 .43 2.61 2014 .95 .45 .50 .75 2.65 2015 .95 .50 .55 .80 2.80																				
QUARTERLY DIVIDENDS PAID B Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 .36 .36 .36 .36 1.44 2012 .365 .365 .365 .365 1.46 2013 .37 .37 .37 .37 1.48 2014 .38 .38 .38 .38 1.52																				
BUSINESS: Black Hills Corporation is a holding company for utilities that serve 204,000 electric customers in CO, SD, WY and MT, and 574,000 gas customers in NE, IA, KS, CO and WY. Mines coal & has a gas & oil E&P bus. Acq'd Wicford Energy Mktg. 7/97 (discontinued in '11); Mallon Resources 3/03; Cheyenne Light '10/5; utility ops. from Aquila 7/08. Discont. telecom in '05; oil mktg. in '06.																				
oil production. Black Hills has long had a presence in exploration and production, but was focused on natural gas. The company drilled three successful test wells in 2011 in the Mancos Shale region, and completed two wells there last year. Black Hills plans to drill up to six wells in 2014. All told, Black Hills expects a 40%-50% increase in production this year.																				
The board of directors raised the dividend in the first quarter. The quarterly increase was a cent a share (2.6%), the same as in the past two years.																				
Black Hills stock continues to perform well. Following a 44.5% rise in 2013, the quotation is up more than 10% so far in 2014. Although the company's utility operations are faring well and have good prospects, this doesn't account for such a strong showing for the equity. There is a lot of investor enthusiasm about Black Hills' oil E&P business. Although this operation has good potential, we think the stock's reaction is premature. The dividend yield is a percentage point below the utility mean, and the stock is fully valued for the 3- to 5-year period.																				
Management is stepping up activity in																				
Paul E. Debbas, CFA																				
May 2, 2014																				
Company's Financial Strength B+ Stock's Price Stability 85 Price Growth Persistence 60 Earnings Predictability 40																		To subscribe call 1-800-833-0046.		
<small>(A) Diluted EPS. Excl. nonrec. gains (losses): '05, (99¢); '08, (\$1.55); '09, (28¢); '10, 10¢; '12, 4¢ net; gains (losses) on disc. ops.: '05, (7¢); '06, 21¢; '07, (4¢); '08, \$4.12; '09, 7¢; '11, 23¢; '12, (16¢). '11, '12 EPS don't add due to chng. in shs. or rounding. Next eqs. due early Aug. (B) Div'ds paid early Mar., Jun., Sept., & Dec. (C) Div'd relin. plan avail. (D) Incl. def'd chgs. in avg. com. eq., '13: 9.1%. Regul. Climate: Avg.</small>																				
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CENTERPOINT EN'RGY NYSE:CP

RECENT PRICE **23.89** P/E RATIO **20.8** (Trailing: 18.0 Median: 15.0) RELATIVE P/E RATIO **1.11** DIV'D YLD **4.1%** VALUE LINE



1998	1999	2000	2001A	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUBL. LLC 17-19	
--	--	--	35.18	26.40	31.87	27.63	31.33	29.71	29.82	32.71	21.14	20.69	19.83	17.43	18.90	20.95	20.40	Revenues per sh	23.00
--	--	--	3.69	3.34	3.98	2.56	2.72	3.47	3.39	3.42	2.94	3.14	3.43	3.60	3.54	3.45	3.60	"Cash Flow" per sh	4.00
--	--	--	1.54	1.29	1.37	.61	.67	1.33	1.17	1.30	1.01	1.07	1.27	1.35	1.24	1.15	1.20	Earnings per sh ^B	1.45
--	--	--	1.50	1.07	1.40	.40	.40	.60	.68	.73	.76	.78	.79	.81	.83	.95	1.00	Div'd Decl'd per sh ^C	1.15
--	--	--	6.78	2.85	2.11	1.72	2.23	3.21	3.45	2.95	2.96	3.55	3.06	2.84	3.00	3.20	3.25	Cap'l Spending per sh	2.50
--	--	--	22.24	4.74	5.75	3.59	4.18	4.96	5.61	5.89	6.74	7.53	9.91	10.06	10.09	10.25	10.45	Book Value per sh ^D	11.25
--	--	--	302.94	300.10	306.30	308.05	310.33	313.65	322.72	346.09	391.75	424.70	426.03	427.44	429.00	430.00	431.00	Common Shs Outst'g ^E	434.00
--	--	--	--	5.6	6.0	17.8	19.1	10.3	15.0	11.3	11.8	13.8	14.6	14.8	18.7	14.8	14.8	Avg Ann'l P/E Ratio	18.5
--	--	--	--	.31	.34	.94	1.02	.56	.80	.68	.79	.88	.92	.94	1.06	1.06	1.06	Relative P/E Ratio	1.15
--	--	--	--	14.8%	4.8%	3.7%	3.1%	4.4%	3.9%	5.0%	6.4%	5.3%	4.3%	4.0%	3.6%	3.6%	3.6%	Avg Ann'l Div'd Yield	4.3%

CAPITAL STRUCTURE as of 3/31/14
Total Debt \$8563.0 mill. Due in 5 Yrs \$4230.0 mill.
LT Debt \$8056.0 mill. LT Interest \$411.0 mill.
Incl. \$2908.0 mill. securitized transition & system restoration bonds.
(LT Interest earned: 2.8x)
Leases, Uncapitalized Annual rentals \$6.0 mill.
Pension Assets-12/13 \$1803 mill.
Oblig. \$2153 mill.

Pfd Stock None
Common Stock 429,748,467 shs. as of 4/15/14
MARKET CAP: \$10.3 billion (Large Cap)

ELECTRIC OPERATING STATISTICS			
	2011	2012	2013
% Change Retail Sales (KWH)	+3.9	-1.8	+1.8
Avg. Indust. Use (MWH)	N/A	N/A	N/A
Avg. Indust. Revs. per KWH (¢)	N/A	N/A	N/A
Capacity at Peak (MW)	N/A	N/A	N/A
Peak Load, Summer (MW)	N/A	N/A	N/A
Annual Load Factor (%)	N/A	N/A	N/A
% Change Customers (avg.)	+2.1	+2.0	+2.0

BUSINESS: CenterPoint Energy, Inc. is a holding company for Houston Electric, which serves 2.1 million customers in Houston and environs, and gas utilities with 3.3 million customers: Entex (Texas, Louisiana, Mississippi); Arkia (Arkansas, Louisiana, Oklahoma, Texas); and Minnegasco (Minnesota). Owns 55.4% of Enable Midstream Partners. Discontinued Texas Genco Holdings in '04. Electric rev. breakdown: residential, 52%; commercial, 31%; industrial, 15%; other, 2%. Does not own generating assets. Gas costs: 48% of revs. '13 deprec. rate: 7.0%. Has 8,600 employees. Chairman: Milton Carroll. Pres. & CEO: Scott M. Prochazka. Inc.: TX. Address: 1111 Louisiana, P.O. Box 4567, Houston, TX 77210-4567. Tel.: 713-207-1111. Internet: www.centerpointenergy.com.

CenterPoint Energy and OGE Energy had an initial public offering in April for their Enable Midstream Partners master limited partnership. Following the IPO and a subsequent dropdown of a 24.95% stake in a jointly owned pipeline, CenterPoint owns 55.4% of Enable. The units (NYSE: ENBL) have fared well in their brief history, having risen more than 20% from their IPO price. However, although Enable contributed \$0.13 a share to CenterPoint's first-quarter profits, the transaction will be dilutive to earnings this year. That's why the company's 2014 earnings guidance is \$1.10-\$1.19 a share, down from \$1.24 in 2013. Despite the near-term dilution, Enable should provide long-term benefits to CenterPoint as the new MLP attains greater synergies and distributes more cash to its owners. **The cash received from Enable ought to enhance dividend growth.** CenterPoint is targeting a payout ratio consisting of 60%-70% of its "sustainable" earnings from utility operations and 90%-100% of its net aftertax midstream distributions. The board raised the dividend by 14.5% in the first quarter. We expect a healthy in-

crease in 2015, but not as high as in 2014. **We forecast a modest rise in earnings in 2015.** Most of CenterPoint's utilities are earning a healthy return on equity and are experiencing above-average customer growth. We expect a greater contribution from Enable, too. **The utility awaits a final order in its gas rate case in Minnesota.** It filed for a raise of \$44.3 million (5%) based on a return of 10.3% on a common-equity ratio of 53% and asked for a regulatory mechanism to decouple revenues and volume. An interim increase of \$42.9 million went into effect at the start of October. The final ruling is expected this summer. **CenterPoint stock has not moved much this year.** Its price is up 3% year to date, well below the performance of most electric utility issues. In fact, the recent price is below the lower end of our 2017-2019 Target Price Range—unusual for this industry today. This is possibly due to the dilution from the Enable deal. The stock's dividend yield and 3- to 5-year total return potential are slightly above average for a utility. *Paul E. Debbas, CFA June 20, 2014*

QUARTERLY REVENUES (\$mill.)					Full Year
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	2587	1897	1881	2145	8450.0
2012	2084	1525	1705	2138	7452.0
2013	2388	1894	1640	2184	8106.0
2014	3163	1750	1800	2287	9000
2015	2700	1850	1900	2350	8800

EARNINGS PER SHARE ^B					Full Year
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.35	.28	.38	.27	1.27
2012	.34	.29	.40	.31	1.35
2013	.34	.29	.35	.26	1.24
2014	.43	.23	.29	.20	1.15
2015	.39	.26	.32	.23	1.20

QUARTERLY DIVIDENDS PAID ^C					Full Year
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.195	.195	.195	.195	.78
2011	.1975	.1975	.1975	.1975	.79
2012	.2025	.2025	.2025	.2025	.81
2013	.2075	.2075	.2075	.2075	.83
2014	.2375	.2375	.2375	.2375	.95

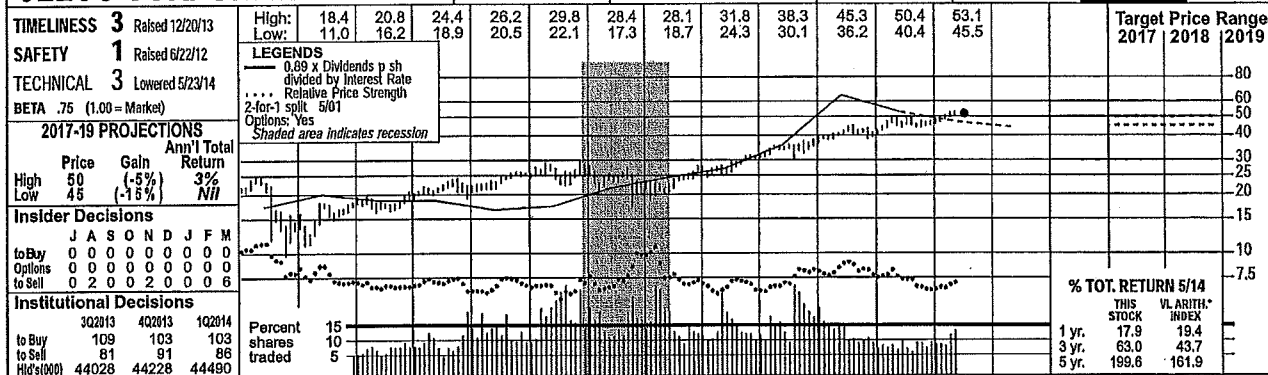
(A) Pro forma data. (B) Diluted EPS. Excl. extraordinary gains (losses): '04, (\$2.72); '05, 9¢; '11, \$1.89; '12, (38¢) net; '13, (52¢) gain (losses) on disc. ops.; '03, '04, (37¢); '05, (1¢). '11 & '12 EPS don't add due to rounding. Next eps. report due early Aug. (C) Div'ds historically paid in early Mar., June, Sept. & Dec. Div'd reinvest. plan avail. (D) Incl. intang. In '13: \$10.64/sh. (E) In mill. (F) Rate base: Net orig. cost. Rate all'd on com. eq. (elec.) in '11: 10%; (gas): 9.45%-11.25%; earned on avg. com. eq., '13: 12.0%. Regulatory Climate: Avg.

Company's Financial Strength B++
Stock's Price Stability 95
Price Growth Persistence 90
Earnings Predictability 90

To subscribe call 1-800-833-0046.

CLECO CORPORATION NYSE-CNL

RECENT PRICE **51.85** P/E RATIO **21.2** (Trailing: 19.8 Median: 14.0) RELATIVE P/E RATIO **1.13** DIV YLD **3.2%** VALUE LINE



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUBL. LLC	17-19
11.46	17.12	18.23	23.55	15.33	18.54	15.03	18.41	17.38	17.19	17.99	14.17	18.98	18.53	18.46	18.14	20.40	21.90	Revenues per sh	23.50
2.28	2.36	2.77	2.94	3.05	2.98	2.56	2.76	2.63	2.69	3.71	3.78	5.12	5.28	5.40	5.32	5.35	6.05	"Cash Flow" per sh	7.25
1.12	1.19	1.46	1.51	1.52	1.26	1.32	1.42	1.36	1.32	1.70	1.76	2.29	2.59	2.70	2.65	2.45	3.00	Earnings per sh A	3.50
.81	.83	.85	.87	.90	.90	.90	.90	.90	.90	.90	.90	.98	1.12	1.30	1.43	1.53	1.63	Div'd Decl'd per sh B	2.00
2.09	3.99	2.52	1.10	1.91	1.58	1.61	3.19	4.11	8.51	5.59	4.15	4.68	3.25	4.06	3.12	3.55	2.25	Cap'l Spending per sh	2.25
9.07	9.44	10.04	10.69	11.77	10.09	10.83	13.69	15.22	16.85	17.65	18.50	21.76	23.55	24.84	26.24	27.15	28.55	Book Value per sh C	32.75
44.97	44.88	44.99	44.96	47.04	47.18	49.62	49.99	57.57	59.94	60.04	60.26	60.53	60.29	60.36	60.45	60.50	60.50	Common Shs Outst'g D	60.50
14.4	13.4	13.2	14.6	12.2	12.4	13.8	15.0	17.3	19.6	14.1	13.2	12.3	13.3	15.0	17.3	15.0	17.3	Avg Ann'l P/E Ratio	14.0
.75	.76	.86	.75	.67	.71	.73	.80	.93	1.04	.85	.88	.78	.83	.95	.97	.97	.97	Relative P/E Ratio	.90
5.0%	5.2%	4.4%	3.9%	4.8%	5.8%	5.0%	4.2%	3.8%	3.5%	3.8%	3.9%	3.5%	3.3%	3.2%	3.1%	3.1%	3.1%	Avg Ann'l Div'd Yield	4.2%

CAPITAL STRUCTURE as of 3/31/14		745.8	920.2	1000.7	1030.6	1080.2	853.8	1148.7	1117.3	993.7	1096.7	1235	1325	Revenues (\$mill)	1425					
Total Debt \$1314.7 mill. Due in 5 Yrs \$453.8 mill.		66.1	75.0	74.7	79.6	102.1	108.3	139.5	157.8	183.6	160.7	150	185	"Cash Flow" (\$mill)	215					
LT Debt \$1297.0 mill. LT Interest \$72.5 mill.		35.2%	39.2%	36.0%	24.3%	15.3%	8.3%	44.1%	30.6%	28.5%	33.1%	34.0%	34.0%	Income Tax Rate	34.0%					
Incl. \$6.9 million capitalized leases. (LT Interest earned: 4.2x)		7.5%	4.3%	14.2%	57.9%	82.8%	93.5%	12.2%	4.3%	5.5%	3.4%	3.0%	2.0%	AFUDC % to Net Profit	2.0%					
Leases, Uncapitalized Annual rentals \$10.6 mill.		44.5%	46.3%	40.9%	43.2%	51.1%	54.2%	51.5%	48.5%	45.6%	45.3%	42.5%	42.5%	Long-Term Debt Ratio	34.0%					
Pension Assets-12/13 \$384.6 mill.		53.1%	52.0%	57.8%	58.7%	48.9%	45.8%	48.5%	51.5%	54.4%	54.7%	57.5%	57.5%	Common Equity Ratio	66.0%					
Oblig. \$392.5 mill.		1011.6	1315.9	1515.6	1780.5	2167.7	2436.4	2717.9	2756.9	2756.5	2901.7	2860	2995	Total Capital (\$mill)	3000					
Pfd Stock None		1060.0	1188.7	1304.9	1725.9	2045.3	2247.0	2784.2	2893.9	3009.5	3083.1	3125	3075	Net Plant (\$mill)	2850					
Common Stock 60,359,534 shs. as of 4/2/14		8.9%	7.1%	6.3%	5.6%	6.1%	5.9%	6.6%	7.0%	7.3%	6.8%	6.5%	7.5%	Return on Total Cap'l	8.0%					
MARKET CAP: \$3.1 billion (Mid Cap)		11.8%	10.6%	8.3%	7.9%	9.8%	9.5%	10.8%	11.1%	10.9%	10.1%	8.0%	10.5%	Return on Shr. Equity	10.5%					
ELECTRIC OPERATING STATISTICS		11.9%	10.7%	8.3%	7.8%	9.6%	9.5%	10.6%	11.1%	10.9%	10.1%	9.0%	10.5%	Return on Com Equity E	10.5%					
2011 2012 2013		3.9%	4.1%	3.0%	2.6%	4.5%	4.7%	6.1%	6.3%	5.7%	4.7%	3.5%	5.0%	Retained to Com Eq	4.5%					
% Change Retail Sales (KWH)		68%	62%	65%	68%	53%	51%	42%	43%	48%	54%	62%	54%	All Div'ds to Net Prof	57%					
Avg. Indust. Use (MWH)		+4	-3.4	+1.4																
Avg. Indust. Rates per KWH (¢)		3.04	3.814	3.870																
Capacity at Peak (MW)		7.58	6.83	7.50																
Peak Load, Summer (MW)		25.44	33.15	33.15																
Annual Load Factor (%)		23.55	22.82	22.78																
% Change Customers (avg.)		56.2	55.1	57.0																
Fixed Charge Cov. (%)		+6	+8	+6																

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	-1.0%	--	5.0%
"Cash Flow"	6.0%	12.0%	5.0%
Earnings	6.5%	12.5%	5.0%
Dividends	3.5%	7.5%	7.5%
Book Value	8.5%	8.5%	4.5%

Cal-endar	QUARTERLY REVENUES (\$mill.)	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2011	253.7 272.9 351.6 239.1	1117.3
2012	222.8 240.1 297.4 233.4	993.7
2013	240.9 263.9 328.8 263.1	1096.7
2014	284.4 275.6 375 300	1235
2015	285 320 400 320	1325

Cal-endar	EARNINGS PER SHARE A	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2011	.48 .52 1.08 .51	2.59
2012	.50 .77 1.05 .38	2.70
2013	.45 .69 1.09 .41	2.65
2014	.43 .47 1.15 .40	2.45
2015	.55 .75 1.25 .45	3.00

Cal-endar	QUARTERLY DIVIDENDS PAID B	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2010	.225 .25 .25 .25	.98
2011	.25 .28 .28 .3125	1.12
2012	.3125 .3125 .3375 .3375	1.30
2013	.3375 .3625 .3625 .3625	1.43
2014	.3625 .40	

BUSINESS: Cleco Corporation is a holding company for Cleco Power LLC, which supplies electricity to about 284,000 customers in central Louisiana. Electric revenue breakdown: residential, 46%; commercial, 30%; industrial, 14%; other, 10%. Largest industrial customers are paper mills and other wood-product industries. Generating sources: gas & oil, 29%; coal & lignite, 28%; petroleum

Cleco's board of directors has raised the dividend and revised the company's payout policy. The board boosted the annual disbursement by \$0.15 a share (10.3%), which was greater than we had expected. The directors also raised the targeted range for the payout ratio from 50%-60% to 55%-65%.

Cleco Power has reached a settlement to extend its formula rate plan. This plan, in effect through mid-2014, allows the utility to earn a return on equity of up to 11.7%, based on a common-equity ratio of 51%. It also allows Cleco to recover certain capital expenditures through riders on customers' bills. Under the agreement, the allowed ROE would be cut to 11.24%—still generous—and the utility would provide a one-time customer rate credit of \$22 million. The extension would run through mid-2018, and Cleco would be required to file a rate case or request another extension by June of 2017. The staff of the Louisiana Public Service Commission (LPSC) and some intervenor groups are parties to the settlement. The commission was expected to vote on it shortly after this report went to press.

We have cut our 2014 earnings estimate by \$0.30 a share, to \$2.45. This is based on the assumption that the LPSC approves the settlement, which would result in a charge of about \$0.22 a share in the current quarter. The absence of the settlement charge and a full year's effect of a wholesale power contract that began at the start of April, 2014 point to much higher profits in 2015.

The Coughlin plant was transferred to Cleco Power in March. This 775-megawatt gas-fired facility was the company's last major nonutility asset. The utility will earn a return on Coughlin through the aforementioned formula rate plan.

This top-quality stock has a high valuation. The dividend yield is well below the utility average, and the recent price is above our 2017-2019 Target Price Range. The valuation reflects, in part, Cleco's prospects for continued superior dividend growth. We think there is also some takeover speculation reflected into the share price. We advise against purchasing the stock solely for takeover possibilities, however.

Paul E. Debbas, CFA June 20, 2014

(A) Diluted earnings. Excl. nonrec. gains (losses): '00, \$4; '02, (\$4); '03, (\$2.05); '05, \$2.11; '07, \$1.22; '10, \$1.91; '11, \$3; losses from discount. ops.: '00, 14¢; '01, 4¢. '13 EPS

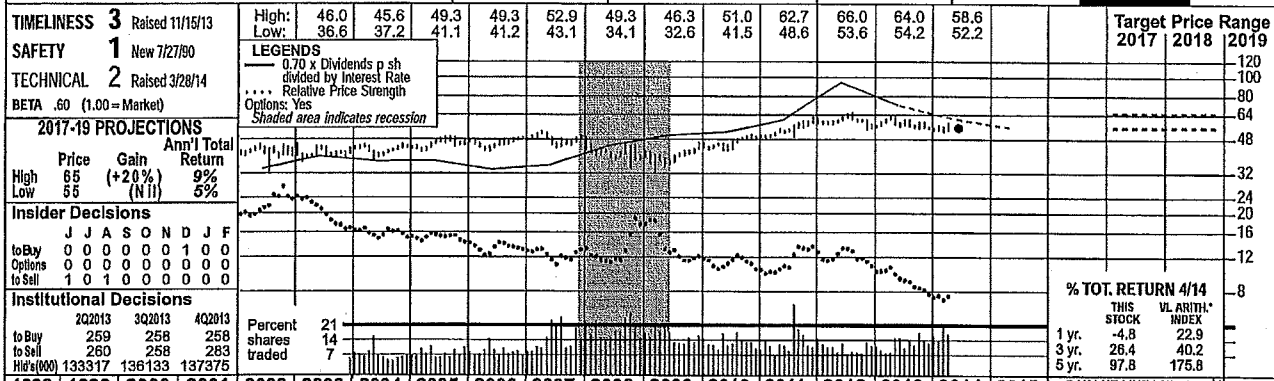
don't add due to rounding. Next earnings report due early Aug. (B) Div'ds historically paid in mid-Feb., May, Aug. and Nov. Div'd reinvestment plan avail. (C) Incl. deferred charges. In

'13: \$10.13/sh. (D) In mill., adj. for split. (E) Rate base: Net org. cost. Rate allowed on com. eq. in '09: 11.7%; earned on avg. com. eq., '13: 10.4%. Regulatory Climate: Average.

To subscribe call 1-800-833-0046.

CON. EDISON NYSE:ED

RECENT PRICE **54.87** P/E RATIO **14.4** (Trailing: 13.7) (Median: 15.0) RELATIVE P/E RATIO **0.80** DIV'D YLD **4.6%** VALUE LINE



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
30.46	35.04	44.48	45.41	39.65	43.51	40.24	47.66	47.14	48.23	49.62	46.36	45.69	44.17	41.82	42.27	43.85	44.05	43.85	44.05	44.05	44.05	44.05
5.29	5.74	5.51	5.70	5.44	5.12	4.54	5.27	5.28	5.77	5.99	5.86	6.24	6.61	7.15	7.45	7.55	7.85	7.85	7.85	7.85	7.85	7.85
3.04	3.13	2.74	3.21	3.13	2.83	2.32	2.99	2.95	3.48	3.36	3.14	3.47	3.57	3.86	3.93	3.80	3.85	3.85	3.85	3.85	3.85	3.85
2.12	2.14	2.18	2.20	2.22	2.24	2.26	2.28	2.30	2.32	2.34	2.36	2.38	2.40	2.42	2.46	2.52	2.58	2.58	2.58	2.58	2.58	2.58
2.66	3.17	4.52	5.20	5.68	5.72	5.60	6.59	7.17	7.09	8.50	7.80	6.86	6.72	7.06	8.67	8.90	8.60	8.60	8.60	8.60	8.60	8.60
25.88	25.31	25.81	26.71	27.68	28.44	29.09	29.80	31.09	32.58	35.43	36.46	37.93	39.05	40.53	41.81	43.05	44.35	44.35	44.35	44.35	44.35	44.35
232.83	213.81	212.03	212.15	213.83	225.84	242.51	245.29	257.46	272.02	273.72	281.12	291.62	292.89	292.87	292.87	293.00	293.00	293.00	293.00	293.00	293.00	293.00
15.3	14.0	12.0	12.0	13.3	14.3	18.2	15.1	15.5	13.8	12.3	12.5	13.3	15.1	15.4	14.7	15.4	14.7	14.7	14.7	14.7	14.7	14.7
.80	.80	.78	.81	.73	.82	.96	.80	.84	.73	.74	.83	.85	.95	.98	.83	.98	.83	.83	.83	.83	.83	.83
4.6%	4.9%	6.6%	5.7%	5.3%	5.5%	5.3%	5.0%	5.0%	4.8%	5.7%	6.0%	5.2%	4.5%	4.1%	4.3%	4.1%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%

CAPITAL STRUCTURE as of 12/31/13
 Total Debt \$12426 mill. Due in 5 Yrs \$4450.0 mill.
 LT Debt \$10490 mill. LT Interest \$516.0 mill.
 (LT interest earned: 3.9x)

Leases, Uncapitalized Annual rentals \$17.0 mill.

Pension Assets-12/13 \$10755 mill.
 Oblig. \$12197 mill.

Pfd Stock None

Common Stock 292,902,495 shs. as of 1/31/14
MARKET CAP: \$16 billion (Large Cap)

2011	2012	2013	
% Change Retail Sales (KWH)	-1.4	-1.1	+1
Avg. Indust. Use (MWH)	N/A	N/A	N/A
Avg. Indust. Revs. per KWH (\$)	N/A	N/A	N/A
Capacity at Peak (Mw)	N M F	N M F	N M F
Peak Load, Summer (Mw)	14788	14344	14883
Annual Load Factor (%)	N M F	N M F	N M F
% Change Customers (yr-end)	N/A	N/A	N/A

BUSINESS: Consolidated Edison, Inc. is a holding company for Consolidated Edison Company of New York, Inc. (CECONY), which sells electricity, gas, and steam in most of New York City and Westchester County. Also owns Orange and Rockland Utilities (O&R, acquired 7/99), which operates in New York, New Jersey, and Pennsylvania. Has 3.6 million electric, 1.2 million gas customers. Pursues competitive energy opportunities through three wholly owned subsidiaries. Purchases most of its power. Fuel costs: 33% of revenues. '13 reported depreciation rates: 2.8%-3.2%. Has 14,600 employees. Chairman, President & CEO: John McAvoy, Inc.; New York. Address: 4 Irving Place, New York, New York 10003. Tel.: 212-460-4600, Internet: www.conedison.com.

The New York State Public Service Commission (NYSPSC) has approved a regulatory settlement affecting Consolidated Edison's main utility subsidiary. The agreement, retroactive to the start of 2014, saw Consolidated Edison Company of New York swallow electric, gas, and steam rate reductions of \$76.2 million, \$54.6 million, and \$22.4 million, respectively this year. In 2015, these tariffs will rise by \$124.0 million, \$38.6 million, and \$19.8 million, respectively. There will be no change in electric rates in 2016, but rates will increase by \$56.8 million for gas and \$20.3 million for steam. CECONY's allowed return on equity for electricity is 9.2%, its allowed ROE for gas and steam is 9.3%, and its common-equity ratio is 48%. Through the term of the rate order, the utility will spend \$649 million to harden its system against severe storms like Hurricane Sandy, which hit its service area in the fall of 2012.

A gas pipe explosion in New York City occurred in March. The accident killed eight people and injured dozens more. The company is facing litigation about this matter. It did not establish a reserve for any potential damages in the first quarter. The explosion is being investigated by several regulatory authorities, including the National Transportation Safety Board and the NYSPSC.

We estimate that earnings will decline this year but rebound in 2015. The rate reductions this year and increases next year are the main reasons for the fluctuation. Note that we have not reflected any costs of the explosion in our figures. Also, we include mark-to-market gains or losses in our presentation because they are part of ConEd's ongoing results.

Consolidated Edison's stock price has declined slightly this year. This is in contrast to most utility equities. This issue had already been lagging its peers, and concern about the explosion hasn't helped matters since then. The dividend yield is nearly a percentage point above the industry mean, and total return potential is also above average for a utility. Conservative investors should note, though, that uncertainty about the accident might well make this stock somewhat riskier than its top-notch Safety rank suggests.

Paul E. Debbas, CFA *May 23, 2014*

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	3349	2993	3629	2987	12938
2012	3078	2771	3438	2901	12188
2013	3306	2767	3440	2868	12381
2014	3789	2750	3450	2861	12850
2015	3600	2800	3550	2950	12900

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	1.06	.56	1.30	.65	3.57
2012	.94	.73	1.49	.70	3.86
2013	1.16	.49	1.49	.79	3.93
2014	1.23	.56	1.40	.61	3.80
2015	1.15	.60	1.45	.65	3.85

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.595	.595	.595	.595	2.38
2011	.60	.60	.60	.60	2.40
2012	.605	.605	.605	.605	2.42
2013	.615	.615	.615	.615	2.46
2014	.63				

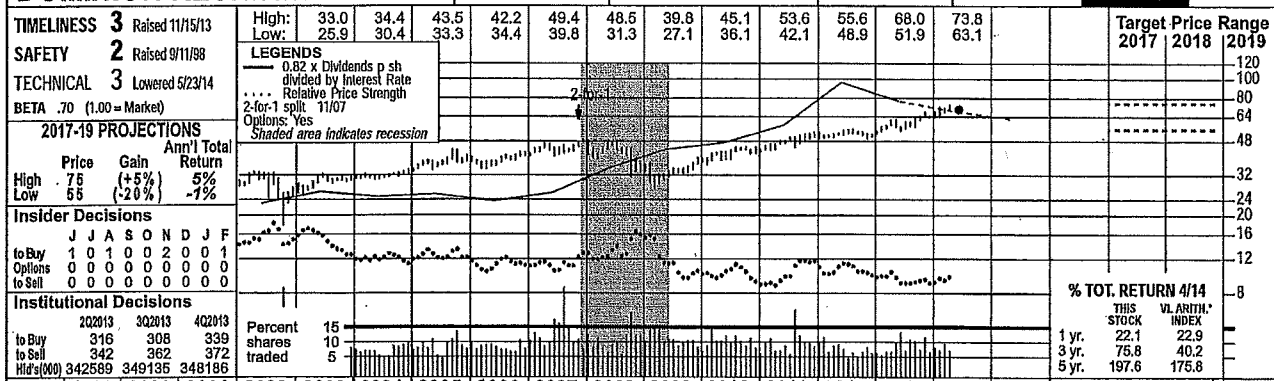
(A) Diluted EPS. Excl. nonrec. losses: '02, 11; '03, 45; '13, 32; gain on discontinued operations: '08, \$1.01. Next earnings report due late Apr. (B) Div'ds historically paid in mid-Mar. (C) Incl. intangibles. In '13: \$26.83/sh. (D) In mill. (E) Rate base; net orig. cost. Rate allowed on com. eq. for CECONY in '14: 9.2% elec, 9.3% gas and steam; O&R in '12 (elec.) 9.4%, in '09 (gas) 10.3%; earned on avg. com. eq., '13: 9.5%. Regulatory Climate: Below Average.

Company's Financial Strength A+
Stock's Price Stability 100
Price Growth Persistence 55
Earnings Predictability 85

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DOMINION RES. NYSE-D

RECENT PRICE **69.80** P/E RATIO **19.9** (Trailing: 21.4 Median: 17.0) RELATIVE P/E RATIO **1.11** DIV'D YLD **3.5%** VALUE LINE



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
15.65	14.81	18.84	19.94	16.58	18.57	20.54	25.96	23.61	27.17	27.93	25.24	26.17	25.24	22.73	22.56	20.60	20.30	Revenues per sh	20.00
2.99	3.68	3.71	3.92	4.45	3.97	4.18	3.70	4.91	5.08	5.07	4.82	5.11	5.04	5.24	5.47	6.20	6.46	"Cash Flow" per sh	7.00
.86	1.50	1.25	1.49	2.41	1.96	2.13	1.50	2.40	2.13	3.04	2.64	2.89	2.76	2.75	3.09	3.50	3.70	Earnings per sh ^A	4.00
1.29	1.29	1.29	1.29	1.29	1.29	1.30	1.34	1.36	1.46	1.58	1.75	1.83	1.97	2.11	2.25	2.40	2.50	Div'd Decl'd per sh ^B	2.80
1.60	2.16	2.82	2.31	2.17	5.20	3.88	4.83	5.81	6.89	6.09	6.40	5.89	6.41	7.20	7.06	9.50	7.85	Cap'l Spending per sh	6.50
13.67	12.75	14.22	15.81	16.57	16.20	16.79	14.96	18.50	16.31	17.28	18.66	20.66	20.09	18.34	20.02	20.40	21.90	Book Value per sh ^C	27.00
388.92	372.64	491.60	529.40	616.20	650.40	680.40	695.00	698.00	576.80	583.20	599.40	580.80	569.70	576.10	581.50	585.00	589.00	Common Shs Outst'g ^D	625.00
24.6	14.5	19.4	20.9	12.0	15.2	15.1	24.9	16.0	20.6	13.8	12.7	14.3	17.3	18.9	19.2	1.20	1.08	Avg Ann'l P/E Ratio	16.0
1.28	.83	1.26	1.07	.66	.87	.80	1.33	.86	1.09	.83	.85	.91	1.09	1.10	1.08	1.08	1.08	Relative P/E Ratio	1.00
6.1%	5.9%	5.3%	4.1%	4.4%	4.3%	4.0%	3.6%	3.6%	3.3%	3.8%	5.2%	4.4%	4.1%	4.1%	3.8%	3.8%	3.8%	Avg Ann'l Div'd Yield	4.4%

CAPITAL STRUCTURE as of 12/31/13		1997	18041	16482	15674	16290	15131	15197	14379	13093	13120	12050	11950	Revenues (\$mill)	12500
Total Debt \$22776 mill. Due in 5 Yrs \$8905 mill.		1425.0	1050.0	1704.0	1414.0	1781.0	1585.0	1724.0	1603.0	1594.0	1806.0	2065	2190	Net Profit (\$mill)	2515
LT Debt \$19330 mill. LT Interest \$915 mill.		35.4%	35.7%	35.5%	33.4%	37.1%	33.2%	38.6%	34.6%	36.2%	33.0%	32.0%	32.5%	Income Tax Rate	32.5%
(LT interest earned: 3.9%)		4.9%	9.7%	7.9%	7.3%	4.9%	4.8%	5.9%	5.3%	5.7%	3.7%	6.0%	5.0%	AFUDC % to Net Profit	4.0%
Leases, Uncapitalized Annual rentals \$63 mill.		57.0%	57.9%	52.9%	57.8%	59.1%	57.5%	56.3%	59.8%	60.9%	61.9%	62.5%	61.0%	Long-Term Debt Ratio	58.0%
Pension Assets-12/13 \$6113 mill.		42.0%	41.1%	46.2%	41.1%	39.8%	41.5%	42.8%	39.3%	38.2%	37.3%	36.5%	38.5%	Common Equity Ratio	41.5%
Pfd Stock \$257 mill. Pfd Div'd \$16 mill.		27190	25307	27961	22898	25290	26923	28012	29097	27676	31229	32725	33500	Total Capital (\$mill)	40500
1,340,140 shs. \$4.04-\$7.05, \$100 lq. pref., redeemable at \$101.00-\$112.50/sh.; 2,500,000 variable rate Money Market Preferred shs.		26716	28940	29382	21352	23274	25592	26713	29670	30773	32628	36625	39625	Net Plant (\$mill)	46500
Common Stock 581,483,227 shs. as of 4/13/14		6.9%	6.1%	7.9%	8.0%	8.7%	7.5%	7.7%	7.0%	7.5%	7.3%	7.5%	8.0%	Return on Total Cap'l	7.5%
MARKET CAP: \$41 billion (Large Cap)		12.2%	9.9%	12.9%	14.6%	17.2%	13.9%	14.1%	13.7%	14.7%	15.2%	17.0%	16.5%	Return on Shr. Equity	14.5%
		12.3%	9.9%	13.1%	14.9%	17.5%	14.0%	14.2%	13.9%	14.9%	15.4%	17.0%	17.0%	Return on Com Equity ^E	15.0%
		4.8%	1.1%	5.8%	5.0%	8.4%	4.7%	5.3%	4.0%	3.5%	4.2%	5.5%	5.5%	Returned to Com Eq	4.5%
		62%	89%	58%	67%	52%	67%	63%	71%	77%	73%	69%	68%	All Div'ds to Net Prof	70%

ELECTRIC OPERATING STATISTICS

	2011	2012	2013
% Change Retail Sales (KWH)	-3.4	-2.3	+2.7
Avg. Indust. Use (MWH)	14,823	15,241	14,444
Avg. Indust. Revs. per KWH (\$)	5.95	6.13	6.00
Capacity at Peak (Mkw)	N/A	N/A	N/A
Peak Load, Summer (Mw)	N/A	N/A	N/A
Annual Load Factor (%)	N/A	N/A	N/A
% Change Customers (yr-end)	+5	+9	+9

Fixed Charge Cov. (%) 318 316 339

ANNUAL RATES Past 10 Yrs Past 5 Yrs Est'd '11-'13 to '17-'19

Revenues	2.5%	-2.0%	-2.5%
"Cash Flow"	2.5%	1.0%	5.0%
Earnings	4.0%	2.5%	5.5%
Dividends	5.0%	7.5%	5.0%
Book Value	2.0%	2.5%	5.5%

Cal-endar	QUARTERLY REVENUES (\$mill)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	4057	3341	3803	3178	14379
2012	3462	3053	3411	3167	13093
2013	3523	2980	3432	3185	13120
2014	3630	2620	3000	2800	12050
2015	3350	2650	3100	2850	11950

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	.89	.58	.69	.60	2.76
2012	.86	.48	.80	.61	2.75
2013	.86	.47	1.02	.74	3.09
2014	1.03	.57	1.05	.85	3.50
2015	1.00	.70	1.10	.90	3.70

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2010	.4575	.4575	.4575	.4575	1.83
2011	.4925	.4925	.4925	.4925	1.97
2012	.5275	.5275	.5275	.5275	2.11
2013	.5625	.5625	.5625	.5625	2.25
2014	.60				

Dominion Resources expects to have an initial public offering of its new master limited partnership this year. The midstream natural gas assets are a good fit within an MLP structure, and it is well positioned to benefit from rising demand for gas. The new MLP, Dominion Midstream Partners, filed an S-1 registration statement with the SEC. Its initial asset will be a preferred equity interest in the Cove Point liquefied natural gas facility. Dominion wants to turn Cove Point into an export facility (at an expected cost of \$3.4 billion-\$3.8 billion through 2017), but needs approvals from the Maryland regulators and the Federal Energy Regulatory Commission. Our figures are based on Dominion as it's now configured.

Dominion's operating earnings aren't likely to be nearly as high as its reported profits this year. In the first quarter, the company took after-tax charges of \$193 million and \$31 million for the termination of its natural gas trading operation and a goodwill write-off associated with the sale of its electric retail marketing business. In addition, the company will book charges totaling some \$400 million (pretax) for the writedown of deferred and capitalized development costs related to potential new nuclear construction. The aforementioned charges are not unusual for Dominion, which has historically incurred significant nonrecurring items and gains or losses from discontinued operations.

Earnings are likely to advance this year and next. In 2013, weather conditions were unfavorable for the company. That said, colder-than-normal weather helped Dominion in early 2014. In addition, Virginia Power benefits from rate surcharges designed to enable it to recover certain capital costs. For example, the utility is building a 1,329-megawatt gas-fired plant, which is scheduled to begin commercial operation in the fourth quarter of 2014 at a cost of \$1.1 billion.

We think the price of Dominion stock reflects the prospective benefits of the MLP IPO. It is trading above the midpoint of our 2017-2019 Target Price Range. At the recent price, neither the dividend yield nor the 3- to 5-year total return potential stand out among utilities.

Paul E. Debbas, CFA May 23, 2014

(A) Diluted earnings. Excl. nonrec. gains (losses): '01, (42¢); '03, (\$1.46); '04, (22¢); '06, (18¢); '07, \$1.67; '08, 12¢; '09, (47¢); '10, \$2.16; '11, (7¢); '12, (\$1.70); '14, (29¢); losses from disc. ops.: '06, 26¢; '07, 1¢; '10, 26¢; '12, 4¢; '13, 16¢. Next eps. report due late July. Rate all'd on com. eq. in '11: 10.9%; earned on avg. com. eq., '13: 16.0%. Regul. Climate: Avg. (C) Incl. intang. In '13: \$8.38/sh. (D) In mill., adj. for split. (E) Rate base: Net orig. cost, adj. Rate all'd on com. eq. in '11: 10.9%; earned on avg. com. eq., '13: 16.0%. Regul. Climate: Avg.

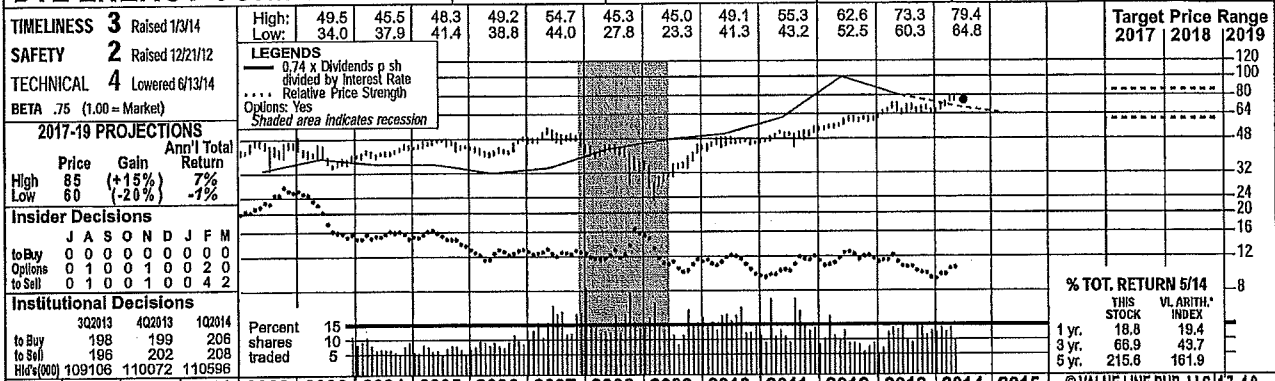
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Company's Financial Strength		B++
Stock's Price Stability		100
Price Growth Persistence		80
Earnings Predictability		75

DTE ENERGY CO. NYSE-DTE

RECENT PRICE **75.10** P/E RATIO **16.2** (Trailing: 17.6) Medlan: 16.0
RELATIVE P/E RATIO **0.87** DIVD YLD **3.7%** VALUE LINE



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
29.10	32.60	39.24	48.71	40.30	41.76	40.84	50.74	50.93	54.28	57.23	48.45	50.51	52.57	51.01	54.56	64.40	60.30	Revenues per sh	66.25
7.61	8.40	8.59	6.98	8.31	6.95	6.81	8.14	8.19	8.48	8.26	9.38	9.78	9.57	9.77	10.13	11.40	11.85	"Cash Flow" per sh	13.75
3.05	3.33	3.27	2.15	3.83	2.85	2.55	3.27	2.45	2.66	2.73	3.24	3.74	3.67	3.88	3.76	4.65	4.80	Earnings per sh ^A	5.50
2.08	2.08	2.06	2.06	2.06	2.06	2.06	2.06	2.08	2.12	2.12	2.12	2.18	2.32	2.42	2.59	2.73	2.83	Div'd Decl'd per sh ^B	3.30
3.83	5.10	5.25	6.80	5.88	4.45	5.19	5.99	7.92	7.96	8.42	6.26	6.49	8.77	10.56	10.59	13.15	10.30	Cap'l Spending per sh	10.75
25.49	26.95	28.15	28.48	27.26	31.36	31.85	32.44	33.02	35.86	36.77	37.96	39.67	41.41	42.78	44.73	46.70	49.15	Book Value per sh ^C	56.25
145.07	145.04	142.65	161.13	167.46	188.61	174.21	177.81	177.14	163.23	163.02	165.40	169.43	169.25	172.35	177.09	177.00	180.00	Common Shs Outst'g ^D	166.00
13.3	11.6	10.3	19.3	11.3	13.7	16.0	13.8	17.4	16.3	14.8	10.4	12.3	13.5	14.9	17.9	14.9	17.9	Avg Ann'l P/E Ratio	13.5
.89	.66	.67	.99	.62	.78	.85	.73	.94	.97	.89	.89	.78	.85	.95	1.01	1.01	1.01	Relative P/E Ratio	.85
5.1%	5.3%	6.1%	5.0%	4.8%	5.3%	5.0%	4.6%	4.9%	4.4%	5.2%	6.3%	4.8%	4.7%	4.2%	3.8%	3.8%	3.8%	Avg Ann'l Div'd Yield	4.5%

CAPITAL STRUCTURE as of 3/31/14
Total Debt \$8367.0 mill. Due in 5 Yrs \$2641.0 mill.
LT Debt \$6923.0 mill. LT Interest \$360.0 mill.
Incl. \$5.0 mill. capitalized leases and \$480.0 mill. Trust Preferred Securities.
(LT Interest earned: 3.5x)

Leases, Uncapitalized Annual rentals \$35.0 mill.
Pension Assets-12/13 \$3720 mill.
Oblig. \$4380 mill.

Pfd Stock None
Common Stock 177,016,824 shs.

MARKET CAP: \$13 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2011	2012	2013
% Change Retail Sales (KWH)	+6	-5	-6
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	N M F	N M F	N M F
Capacity at Peak (MW)	NA	NA	NA
Peak Load, Summer (MW)	11314	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	--	--	NA

ANNUAL RATES

	Past 10 Yrs	Past 5 Yrs	Est'd '11-'13 to '17-'19
Revenues	2.0%	-5%	4.0%
"Cash Flow"	3.0%	3.5%	6.0%
Earnings	2.5%	7.5%	6.5%
Dividends	1.5%	3.0%	5.0%
Book Value	4.0%	4.0%	4.5%

QUARTERLY REVENUES (\$mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	2431	2028	2265	2173	8897.0
2012	2239	2013	2190	2349	8791.0
2013	2516	2225	2387	2533	9681.0
2014	3930	2350	2450	2670	11400
2015	3050	2450	2550	2800	10850

EARNINGS PER SHARE^A

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	1.04	.67	1.07	.89	3.67
2012	.91	.87	1.30	.79	3.88
2013	1.34	.60	1.13	.70	3.76
2014	1.84	.66	1.25	.90	4.65
2015	1.60	.80	1.40	1.00	4.80

QUARTERLY DIVIDENDS PAID^B

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.53	.53	.53	.56	2.15
2011	.56	.56	.5875	.5875	2.30
2012	.5875	.5875	.5875	.62	2.38
2013	.62	.62	.655	.655	2.55
2014	.655	.655			

BUSINESS: DTE Energy Company is a holding company for DTE Electric (formerly Detroit Edison), which supplies electricity in Detroit and a 7,600-square-mile area in southeastern Michigan, and DTE Gas (formerly Michigan Consolidated Gas). Customers: 2.1 mill. electric, 1.3 mill. gas. Acquired MCN Energy 6/01. Has various nonutility operations. Electric revenue breakdown: residential, 46%; commercial, 37%; industrial, 15%; other, 2%. Generating sources: coal, 67%; nuclear, 17%; gas, 1%; purchased, 15%. Fuel costs: 37% of revenues. '13 reported deprec. rates: 3.4% electric, 2.4% gas. Has 9,900 employees, Chairman, President & CEO: Gerard M. Anderson. Inc.: Michigan. Address: One Energy Plaza, Detroit, MI 48226-1279. Tel.: 313-235-4000. Internet: www.dteenergy.com.

We have raised our 2014 earnings estimate for DTE Energy by \$0.15 a share. The year got off to a good start, as favorable weather patterns added \$0.23 a share to the bottom line. In addition, the company booked a \$0.19-a-share mark-to-market accounting credit, which we include in our earnings presentation because these items are part of ongoing results. We have trimmed our estimates for the last three quarters, however. DTE had planned to record \$127 million (pretax) of regulatory amortization income this year, to help avoid the need for an electric rate case, but the strong first-quarter showing has provided enough headroom for the company to defer half of this income from the second half of 2014 to the first half of 2015. Our \$4.65-a-share estimate is above DTE's targeted range of \$4.20-\$4.40 a share because the company doesn't include the mark-to-market gain and because we think its guidance is conservative.

DTE Electric has postponed its next rate application. The utility had planned to file a case in mid-2014, but will now put forth its petition in late 2014 or early 2015. Whenever the filing occurs, DTE will

self-implement an interim tariff hike six months later, and the regulators will issue an order six months after that. **We think earnings will advance moderately in 2015, despite a tough first-period comparison.** DTE will benefit from the aforementioned amortization shift. Also, the electric utility will have a partial year of interim rate relief, and the gas business is benefiting from a regulatory mechanism that allows current recovery of certain kinds of capital expenditures. On the nonutility side of the business, the Gas Storage and Pipelines division is benefiting from expansion and a healthy demand for natural gas, and the Power and Industrial Projects segment is adding projects involved in on-site industrial energy, renewable energy, and fuel that reduce emissions from coal-fired plants.

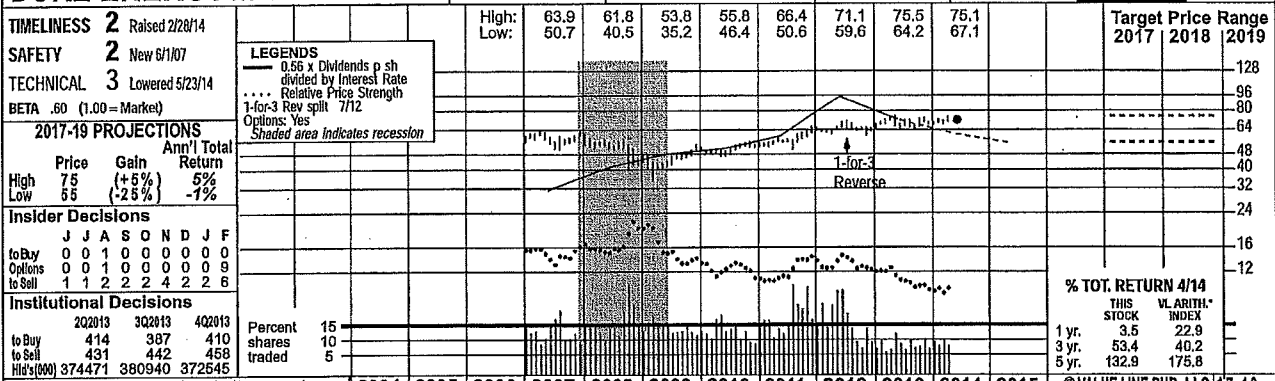
DTE's strengths are adequately reflected in the recent price. The yield (even assuming a 5.3% increase at the next dividend meeting) is only average for a utility. Total return potential to 2017-2019 is low.

Paul E. Debbas, CFA June 20, 2014

(A) Diluted EPS. Excl. nonrec. gains (losses): '03, (16¢); '05, (2¢); '06, 1¢; '07, \$1.96; '08, 50¢; '11, 51¢; gains (losses) on disc. ops.: '03, 40¢; '04, (6¢); '05, (20¢); '06, (2¢); '07, \$1.20; '08, 13¢; '12, (33¢). '12 EPS don't add due to rounding. Next egs. report due late July.
(B) Div'ds histor. paid in mid-Jan., Apr., July and Oct. = Div'd reinvest. plan avail. (C) Incl. Intang. In '13: \$29.41/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '11: 10.5% elec.; in '13: 10.5% gas; earned on avg. com. eq., '13: 8.6%. Regul. Clim.: Avg.

DUKE ENERGY NYSE-DUK

RECENT PRICE **71.72** P/E RATIO **16.1** (Trailing: 17.2; Median: NMF) RELATIVE P/E RATIO **0.89** DIV YLD **4.4%** VALUE LINE



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
Duke Energy Corporation, in its current configuration, began trading on January 3, 2007, the day after it spun off its midstream gas operations into a new company, Spectra Energy (NYSE: SE). Duke Energy shareholders received half a share of Spectra Energy for each Duke share held. In July of 2012, Duke acquired Progress Energy and effected a 1-for-3 reverse split. Data for the "old" Duke are not shown because they are not comparable.	--	--	25.32	30.24	31.15	29.18	32.22	32.63	27.88	34.84	37.35	35.45	Revenues per sh	39.75
	--	--	7.86	8.11	7.34	7.58	8.49	8.68	6.80	8.56	9.15	9.45	"Cash Flow" per sh	10.50
	--	--	2.76	3.60	3.03	3.39	4.02	4.14	3.71	3.98	4.45	4.70	Earnings per sh A	5.25
	--	--	2.58	2.70	2.82	2.91	2.97	3.03	3.09	3.15	3.21	3.21	Div'd Decl'd per sh B	3.40
	--	--	8.07	7.43	10.35	9.85	10.84	9.80	7.81	7.83	8.45	10.50	Cap'l Spending per sh	11.25
	--	--	62.30	50.40	49.51	49.85	50.84	51.14	58.04	58.54	58.55	59.95	Book Value per sh C	65.00
	--	--	418.96	420.62	423.96	436.29	442.96	445.29	704.00	706.00	707.00	708.00	Common Shs Outst'g D	711.00
	--	--	--	16.1	17.3	13.3	12.7	13.8	17.5	17.4	17.5	17.4	Avg Ann'l P/E Ratio	12.5
	--	--	--	.85	1.04	.89	.81	.87	1.11	.98	.98	.98	Relative P/E Ratio	.80
	--	--	--	4.4%	5.2%	6.2%	5.7%	5.2%	4.7%	4.4%	4.4%	4.4%	Avg Ann'l Div'd Yield	5.2%
CAPITAL STRUCTURE as of 12/31/13	--	--	10607	12720	13207	12731	14272	14529	19624	24598	26400	25100	Revenues (\$mill)	28300
Total Debt \$41095 mill. Due in 5 Yrs \$13129 mill.	--	--	1080.0	1522.0	1279.0	1461.0	1765.0	1839.0	2136.0	2813.0	3155	3325	Net Profit (\$mill)	3755
LT Debt \$38152 mill. LT Interest \$1658 mill.	--	--	29.4%	31.9%	32.5%	34.4%	32.6%	31.3%	30.2%	32.6%	33.5%	34.5%	Income Tax Rate	34.5%
Incl. \$1516 mill. capitalized leases. Incl. \$1265 mill. nonrecourse LT debt of variable interest entities. (LT Interest earned: 3.4x)	--	--	6.9%	7.2%	16.0%	17.5%	22.7%	23.2%	22.3%	8.8%	7.0%	7.0%	AFUDC % to Net Profit	8.0%
	--	--	41.0%	30.9%	38.7%	42.6%	44.3%	45.1%	47.0%	48.0%	49.5%	50.5%	Long-Term Debt Ratio	52.5%
	--	--	59.0%	69.1%	61.3%	57.4%	55.7%	54.9%	52.9%	52.0%	50.5%	49.5%	Common Equity Ratio	47.5%
Leases, Uncapitalized Annual rentals \$175.0 mill. Pension Assets-12/13 \$8142 mill. Oblig. \$7361 mill.	--	--	44220	30697	34238	37863	40457	41451	77307	79482	81950	85475	Total Capital (\$mill)	96900
	--	--	41447	31110	34038	37950	40344	42661	68558	69480	72175	76275	Net Plant (\$mill)	89800
	--	--	3.1%	6.0%	4.8%	4.9%	5.5%	5.6%	3.6%	4.6%	5.0%	5.0%	Return on Total Cap'l	5.0%
Pfd Stock None	--	--	4.1%	7.2%	6.1%	6.7%	7.8%	8.1%	5.2%	6.8%	7.5%	8.0%	Return on Shr. Equity	8.0%
Common Stock 706,445,305 shs. as of 2/25/14	--	--	4.1%	7.2%	6.1%	6.7%	7.8%	8.1%	5.2%	6.8%	7.5%	8.0%	Return on Com Equity	8.0%
MARKET CAP: \$51 billion (Large Cap)	--	--	4.1%	2.0%	.8%	1.1%	2.1%	2.2%	.9%	1.5%	2.0%	2.5%	Retained to Com Eq	3.0%
	--	--	--	72%	89%	84%	73%	72%	82%	78%	71%	68%	All Div'ds to Net Prof	64%

ELECTRIC OPERATING STATISTICS

	2011	2012	2013
% Change Retail Sales (KWH)	-2.1	-2.8	+1.3
Avg. Indust. Use (MWH)	3082	2675	2687
Avg. Indust. Revs. per KWH (¢)	4.89	5.84	6.89
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	+3	+8	+8

Fixed Charge Cov. (%) 282 283 327

ANNUAL RATES

	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	--	2.0%	4.0%
"Cash Flow"	--	.5%	4.5%
Earnings	--	4.5%	5.0%
Dividends	--	11.5%	2.0%
Book Value	--	.5%	2.5%

QUARTERLY REVENUES (\$mill.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	3663	3534	3964	3368	14529
2012	3630	3577	6722	5695	19624
2013	5898	5879	6709	6112	24598
2014	6624	6350	7100	6326	26400
2015	6000	5900	7000	6200	25100

EARNINGS PER SHARE A

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	1.14	.99	1.35	.66	4.14
2012	.86	.99	1.01	.59	3.71
2013	.89	.74	1.40	.96	3.98
2014	1.09	.91	1.60	.85	4.45
2015	1.20	.95	1.65	.90	4.70

QUARTERLY DIVIDENDS PAID B

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.72	.72	.735	.735	2.91
2011	.735	.735	.75	.75	2.97
2012	.75	.75	.765	.765	3.03
2013	.765	.765	.78	.78	3.09
2014	.78				

BUSINESS: Duke Energy Corporation is a holding company for utilities with 7.1 mill. elec. customers in North Carolina, Florida, Indiana, South Carolina, Ohio, & Kentucky, and over 500,000 gas customers in Ohio & Kentucky. Owns independent power plants & has international ops. Acq'd Cinergy 4/06; spun off midstream gas ops. 1/07; acq'd Progress Energy 7/12. Elec. rev. breakdown: residen-

Duke Energy plans to sell its nonregulated generating assets in the Midwest. This business hasn't fared well of late due to unfavorable conditions in the power markets. When Duke was unable to obtain compensation for \$729 million of capacity costs in Ohio, this prompted the company to put 11 units with some 6,100 megawatts of capacity up for sale. As a result, Duke took an aftertax writedown of \$1.23 a share in the March quarter, which we treated as a nonrecurring item. The company expects to complete the sale in the first quarter of 2015. Duke is also exiting the retail energy-supply business.

Duke is evaluating its international business. This segment is performing well, but management is determining whether its capital would be better utilized domestically. Duke expects to complete its review in late 2014 or early 2015. Earnings should increase significantly this year, followed by a lesser, but still respectable, rise in 2015. Duke is benefiting from a full year's effect of rate hikes it received in 2013. The company is also realizing greater cost reductions from its takeover of Progress Energy two years

ago, although it is still incurring costs to achieve them. And, the international division is increasing its contribution.

Duke wants to add generating capacity in Florida. Its proposal includes a 1,640 mw base-load gas-fired plant at a cost of \$1.5 billion; 320 mw of peaking capacity at a cost of \$197 million; and upgrades to add 220 mw to existing capacity at a cost of \$160 million. Duke needs permission of the Florida commission.

An environmental mishap occurred in early February. Some coal ash from a basin was accidentally released into a river in North Carolina when a storm-water pipe broke. More significant than the \$15 million the company spent in the first quarter to remediate the problem was the bad publicity, which resulted in some criticism. By yearend, Duke expects to complete a long-term strategy for dealing with the 69 basins throughout its system.

This timely stock has a yield that is fractionally above the utility average. However, with the recent price near the upper end of our 2017-2019 Target Price Range, total return potential is low.

Paul E. Debbas, CFA
May 23, 2014

	A
Company's Financial Strength	100
Stock's Price Stability	55
Price Growth Persistence	75
Earnings Predictability	

(A) Dil. EPS. Excl. nonrec. losses: '12, 70¢; '13, 24¢; '14, \$1.23; gains (loss) on disc. ops.: '12, 6¢; '13, 2¢; '14, (1¢). '12 EPS don't add due to chng. in shs., '13 due to rounding. Next egs. due early Aug. (B) Div'ds hist. paid in mid-Mar., June, Sept., & Dec. = Div'd reinv. plan avail. (C) Incl. Intang. In '13: \$36.42/sh. (D) In full., adj. for rev. split. (E) Rate base: Net org. cost. Rates all'd on com. eq. in '13 in NC/SC: 10.2%; in '09 in OH: 10.63% (elec.); in '04 in IN: 10.3%; earned on avg. com. eq., '13: 6.8%. Reg. Clim.: NC Avg'd; SC, OH, IN Above Avg.

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EDISON INTERNAT'L NYSE-EX										RECENT PRICE 56.26		P/E RATIO 16.3 (Trailing: 14.9 Median: 12.0)		RELATIVE P/E RATIO 0.87		DIV'D YLD 2.6%		VALUE LINE				
TIMELINESS 3 Lowered 3/20/13		SAFETY 2 Raised 5/3/13		TECHNICAL 2 Raised 3/21/14		BETA .80 (1.00 = Market)		2017-19 PROJECTIONS		Insider Decisions		Institutional Decisions		High: 22.1, 32.5, 49.2, 47.2, 60.3, 55.7, 36.7, 39.4, 41.6, 48.0, 54.2, 57.6		Low: 10.6, 21.2, 30.4, 37.9, 42.8, 26.7, 23.1, 30.4, 32.6, 39.6, 44.3, 44.7		Target Price 2017 2018 2019		Range 120 100 80 64 48 32 24 20 16 12 8		
High: 22.1, 32.5, 49.2, 47.2, 60.3, 55.7, 36.7, 39.4, 41.6, 48.0, 54.2, 57.6		Low: 10.6, 21.2, 30.4, 37.9, 42.8, 26.7, 23.1, 30.4, 32.6, 39.6, 44.3, 44.7		LEGENDES 1.20 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession		Ann'l Total Return High 65 (+15%) 7% Low 50 (-10%) 7%		J J A S O N D J F to Buy 0 0 0 0 0 0 0 0 0 0 Options 0 0 1 0 0 2 0 2 1 to Sell 0 0 1 0 0 2 0 0 0		202013 302013 402013 to Buy 190 194 252 to Sell 232 190 170 Hi's/Lo's 259680 261478 269868		Percent shares traded 15 10 5		% TOT. RETURN 3/14 THIS STOCK VL ARITH. INDEX 1 yr. 15.0 26.1 3 yr. 68.0 46.4 5 yr. 129.4 245.1		© VALUE LINE PUB. LLC		7-19				
1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Revenues per sh	51.50			
29.12	27.85	35.98	35.10	35.26	37.25	31.30	38.38	38.74	40.25	43.31	37.98	38.09	39.16	36.41	38.61	40.65	43.10	"Cash Flow" per sh	11.50			
6.65	7.20	d.52	4.35	4.79	5.88	3.79	6.99	7.25	7.60	8.08	7.96	8.41	9.03	9.63	8.80	8.75	9.60	Earnings per sh A	4.50			
1.86	2.03	d5.84	1.30	1.82	2.38	.69	3.34	3.28	3.32	3.68	3.24	3.35	3.23	4.55	3.78	3.40	3.85	Div'd Decl'd per sh B =	2.05			
1.04	1.08	.83	--	--	--	.80	1.02	1.10	1.18	1.23	1.25	1.27	1.29	1.31	1.37	1.45	1.56	Cap'l Spending per sh	12.50			
2.75	3.55	4.57	2.86	4.88	3.95	5.32	5.73	7.78	8.67	10.07	13.94	14.76	12.73	11.05	12.70	13.70	14.50	Book Value per sh C	41.25			
14.55	15.01	7.43	10.04	13.82	16.52	18.57	20.30	23.66	25.92	29.21	30.20	32.44	30.86	28.95	30.50	32.35	34.50	Common Shs Outst'g D	325.81			
360.55	347.21	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	Avg Ann'l P/E Ratio	13.0		
15.1	12.9	--	10.0	7.8	7.0	37.6	11.7	13.0	16.0	12.4	9.7	10.3	11.8	9.7	12.7	12.7	12.7	Relative P/E Ratio	.80			
7.9	7.4	--	.51	.43	.40	1.99	.62	.70	.85	.75	.85	.66	.74	.62	.71	.62	.71	Avg Ann'l Div'd Yield	3.5%			
3.7%	4.1%	3.9%	--	--	--	3.1%	2.6%	2.6%	2.2%	2.7%	4.0%	3.7%	3.4%	3.0%	2.8%	3.0%	2.8%	Revenues (\$mill)	16750			
CAPITAL STRUCTURE as of 12/31/13						10199	11852	12622	13113	14112	12374	12409	12760	11862	12681	13250	14050	14050	Net Profit (\$mill)	1600		
Total Debt \$10635 mill. Due in 5 Yrs \$2311.0 mill.						220.0	1132.0	1134.0	1151.0	1266.0	1115.0	1153.0	1112.0	1594.0	1344.0	1230	1390	1390	1390	Income Tax Rate	35.5%	
LT Debt \$9825.0 mill. LT Interest \$486.0 mill.						--	26.0%	31.4%	27.3%	30.7%	33.0%	32.1%	25.7%	14.3%	25.2%	35.5%	35.5%	35.5%	35.5%	AFUDC % to Net Profit	7.0%	
(LT Interest earned: 4.7x)						11.4%	4.9%	5.1%	8.2%	8.9%	10.5%	16.9%	14.8%	8.5%	7.8%	10.0%	9.0%	9.0%	Long-Term Debt Ratio	44.0%		
Leases, Uncapitalized Annual rentals \$1.35 bil.						60.5%	54.6%	51.3%	49.1%	51.2%	49.3%	51.8%	55.3%	45.2%	45.7%	46.5%	46.5%	46.5%	46.5%	Common Equity Ratio	48.0%	
Pens. Assets-12/13 \$3477 mill. Oblig. \$4178 mill.						37.8%	40.9%	43.5%	46.0%	44.5%	46.5%	44.3%	40.6%	46.2%	46.2%	45.0%	45.0%	45.0%	45.0%	Total Capital (\$mill)	27900	
Pfd Stock \$1753 mill. Pfd Div'd \$99.0 mill.						16995	16167	17725	18375	21374	21185	23861	24773	20422	21516	23375	24975	24975	24975	Net Plant (\$mill)	41800	
4,800,198 sh. 4.08%-4.78%, \$25 par, call. \$25.50-						13475	14469	15913	17403	18969	21966	24778	32116	30273	30455	32850	35475	35475	35475	6.5%	Return on Total Cap'l	7.0%
\$28.75/sh.; 3,250,000 sh. 5.07%, noncum., call.						4.2%	9.4%	8.8%	8.3%	7.4%	6.9%	6.3%	6.0%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	10.5%	Return on Shr. Equity	10.5%
\$100; 1,250,000 sh. 6.5%, cum., \$100 liq. value;						3.5%	15.4%	13.1%	12.3%	12.1%	10.4%	10.0%	10.0%	14.2%	11.5%	10.0%	10.5%	10.5%	10.5%	11.5%	Return on Com Equity E	11.0%
350,000 sh. 6.25%, \$1000 liq. value; 350,008 sh.						3.5%	16.7%	14.0%	13.0%	12.8%	10.8%	10.4%	10.5%	15.9%	12.5%	10.5%	11.5%	11.5%	11.5%	7.0%	Retained to Com Eq	6.0%
5.1%-5.625%, \$2500 liq. value.						12.1%	12.2%	10.1%	9.2%	8.6%	6.7%	6.5%	6.3%	11.4%	8.1%	6.0%	7.0%	7.0%	7.0%	All Div'ds to Net Prof	49%	
Common Stock 325,811,206 shs as of 2/21/14						MARKET CAP: \$18 billion (Large Cap)																
ELECTRIC OPERATING STATISTICS						2011		2012		2013		BUSINESS: Edison International (formerly SCECorp) is a holding company for Southern California Edison Company (SCE), which supplies electricity to 4.9 mill. customers in a 50,000 sq. mi. area in central, coastal, and southern California (excl. Los Angeles and San Diego). Discontinued Edison Mission Energy (independent power producer) in '12. Elec. revenue breakdown: residential, 40%; commercial, 42%; industrial, 5%; other, 13%. Generating sources: gas, 7%; nuclear, 6%; coal, 5%; hydro, 3%; purchased, 79%. Fuel costs: 36% of revs. '13 reported deprec. rate: 4.2%. Has 13,700 employees. Chairman, President & CEO: Theodore F. Craver, Jr. Inc.: CA. Address: 2244 Walnut Grove Ave., P.O. Box 976, Rosemead, CA 91770. Tel.: 626-302-2222. Internet: www.edison.com.										
% Change Retail Sales (KWH)						+9		+2.5		-3		Edison International's utility subsidiary reached a settlement to resolve regulatory issues about its investment in the San Onofre nuclear plant. In 2013, Southern California Edison shut the two units due to damage resulting from steam generator replacements. SCE is still recovering its investment and operating costs, but is no longer earning a return on the assets. The settlement requires approval of the California Public Utilities Commission (CPUC). Edison will take a \$155 million pretax charge (\$100 million after taxes), which we're including in our presentation because it roughly equals the previously collected revenues that will be refunded to customers. SCE is also pursuing cost recovery from the manufacturer of the steam generators and via a claim with Nuclear Energy Insurance Limited. Edison reached a settlement regarding claims arising from the bankruptcy of its nonutility subsidiary, Edison Mission Energy. Edison posted a big loss from discontinued operations when this operation filed for bankruptcy in December of 2012. If approved by the U.S. Bankruptcy Court, the settlement would end all claims. Edison would record income from discontinued operations of up to \$130 million. Over time, tax-loss carryforwards would provide net cash of \$200 million. A general rate case is pending. SCE is seeking increases of \$127 million in 2015, \$313 million in 2016, and \$319 million in 2017. Even if the CPUC's ruling slips past yearend, new tariffs would be retroactive to the start of 2015. We look for a slight earnings decline this year, due to a full year's effect of the San Onofre shutdown. We figure rate relief and the absence of the San Onofre charge will enable earnings to advance in 2015. This stock is up more than 20% since the start of 2014. Investors are optimistic about the resolution of the aforementioned uncertainties. However, even if they are concluded smoothly, we are still concerned about the stock's high valuation. The dividend yield is more than one percentage point below the industry mean. Although this issue has good dividend growth potential, some other utility equities offer similar dividend growth prospects without sacrificing as much current income. Paul E. Debbas, CFA May 2, 2014										
Avg. Indust. Use (MWH)						736		763		791		ANNUAL RATES Past Past Est'd '11-'13 of change (per sh) 10 Yrs. 5 Yrs. to '11-'13										
Avg. Indust. Revs. per KWH (\$)						7.09		7.50		8.00		Revenues -5% -1.5% 5.0%										
Capacity at Peak (Mw)						NA		NA		NA		"Cash Flow" 6.0% 3.5% 4.0%										
Peak Load, Summer (Mw)						22374		21981		22534		Earnings 7.5% 2.5% 2.5%										
Annual Load Factor (%)						50.7		52.7		52.1		Dividends - 2.5% 7.5%										
% Change Customers (yr-end)						+4		+4		+6		Book Value 8.5% 3.0% 5.5%										
Fixed Charge Cov. (%)						209		308		295		Cal-endar										
ANNUAL RATES Past Past Est'd '11-'13 of change (per sh) 10 Yrs. 5 Yrs. to '11-'13						2011		2012		2013		2014		2015		2016		2017		Full Year		
Revenues						2782		2983		3981		3014		12760		11862		12581		12760		
"Cash Flow"						2415		2653		3734		3060		11862		12581		12760		12760		
Earnings						2632		3046		3960		2943		12581		12760		12760		12760		
Dividends						2900		3200		4150		3000		13250		14050		14050		14050		
Book Value						3400		3400		4350		3200		14050		14050		14050		14050		
EARNINGS PER SHARE A						.62		.54		1.31		.76		3.23		4.55		3.78		3.85		
QUARTERLY REVENUES (\$mill.)						.54		.55		1.09		2.39		4.55		3.78		3.85		3.85		
QUARTERLY DIVIDENDS PAID B =						.78		.78		1.41		.81		3.78		3.40		3.85		3.85		
QUARTERLY DIVIDENDS PAID B =						.45		.75		1.45		.75		3.40		3.85		3.85		3.85		
QUARTERLY DIVIDENDS PAID B =						.80		.80		1.50		.75		3.85		3.85		3.85		3.85		
QUARTERLY DIVIDENDS PAID B =						.315		.315		.315		.315		1.26		1.28		1.30		1.35		
QUARTERLY DIVIDENDS PAID B =						.32		.32		.32		.32		1.28		1.30		1.35		1.35		
QUARTERLY DIVIDENDS PAID B =						.325		.325		.325		.325		1.30		1.35		1.35		1.35		
QUARTERLY DIVIDENDS PAID B =						.3375		.3375		.3375		.3375		1.35		1.35		1.35		1.35		
QUARTERLY DIVIDENDS PAID B =						.355		.355		.355		.355		1.35		1.35		1.35		1.35		
EPS don't add due to rounding. Next earnings report due late July. (B) Div'ds paid late Jan., Apr., July, & Oct. (C) Div'd reinvestment plan available. (C) Incl. deferred charges. In '13: \$22.22/sh. (D) In mill. (E) Rate base; net orig. cost. Rate allowed on com. eq. in '13: 10.45%; earned on avg. com. eq. '13: 12.5%. Regulatory Climate: Above Average.						Company's Financial Strength A										Stock's Price Stability 95		Price Growth Persistence 55		Earnings Predictability 75		
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EMPIRE DISTRICT NYSE-EDE										RECENT PRICE	PIE RATIO		RELATIVE PIE RATIO		DI'VD YLD	VALUE LINE			
										24.24	15.2	(Trailing: 14.6)	0.81	4.3%					
TIMELINESS 2 Lowered 3/21/14 SAFETY 2 Raised 3/23/12 TECHNICAL 3 Lowered 5/23/14 BETA .65 (1.00 = Market)										LEGENDS 0.67 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession		High: 22.5 23.5 25.0 25.1 26.1 23.5 19.4 22.5 23.3 Low: 17.0 19.5 19.3 20.3 21.1 14.9 11.9 17.6 18.0		22.0 24.3 24.9 19.5 20.6 22.0		Target Price Range 2017 2018 2019 64 48 40 32 24 20 16 12 8 6			
2017-19 PROJECTIONS High Price 25 (+5%) Low Price 20 (-15%) Gain 5% Ann'l Total Return 7%																			
Insider Decisions J A S O N D J F M to Buy 0 0 0 0 0 0 0 0 1 Options 0 0 0 0 0 1 0 5 0 to Sell 0 0 0 0 0 0 1 0 0										Institutional Decisions 3Q2013 4Q2013 1Q2014 to Buy 54 58 91 to Sell 54 52 42 Hld's(000) 20651 20754 21265									
1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015										REVENUES PER SH 16.75 "Cash Flow" per sh 4.25 Earnings per sh A 1.75 Div'd Decl'd per sh B=† 1.15 Cap'l Spending per sh 2.00 Book Value per sh C 20.00 Common Shs Outst'g D 47.00									
CAPITAL STRUCTURE as of 3/31/14 Total Debt \$746.2 mill. Due in 5 Yrs \$121.1 mill. LT Debt \$743.4 mill. LT Interest \$39.4 mill. Incl. \$4.1 mill. capitalized leases. (LT Interest earned: 3.6x) Leases, Uncapitalized Annual rentals \$.8 mill. Pension Assets-12/13 \$186.6 mill. Oblig. \$225.1 mill.										Income Tax Rate 38.0% AFUDC % to Net Profit 2.0% Long-Term Debt Ratio 50.0% Common Equity Ratio 50.0% Total Capital (\$mill) 1900 Net Plant (\$mill) 2000									
MARKET CAP: \$1.0 billion (Mid Cap)										Return on Total Cap'l 5.5% Return on Shr. Equity 8.5% Return on Com Eq 8.5% Retained to Com Eq 3.0% All Div'ds to Net Prof 65%									
ELECTRIC OPERATING STATISTICS 2011 2012 2013 % Change Retail Sales (KWH) -2.3 -3.2 +1.3 Avg. Industrial Use (MWH) 286.6 291.3 294.3 Avg. Industrial Rev/KWH (\$) 7.72 7.66 7.93 Capacity at Peak (Mw) 1392 1391 1377 Peak Load, Summer (Mw) 1198 1142 1080 Annual Load Factor (%) 52.0 52.2 56.2 % Change Customers (avg.) -1.5 +.6										Business: The Empire District Electric Company supplies electricity to 169,000 customers in a 10,000 sq. mi. area in southwestern Missouri (90% of '13 retail elec. revs.), Kansas (5%), Oklahoma (3%), and Arkansas (2%). Acquired Missouri Gas (44,000 customers) 6/06. Supplies water service (4,000 customers) and has a small fiber-optics operation. Elec. rev. breakdown: residential, 43%; commercial, 30%; industrial, 15%; other, 12%. Generating sources: coal, 47%; gas, 24%; hydro, 1%; purch., 28%. Fuel costs: 34% of revenues. '13 reported depr. rate: 3.1%. Has about 750 employees. Chairman: D. Randy Laney. President & CEO: Bradley P. Beecher. Inc.: KS. Address: 602 S. Joplin Ave., P.O. Box 127, Joplin, MO 64802-0127. Tel.: 417-625-5100. Internet: www.empiredistrict.com.									
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '11-'13 to '17-'19 Revenues -1.5% 3.5% "Cash Flow" 3.0% 2.5% 5.5% Earnings 3.0% 2.5% 4.0% Dividends -3.5% -7.0% 4.5% Book Value 1.5% 1.5% 3.0%										Fixed Charge Cov. (%) 307 314 331									
QUARTERLY REVENUES (\$mill.) Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 150.7 129.1 164.3 132.8 576.9 2012 137.2 131.6 159.2 129.1 557.1 2013 151.1 136.6 157.5 149.1 594.3 2014 179.7 145 170 155.3 650 2015 170 155 180 165 670										Earnings per Share A Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 .29 .22 .60 .21 1.31 2012 .23 .25 .60 .23 1.32 2013 .30 .27 .56 .35 1.48 2014 .48 .27 .57 .28 1.60 2015 .35 .30 .60 .30 1.55									
QUARTERLY DIVIDENDS PAID B=† Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2010 .32 .32 .32 .32 1.28 2011 .32 .32 .32 .32 1.28 2012 .25 .25 .25 .25 1.00 2013 .25 .25 .25 .25 1.00 2014 .25 .25 .25 .25 1.00										Business: We have increased our 2014 earnings estimate for Empire District Electric Company. Favorable winter weather has helped, as the utility's service area experienced its coldest first quarter in more than 30 years. The weather conditions added an estimated \$0.11-\$0.12 to share profits. Accordingly, we raised our 2014 share-earnings estimate by a dime, to \$1.60. This is well above Empire District Electric's guidance of \$1.38-\$1.50, which is based on normal weather, and would be the company's highest tally since 1998. Earnings would be even greater were it not for the effects of regulatory lag, which has hurt utilities in Missouri for many years. Some of Empire District Electric's transmission costs and property taxes won't be recovered in rates this year. We forecast a modest earnings decline in 2015, assuming a return to typical winter weather patterns. The company has reached a settlement of its general rate case in Arkansas. Empire District Electric had filed for an increase of \$2.2 million (18%), based on a 10.5% return on a 50.2% common-equity ratio. Details of the agreement are not yet available. We would expect new tariffs to go into effect this summer. Two major capital projects are under construction. Empire District Electric is adding pollution-control equipment to one of its coal-fired plants at an estimated cost of \$112 million-\$130 million. This will probably be completed in early 2015. The utility is also expanding a gas-fired plant at an estimated cost of \$165 million-\$175 million. This should be completed in mid-2016. Empire District Electric plans to file an electric rate case in Missouri later this year. The utility will time its application so that it can place the cost of the aforementioned environmental upgrade into the rate base. Timely Empire District Electric stock offers an attractive dividend yield. The yield is about half of a percentage point above the industry average. The recent price remains near the upper end of our 3- to 5-year Target Price Range, so total return potential over that time frame is low. Paul E. Debbas, CFA June 20, 2014									
Company's Financial Strength B++ Stock's Price Stability 100 Price Growth Persistence 35 Earnings Predictability 85										Company's Financial Strength B++ Stock's Price Stability 100 Price Growth Persistence 35 Earnings Predictability 85									

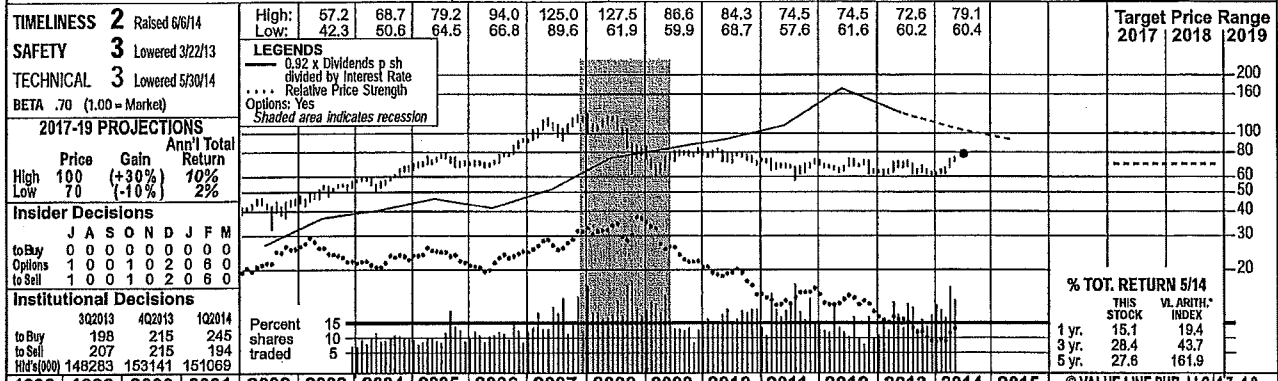
(A) Diluted earnings. Excl. loss from discontinued operations: '06, 2¢, '11 & '12 EPS don't add due to rounding. Next earnings report due late July. (B) Div'ds historically paid in mid-March, June, Sept. and Dec. Div'ds suspended 3Q '11, reinstated 1Q '12. * Div'd reinvestment plan avail. (3% disc.). † Shareholder investment plan avail. (C) Incl. intang. in '13; \$5.06/sh. (D) In mill. (E) Rate base: Deprec. orig. cost. Rate allowed on com. eq. in MO in '13: none specified; earned on avg. com. eq., '13: 8.7%. Regulatory Climate: Average.

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ENTERGY CORP. NYSE:ETR

RECENT PRICE **78.28** P/E RATIO **12.3** (Trailing: 12.4; Median: 14.0) RELATIVE P/E RATIO **0.66** DIV'D YLD **4.2%** VALUE LINE



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
46.57	35.51	45.61	43.59	37.34	40.17	46.69	46.61	53.94	59.47	69.15	58.82	64.27	63.67	57.94	63.86	69.65	70.75	Revenues per sh	82.00
6.11	5.08	6.49	6.41	7.62	7.43	8.33	8.18	10.69	11.73	12.89	13.29	16.54	17.53	15.98	16.25	18.45	17.75	"Cash Flow" per sh	20.50
2.22	2.25	2.97	3.08	3.68	3.69	3.93	4.40	5.36	5.60	6.20	6.30	6.66	7.55	6.02	4.96	6.35	5.30	Earnings per sh A	6.50
1.50	1.20	1.22	1.28	1.34	1.60	1.89	2.16	2.16	2.58	3.00	3.00	3.24	3.32	3.32	3.32	3.32	3.32	Div'd Decl'd per sh B + †	3.80
4.63	4.84	6.80	6.25	6.38	6.85	6.51	6.72	9.44	10.29	13.92	12.99	13.33	15.21	18.18	15.73	12.90	13.25	Cap'l Spending per sh	12.50
28.79	28.81	31.89	33.78	35.24	38.02	38.26	35.71	40.45	40.71	42.07	45.54	47.53	50.81	51.73	54.00	56.95	58.90	Book Value per sh C	66.75
246.83	247.08	219.60	220.73	222.42	228.90	216.83	216.83	202.67	193.12	189.36	189.12	178.75	176.36	177.81	178.37	179.50	179.50	Common Shs Outst'g D	179.50
12.9	13.2	10.1	12.5	11.5	13.8	15.1	16.3	14.3	19.3	16.6	12.0	11.6	9.1	11.2	13.2	13.2	13.2	Avg Ann'l P/E Ratio	13.0
.67	.75	.66	.64	.63	.79	.80	.87	.77	1.02	1.00	.80	.74	.57	.71	.74	.74	.74	Relative P/E Ratio	.80
5.2%	4.1%	4.1%	3.3%	3.2%	3.1%	3.2%	3.0%	2.8%	2.4%	2.9%	4.0%	4.2%	4.9%	4.9%	5.1%	5.1%	5.1%	Avg Ann'l Div'd Yield	4.5%

CAPITAL STRUCTURE as of 3/31/14
 Total Debt \$13860 mill. Due in 5 Yrs \$5146.3 mill.
 LT Debt \$12230 mill. LT Interest \$568.7 mill.
 Incl. \$860.5 mill. of securitization bonds.
 (LT interest earned: 3.5%)
 Leases, Uncapitalized Annual rentals \$106.2 mill.
 Pension Assets-12/13 \$4429.2 mill.
 Oblig. \$5771.0 mill.
 Pfd Stock \$304.8 mill. Pfd Div'd \$19.5 mill.
 6,115,105 sh. 4.32%-8.25%, \$100 par; 1,000,000 sh. 8.95%; 250,000 sh. 8.75%, all without sinking fund.
 Common Stock 179,381,728 sh. as of 4/30/14
MARKET CAP: \$14 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2011	2012	2013
% Change Retail Sales (KWh)	+1.1	-1.5	+7
Avg. Indust. Use (MWh)	9.91	9.75	N/A
Avg. Indust. Revs. per KWh(¢)	5.65	4.94	5.77
Capacity at Peak (Mw)	2397.9	2340.7	N/A
Peak Load, Summer (Mw)	2238.7	2180.6	N/A
Annual Load Factor (%)	60.0	60.0	N/A
% Change Customers (yr-end)	+5	+8	N/A

BUSINESS: Entergy Corporation supplies electricity to 2.8 million customers through subsidiaries in Arkansas, Louisiana, Mississippi, Texas, and New Orleans (regulated separately from Louisiana). Distributes gas to 194,000 customers in Louisiana. Has a nonutility nuclear subsidiary that owns six units. Electric revenue breakdown: residential, 38%; commercial, 26%; industrial, 28%; other, 8%.

Generating sources: nuclear, 33%; gas, 27%; coal, 11%; purchased, 29%. Fuel costs: 32% of revenues. '12 reported depreciation rate: 2.5%. Has 14,600 employees. Chairman & CEO: Leo Denault. Incorporated: Delaware. Address: 639 Loyola Avenue, P.O. Box 61000, New Orleans, Louisiana 70161. Telephone: 504-576-4000. Internet: www.entergy.com.

Fixed Charge Cov. (%) 33.9 25.4 24.5

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '11-'13 of change (par sh)

Revenues	4.5%	5%	5.0%
"Cash Flow"	9.0%	7.0%	3.5%
Earnings	6.0%	1.5%	1.0%
Dividends	9.0%	5.0%	2.5%
Book Value	4.0%	5.0%	4.0%

2017-2019 projection by \$0.75, to \$6.50. Not everything is going well, however. Entergy got a disappointing rate order in Arkansas and, although the state commission agreed to a rehearing, the likelihood of receiving significantly more rate relief is slim. The utility might file another rate application there next year. In New York, some politicians want the Indian Point nuclear plant closed, and there is also a question of whether Entergy will have to build cooling towers there. Entergy believes that this is not necessary, and that if any additional spending is required at all, an alternative solution would be much less costly. Entergy filed a rate case in Mississippi. It is seeking a \$49 million increase, based on a 10.59% return on equity. This timely stock's dividend yield is fractionally above the industry mean. The board likely won't consider a dividend hike until 2016, at the earliest. A stock buyback is also possible, but we haven't assumed one in our estimates and projections. Although we've raised our sights for the 2017-2019 period, total return potential is just a bit above the utility average. Paul E. Debbas, CFA June 20, 2014

Entergy stock has surged lately. Since hitting a recent low in March, the price has risen more than 25%. Among electric companies, Entergy was perhaps the biggest beneficiary of the unusually harsh winter, as it was well positioned to take advantage of market volatility and high power prices in the Northeast. This benefited earnings by \$0.90 a share in the March quarter, and profits more than doubled in the period. There is more to the stock's rally than just this good showing, however. The expected margins from the company's nonregulated generating assets have improved significantly. In addition, the company's utilities are experiencing accelerating growth in demand, driven by the addition of industrial load in Louisiana (much of it oil and gas related). All told... Entergy raised its 2014 share-earnings guidance from \$4.60-\$5.40 to \$5.55-\$6.75. The company's brighter prospects prompted us to boost our 2014 estimate by \$1.55, to \$6.35. Assuming a more normal first quarter, profits are likely to decline materially next year, but we have raised our 2015 forecast by \$0.30 a share, to \$5.30. Finally, we have increased our

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	Year
2011	2541	2803	3395	2489	11229
2012	2383	2518	2963	2436	10302
2013	2608	2738	3351	2691	11390
2014	3209	2891	3500	2900	12500
2015	2950	3050	3650	3050	12700

Cal-endar	EARNINGS PER SHARE A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	Year
2011	1.38	1.76	3.53	.88	7.55
2012	.40	2.06	1.89	1.67	6.02
2013	.90	.92	2.31	.83	4.96
2014	2.24	1.00	2.06	1.05	6.35
2015	1.05	1.05	2.10	1.05	5.30

Cal-endar	QUARTERLY DIVIDENDS PAID B + †				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	Year
2010	.75	.83	.83	.83	3.24
2011	.83	.83	.83	.83	3.32
2012	.83	.83	.83	.83	3.32
2013	.83	.83	.83	.83	3.32
2014	.83	.83	.83	.83	3.32

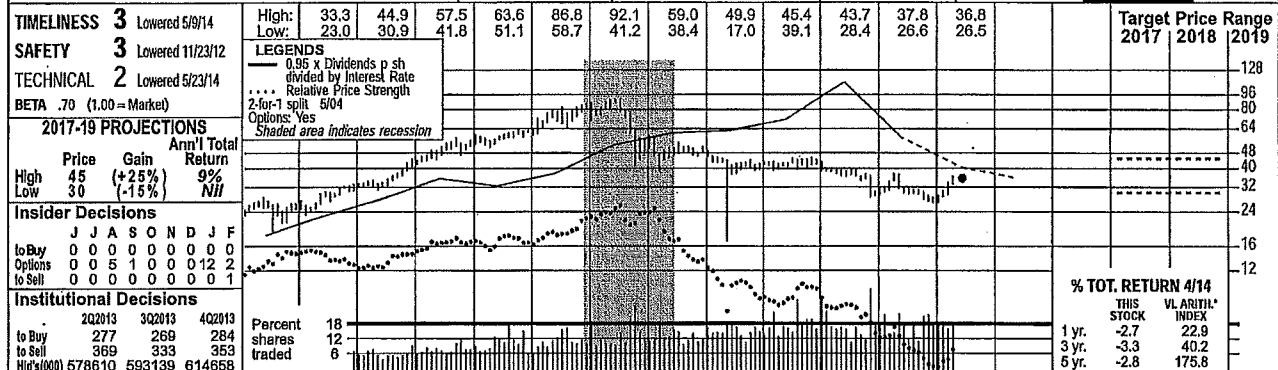
(A) Diluted EPS. Excl. nonrecurring gains (losses): '98, 78¢; '01, 15¢; '02, (\$1.04); '03, 33¢ net; '05, (21¢); '12, (\$1.26); '13, (\$1.14). Next earnings report due late July. (B) Div'ds historically paid in early Mar., June, Sept, and Dec. ■ Div'd reinvestment plan available. † Shareholder investment plan available. (C) Incl. deferred charges. In '13: \$29.67/sh. (D) In mil- lions. (E) Rate base: Net original cost. Allowed return on equity (blended): 10.4%; earned on avg. com. eq., '13: 9.3%. Regulatory Climate: Average.

Company's Financial Strength B++
Stock's Price Stability 100
Price Growth Persistence 35
Earnings Predictability 85

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EXELON CORP. NYSE-EXC

RECENT PRICE **35.63** P/E RATIO **22.3** (Trailing: 16.8 Median: 15.0) RELATIVE P/E RATIO **1.24** DIV'D YLD **3.5%** VALUE LINE



Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Value Line Pub. LLC	17-19
Revenues per sh	19.40	11.75	23.58	23.13	23.89	21.85	23.06	23.37	28.62	28.66	26.24	28.16	28.54	27.47	29.04	30.40	30.20	32.75	32.75	
"Cash Flow" per sh	3.55	1.84	5.06	5.03	5.02	5.68	6.19	6.71	7.43	7.64	8.24	8.32	7.24	6.60	6.73	6.05	6.85	7.50	7.50	
Earnings per sh ^A	1.86	1.39	2.20	2.40	2.44	2.75	3.21	3.50	4.03	4.10	4.29	3.87	3.75	1.92	2.31	1.60	2.30	2.75	2.75	
Div'd Decl'd per sh ^B			.91	.88	.96	1.26	1.60	1.64	1.82	2.05	2.10	2.10	2.10	2.10	2.10	1.46	1.24	1.24	1.50	1.50
Cap'l Spending per sh		1.18	3.18	3.33	2.95	2.89	3.25	3.61	4.05	4.74	4.96	5.02	6.10	6.77	6.30	6.25	6.10	5.75	5.75	
Book Value per sh ^C		11.31	12.82	11.97	12.84	14.19	13.70	14.89	15.34	16.79	19.15	20.48	21.70	25.07	26.53	26.90	27.95	31.50	31.50	
Common Shs Outst'g ^D	630.20	638.01	642.01	646.83	662.00	684.20	666.00	670.00	661.00	658.00	660.00	662.00	663.00	655.00	657.00	659.00	661.00	667.00	667.00	
Avg Ann'l P/E Ratio		22.4	19.2	10.5	11.8	13.0	15.4	16.5	18.2	18.0	11.5	11.0	11.3	19.1	13.4	13.4	13.4	13.0	13.0	
Relative P/E Ratio		1.46	.68	.57	.67	.69	.82	.89	.97	1.08	.77	.70	.71	1.22	.75	.75	.75	.80	.80	
Avg Ann'l Div'd Yield		3.1%	3.5%	3.4%	3.5%	3.2%	2.8%	2.5%	2.8%	4.3%	4.9%	5.0%	5.7%	4.7%	4.7%	4.7%	4.7%	4.2%	4.2%	

CAPITAL STRUCTURE as of 12/31/13
 Total Debt \$20121 mill. Due in 5 Yrs \$7552 mill.
 LT Debt \$18271 mill. LT Interest \$873.0 mill.
 Includes \$648 mill. nonrecourse transition bonds.
 (LT Interest earned: 4.4x)
 Leases, Uncapitalized Annual rentals \$103.0 mill.
 Pension Assets-12/13 \$13571 mill.
 Pfd Stock \$193.0 mill. Pfd Div'd \$13.0 mill.
 Includes \$193 mill. In preferred securities of subsidiaries.
 Common Stock 857,419,806 shs.
 1/31/14

MARKET CAP: \$31 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2011	2012	2013
% Change Retail Sales (KWH)	-2.0	+13.3	+5
Avg. Indust. Use (MWH)	N/A	N/A	N/A
Avg. Indust. Revs. per KWH (\$)	N/A	N/A	N/A
Capacity at Peak (Mw)	32738	32150	N/A
Peak Load (Mw)	93.3	92.7	94.1
Nuclear Capacity Factor (%)	+3	+2.6	+6
% Change Customers (yr-end)	569	293	338

ANNUAL RATES OF CHANGE (per sh)

	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13
Revenues	2.0%	1.0%	2.5%
"Cash Flow"	3.0%	-1.0%	7.5%
Earnings	1.5%	-7.5%	.5%
Dividends	7.5%	.5%	-3.5%
Book Value	7.0%	9.5%	4.5%

QUARTERLY REVENUES (\$ mill.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	5052	4587	5295	3990	18924
2012	4686	5954	6565	6284	23489
2013	6082	6141	6502	6163	24888
2014	7237	6750	6550	6163	26700
2015	7000	6200	6600	6200	26000

EARNINGS PER SHARE^A

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	1.01	.93	.90	.91	3.75
2012	.54	.33	.57	.49	1.92
2013	.30	.57	.86	.59	2.31
2014	.10	.45	.60	.45	1.60
2015	.65	.50	.65	.50	2.30

QUARTERLY DIVIDENDS PAID^B

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.525	.525	.525	.525	2.10
2011	.525	.525	.525	.525	2.10
2012	.525	.525	.525	.525	2.10
2013	.525	.31	.31	.31	1.46
2014	.31				

BUSINESS: Exelon Corporation is a holding company for Commonwealth Edison (3.9 mill. elec. customers in IL), PECO Energy, (1.6 mill. elec., 501,000 gas customers in PA), and Baltimore Gas and Electric (1.2 mill. elec., 656,000 gas customers in MD). Has nonregulated generating & energy-marketing ops. Acq'd Constellation Energy 3/12. Elec. rev. breakdown: res'l, 59%; small comm'l & ind'l,

Exelon has agreed to acquire Pepco Holdings. Pepco, which serves Washington DC, the Delmarva Peninsula, and southern New Jersey, would fit well with Exelon's utilities in Pennsylvania and Maryland. Exelon would pay \$6.8 billion in cash—a generous offer, at more than 20 times earnings. Nevertheless, the company thinks the purchase would be accretive to share net by \$0.10-\$0.15 in 2016 and \$0.15-\$0.20 in 2017 and beyond. The deal needs the approval of Pepco shareholders, the regulatory commissions in DC, Maryland, Delaware, Virginia, and New Jersey, and the Federal Energy Regulatory Commission. The companies are targeting the second or third quarter of 2015 for the closing, but given the numerous approvals required, this might prove optimistic. **The market reacted negatively to the planned takeover, but the stock is still up 30% so far this year.** It fell 3% on the day of the announcement, probably due to Wall Street's concern that Exelon is paying too much for Pepco. Even after this dip, however, Exelon is still one of the top-performing electric utility issues so far this year. After a period of a few years in

which conditions in the power markets were unfavorable (which led to a dividend cut last year), the start of 2014 has shown signs of an upcoming turnaround. **We have cut our 2014 earnings estimate by \$0.50 a share.** March-quarter results were depressed due to \$0.52 a share of mark-to-market accounting charges (which we include in our presentation because they are part of ongoing operations). In addition, Exelon will incur costs associated with the Pepco transaction. **We expect earnings to rebound in 2015.** We assume no mark-to-market gains or losses because these are impossible to predict. Exelon's nonregulated power-generating business ought to fare better, given what is happening in the power markets. We have raised our profit forecast by \$0.15 a share, to \$2.30. Note that our figures will not reflect Pepco until after the purchase is completed. **Although we have raised our sights for the 3- to 5-year period, the stock's sharp rise so far this year has lessened its long-term appeal.** The dividend yield is a cut below the utility average. *Paul E. Debbas, CFA* May 23, 2014

(A) Dil. egs. Excl. nonrec. losses: '02, 18¢; '03, \$1.06; '05, \$1.85; '06, \$1.15; '09, 20¢; '12, 50¢; '13, 31¢; gains from disc. ops.: '07, 2¢; '08, 3¢. '12 & '13 EPS don't add due to chng. in shs. or rounding. Next egs. report due early Aug. (B) Div'ds historically paid in early Mar., June, Sept., & Dec. = Div'd reinvestment plan avail. (C) Incl. def'd chrges. In '13: \$10.79/sh. (D) In mill., adj. for split. (E) Rate allowed on com. eq. in IL in '11: 10.5%; in MD in '13: 9.75% elec., 9.6% gas; earned on avg. com. eq., '13: 9.1%. Regulat. Climate: PA, Avg.; IL, MD, Below Avg. Company's Financial Strength B++ Stock's Price Stability 95 Price Growth Persistence 25 Earnings Predictability 70

FIRSTENERGY NYSE-FE										RECENT PRICE	P/E RATIO	Trailing: 11.5 Median: 15.0	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
TIMELINESS 3 Lowered 3/28/14 SAFETY 3 Lowered 2/22/13 TECHNICAL 3 Lowered 5/16/14 BETA .70 (1.00=Market)										32.49	13.8	0.77	4.4%		
High: 38.9 43.4 53.4 61.7 75.0 84.0 53.6 47.8 46.5 51.1 46.8 34.8 Low: 25.8 35.2 37.7 47.8 57.8 41.2 35.3 33.6 36.1 40.4 31.3 30.1										Target Price		Range			
LEGENDS 0.80 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession														128 96 80 64 48 40 32 24 16 12	
2017-19 PROJECTIONS Price Gain Ann'l Total High 45 (+40%) 12% Low 30 (-10%) 3%															
Insider Decisions J J A S O N D J F to Buy 0 0 0 0 0 0 0 0 0 0 0 0 to Sell 0 1 0 0 0 0 0 0 0 0 0 0 Options 1 0 1 0 0 0 0 1 0															
Institutional Decisions 202013 3Q2013 4Q2013 to Buy 220 184 242 to Sell 231 221 226 Hld's (000) 299554 294754 295953															
Percent shares traded 15 10 5															
% TOT. RETURN 4/14 THIS STOCK VL ARTH* 1 yr. -23.6 22.9 3 yr. -1.6 40.2 5 yr. 6.0 175.8															
1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015										© VALUE LINE PUB. LLC		17-19			
24.72 27.19 31.31 26.88 40.83 37.31 37.76 36.35 36.03 42.00 44.70 41.70 43.76 38.87 36.57 35.60 36.95 37.05 5.33 6.89 7.28 5.48 6.45 4.79 7.60 7.55 7.22 8.34 9.04 8.80 8.50 5.75 6.05 6.30 5.75 6.35 1.95 2.50 2.69 2.84 2.54 1.47 2.77 2.84 3.82 4.22 4.38 3.32 3.25 1.88 2.13 2.97 2.35 2.85 1.50 1.50 1.50 1.50 1.50 1.50 1.91 1.71 1.85 2.05 2.20 2.20 2.20 2.20 2.20 2.20 1.44 1.44 2.75 2.69 2.74 2.86 3.55 2.60 2.57 3.66 4.12 5.36 9.47 7.23 6.44 5.45 7.09 6.90 8.60 6.60 18.77 19.63 20.72 24.86 23.92 25.13 28.04 27.86 28.30 29.45 27.17 28.08 28.03 31.75 31.29 30.32 31.40 32.80 237.07 232.45 224.53 297.64 297.64 329.84 329.84 329.84 319.21 304.84 304.84 304.84 304.84 418.22 418.22 418.63 421.00 423.50 15.4 11.3 9.2 10.9 13.0 22.5 14.1 16.1 14.2 15.6 15.6 13.0 11.7 22.4 21.1 13.1 13.1 .80 .64 .60 .56 .71 1.28 .74 .86 .77 .83 .94 .37 .74 1.41 1.34 .74 5.0% 5.3% 6.1% 4.8% 4.6% 4.5% 4.9% 3.7% 3.4% 3.1% 3.2% 5.1% 5.8% 5.2% 4.9% 4.3%										Revenues per sh		39.00			
237.07 232.45 224.53 297.64 297.64 329.84 329.84 329.84 319.21 304.84 304.84 304.84 304.84 418.22 418.22 418.63 421.00 423.50										"Cash Flow" per sh		6.75			
15.4 11.3 9.2 10.9 13.0 22.5 14.1 16.1 14.2 15.6 15.6 13.0 11.7 22.4 21.1 13.1 13.1										Earnings per sh A		3.00			
.80 .64 .60 .56 .71 1.28 .74 .86 .77 .83 .94 .37 .74 1.41 1.34 .74										Div'd Decl'd per sh B		1.60			
5.0% 5.3% 6.1% 4.8% 4.6% 4.5% 4.9% 3.7% 3.4% 3.1% 3.2% 5.1% 5.8% 5.2% 4.9% 4.3%										Cap'l Spending per sh		7.25			
237.07 232.45 224.53 297.64 297.64 329.84 329.84 329.84 319.21 304.84 304.84 304.84 304.84 418.22 418.22 418.63 421.00 423.50										Book Value per sh C		36.75			
15.4 11.3 9.2 10.9 13.0 22.5 14.1 16.1 14.2 15.6 15.6 13.0 11.7 22.4 21.1 13.1 13.1										Common Shs Outst'g D		431.00			
.80 .64 .60 .56 .71 1.28 .74 .86 .77 .83 .94 .37 .74 1.41 1.34 .74										Avg Ann'l P/E Ratio		12.5			
5.0% 5.3% 6.1% 4.8% 4.6% 4.5% 4.9% 3.7% 3.4% 3.1% 3.2% 5.1% 5.8% 5.2% 4.9% 4.3%										Relative P/E Ratio		.80			
5.0% 5.3% 6.1% 4.8% 4.6% 4.5% 4.9% 3.7% 3.4% 3.1% 3.2% 5.1% 5.8% 5.2% 4.9% 4.3%										Avg Ann'l Div'd Yield		4.3%			
CAPITAL STRUCTURE as of 12/31/13 Total Debt \$20650 mill. Due in 5 Yrs \$10339 mill. LT Debt \$15831 mill. LT Interest \$853.0 mill. Incl. \$154 mill. capitalized leases. (LT interest earned: 3.0%)										12453 11989 11501 12802 13627 12712 13339 16258 15294 14903 15550 15700		Revenues (\$mill)		16800	
Leases, Uncapitalized Annual rentals \$202.0 mill. Pension Assets-12/13 \$6171 mill. Prd Stock None Oblig. \$8263 mill.										932.6 951.0 1265.0 1309.0 1342.0 1015.0 991.0 752.0 891.0 810.0 985 1205		Net Profit (\$mill)		1300	
Common Stock 418,734,086 shs. as of 1/31/14 MARKET CAP: \$14 billion (Large Cap)										42.2% 42.1% 38.8% 40.3% 36.7% 19.6% 38.6% 41.3% 41.1% 36.1% 33.5% 35.5%		Income Tax Rate		35.5%	
ELECTRIC OPERATING STATISTICS 2011 2012 2013 % Change Retail Sales (KWH) +1 +3.5 +9 Avg. Indust. Use (MWH) N M F N M F N M F Avg. Indust. Revs. per KWH (\$) N A N A N A Capacity at Peak (Mw) N A N A N A Peak Load, Summer (Mw) N A N A N A Annual Load Factor (%) N A N A N A % Change Customers (yr-end) N A N A N A										52.8% 46.5% 48.6% 49.7% 52.4% 58.2% 59.5% 54.2% 53.7% 55.5% 55.5% 55.0%		Long-Term Debt Ratio		55.0%	
BUSINESS: FirstEnergy Corp. is a holding company for Ohio Edison, Pennsylvania Power, Cleveland Electric, Toledo Edison, Metropolitan Edison, Penelec, Jersey Central Power & Light, West Penn Power, Potomac Edison, & Mon Power. Provides electric service to over 6 million customers in OH, PA, NJ, WV, MD, & NY. Acq'd Allegheny Energy 2/11. Electric revenue breakdown by customer class not available. Generating sources: coal, 44%; nuclear, 26%; purchased, 30%. Fuel costs: 43% of revs. '13 reported deprec. rate: 2.6%. Has 15,800 employees. Chairman: George M. Smart. President & CEO: Anthony J. Alexander. COO: Richard R. Grigg. Inc.: OH. Address: 76 South Main Street, Akron, OH 44308-1890. Tel.: 800-736-3402. Internet: www.firstenergycorp.com.										45.4% 52.4% 51.4% 50.3% 47.7% 41.8% 40.5% 45.8% 46.3% 44.5% 45.0%		Common Equity Ratio		45.0%	
FirstEnergy's utility subsidiary in New Jersey is awaiting a rate order. Jersey Central Power & Light has reached an agreement to allow it to recover \$736 million of \$744 million of costs (both capital and operating) caused by significant storms that hit its service area in 2011 and 2012. The utility is seeking an \$11 million tariff hike, based on an 11% return on equity, but this would cover only the 2011 portion of the storm costs. JCP&L will have to seek recovery of the 2012 portion in a separate regulatory filing.										18938 17527 17670 17846 17383 20467 21124 28986 28283 28523 29750 31025		Total Capital (\$mill)		35100	
The company has filed for a tariff hike in West Virginia, and applications are upcoming in other states. Mon Power and Potomac Edison are seeking a total raise of \$96 million (9.3%) based on an 11% ROE. The company expects a decision by the end of February. FirstEnergy also plans to put forth filings in Pennsylvania and Ohio by yearend.										13478 13998 14667 15383 17723 19164 19788 30337 32903 33252 35500 36875		Net Plant (\$mill)		41300	
All of this activity is an indication of FirstEnergy's repositioning as a company that is primarily regulated. Besides the company's distribution operations, FirstEnergy is stepping up its investment in electric transmission. The company's nonregulated operations have faced unfavorable industrywide conditions in recent years—hence the steep earnings decline since 2008. This continued into the first quarter of 2014, in which volatile prices and plant outages hurt FirstEnergy's retail energy marketing operation and produced a year-to-year earnings decline. As a result, we have cut our 2014 profit estimate by \$0.20 a share, to \$2.35. Rate relief, higher margins at the nonregulated operations, and a more normal first-quarter tally point to a partial earnings recovery in 2015.										6.5% 7.1% 9.0% 9.0% 9.7% 6.9% 6.3% 4.0% 4.9% 6.0% 5.0%		Return on Total Cap'l		5.0%	
The dividends declared box in the statistical array requires an explanation. FirstEnergy's board declared just three dividends in 2013. Upon the directors' first declaration of the new year, they cut the quarterly disbursement from \$0.55 a share to \$0.36 a share because the payout ratio was too high and FirstEnergy's financing needs were significant.										10.4% 10.1% 14.0% 14.6% 16.2% 11.9% 11.6% 5.7% 6.8% 9.8% 7.5%		Return on Shr. Equity		8.0%	
This stock offers a dividend yield that is above the industry mean. Total return potential to 2017-2019 is also above average for a utility.										10.6% 10.2% 13.9% 14.6% 16.2% 11.9% 11.6% 5.7%		Return on Com Equity E		8.0%	
Paul E. Debbas, CFA										4.9% 4.2% 7.4% 7.7% 8.1% 4.0% 3.8% N M F		Retained to Com Eq		4.0%	
May 23, 2014										55% 59% 47% 47% 50% 66% 68% 117% 103% 74% 61%		All Div'ds to Net Prof		53%	
ANNUAL RATES Past Past Est'd '11-'13 of change (per sh) 10 Yrs. 5 Yrs. to '17-'19 Revenues .5% -2.0% 1.0% "Cash Flow" 1.0% -6.0% 2.0% Earnings -- -11.0% 4.5% Dividends 3.0% -- -4.0% Book Value 2.5% 2.0% 3.0%										Fixed Charge Cov. (%) 2.06 2.36 2.94					
QUARTERLY REVENUES (\$ mill.) Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 3576 4060 4719 3903 16258 2012 3986 3757 4051 3500 15294 2013 3724 3512 4020 3647 14903 2014 4189 3650 4000 3711 15550 2015 4050 3750 4100 3800 15700															
EARNINGS PER SHARE A Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 .15 .48 1.27 d.09 1.88 2012 .78 .52 1.05 d.23 2.13 2013 .51 .47 .88 1.11 2.97 2014 .34 .50 .85 .66 2.35 2015 .70 .55 .90 .70 2.85															
QUARTERLY DIVIDENDS PAID B Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2010 .55 .55 .55 .55 2.20 2011 .55 .55 .55 .55 2.20 2012 .55 .55 .55 .55 2.20 2013 .55 .55 .55 .55 2.20 2014 .36															
(A) Dil. EPS. Excl. nonrec. gain (losses): '05, (28¢); '09, (3¢); '10, (68¢); '11, 33¢; '12, (29¢); '13, (\$2.07); '14, (5¢); gains from disc. ops.: '05, 5¢; '13, 4¢; '14, 20¢. '11-'12 EPS don't add due to rounding or chng. in shs. Next egs. early Aug. (B) Div'ds paid early Mar., June, Sep., & Dec. 5 div'ds decl. in '04, 3 in '13. ' Div'd reinv. avail. (C) Incl. intang.: In '13: \$19.76/sh. (D) In mill. (E) Rate base: Depr. orig. cost. Rates all'd on com. eq.: 9.75%-12.9%; earned on avg. com. eq.: '13: 9.3%. Regulatory Climate: OH Above Avg.; PA, NJ Avg.; MD, WV Below Avg.															
Company's Financial Strength B+ Stock's Price Stability 90 Price Growth Persistence 35 Earnings Predictability 70															
To subscribe call 1-800-833-0046.															

GREAT PLAINS EN'GY NYSE-GXP		RECENT PRICE	25.41	P/E RATIO	14.9 (Trailing: 15.9)	RELATIVE P/E RATIO	0.80	DIV'D YLD	3.9%	VALUE LINE												
TIMELINESS	2 Lowered 5/23/14	High: 32.8	35.7	32.8	32.8	33.4	29.3	20.5	19.9	22.1	22.8	24.9	27.5	Target Price Range	2017	2018	2019					
SAFETY	3 Lowered 12/26/08	Low: 21.4	27.9	27.1	27.1	26.9	15.6	10.2	16.6	16.3	19.5	20.4	23.8									
TECHNICAL	3 Lowered 5/23/14	LEGENDS 0.70 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession																				
BETA	.85 (1.00 = Market)	2017-19 PROJECTIONS Ann'l Total High Price 35 (+40%) Low Price 20 (-20%) Gain 12% Return Nil																				
Insider Decisions		J A S O N D J F M to Buy 0 0 1 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 Options 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 to Sell 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0																				
Institutional Decisions		3Q2013 4Q2013 1Q2014 to Buy 123 129 111 to Sell 121 117 129 Hld's(000) 113533 117439 116846																				
Percent shares traded		18 12 6																				
% TOT. RETURN 5/14		THIS STOCK VS. ARITH. INDEX 1 yr. 17.0 19.4 3 yr. 35.6 43.7 5 yr. 108.3 161.9																				
1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
15.17	14.50	18.02	23.61	26.91	31.04	33.13	34.85	33.30	37.89	14.00	14.51	16.62	17.03	15.05	15.90	16.85	17.40	17.40	17.40	17.40	17.40	17.40
4.21	3.83	4.63	4.70	4.40	4.69	4.75	4.54	3.86	4.24	3.09	3.27	4.12	3.51	3.45	4.01	4.25	4.55	4.55	4.55	4.55	4.55	4.55
1.89	1.26	2.05	1.59	2.04	2.27	2.48	2.18	1.62	1.86	1.16	1.03	1.53	1.25	1.35	1.62	1.70	1.75	1.75	1.75	1.75	1.75	1.75
1.64	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66
1.97	2.97	6.67	4.38	1.91	2.19	2.66	4.49	6.05	6.15	8.86	6.49	4.76	3.40	4.01	4.42	4.95	4.60	4.60	4.60	4.60	4.60	4.60
14.41	13.97	14.88	12.59	13.58	13.82	15.35	16.37	16.70	18.18	21.39	20.62	21.26	21.74	21.75	22.58	23.25	23.95	23.95	23.95	23.95	23.95	23.95
61.91	61.91	61.91	61.91	69.20	69.26	74.37	74.74	80.35	86.23	119.26	135.42	135.71	136.14	153.53	153.87	154.50	155.00	155.00	155.00	155.00	155.00	155.00
15.7	20.0	12.4	15.9	11.1	12.2	12.6	14.0	18.3	16.3	20.5	16.0	12.1	16.1	15.5	14.2	15.5	14.2	15.5	14.2	15.5	14.2	15.5
.82	1.14	.81	.81	.61	.70	.67	.75	.99	.87	1.23	1.07	.77	1.01	.99	.80	.80	.80	.80	.80	.80	.80	.80
5.5%	6.8%	6.5%	6.6%	7.3%	6.0%	5.4%	5.5%	5.6%	5.5%	7.0%	5.0%	4.5%	4.1%	4.1%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
CAPITAL STRUCTURE as of 3/31/14		Total Debt \$390.1 mill. Due in 5 Yrs \$1335.9 mill. LT Debt \$348.2 mill. LT Interest \$180.3 mill. (LT Interest earned: 2.9x)																				
Leases, Uncapitalized Annual rentals \$15.3 mill.		2464.0 2804.9 2675.3 3267.1 1670.1 1965.0 2255.5 2318.0 2309.9 2446.3 2600 2700 2700 2700 2700 2700 2700 2700 2700 2700 2700 2700 2700																				
Pension Assets-12/13 \$703.0 mill.		178.8 164.2 127.6 159.2 119.5 135.6 119.9 199.9 250.2 260 270 270 270 270 270 270 270 270 270 270 270 270 270																				
Oblig. \$1007.4 mill.		24.1% 18.7% 27.0% 30.7% 34.5% 25.0% 31.7% 32.7% 34.3% 34.0% 33.0% 34.0% 34.0% 34.0% 34.0% 34.0% 34.0% 34.0% 34.0% 34.0% 34.0% 34.0%																				
Pfd Stock \$39.0 mill. Pfd Div'd \$1.6 mill.		2.0% 2.1% 8.4% 10.6% 46.8% 57.0% 25.7% 3.9% 3.3% 10.4% 11.0% 9.0% 9.0% 9.0% 9.0% 9.0% 9.0% 9.0% 9.0% 9.0% 9.0% 9.0%																				
390,000 shs. 3.80% to 4.50% (all \$100 par & cum.), callable from \$101 to \$103.70.		44.8% 47.5% 30.6% 40.7% 49.7% 53.2% 50.2% 47.8% 44.9% 50.0% 49.0% 48.5% 48.5% 48.5% 48.5% 48.5% 48.5% 48.5% 48.5% 48.5% 48.5% 48.5% 48.5%																				
Common Stock 154,033,396 shs. as of 5/5/14		53.4% 50.9% 67.5% 57.9% 49.6% 46.2% 49.2% 51.6% 54.4% 49.4% 50.5% 51.0% 51.0% 51.0% 51.0% 51.0% 51.0% 51.0% 51.0% 51.0% 51.0% 51.0% 51.0%																				
MARKET CAP: \$3.9 billion (Mid Cap)		2137.1 2403.3 1988.4 2709.8 5146.2 6044.5 5867.6 5741.2 6135.8 7029.1 7735 7250 7250 7250 7250 7250 7250 7250 7250 7250 7250 7250 7250																				
MARKET CAP: \$3.9 billion (Mid Cap)		2734.5 2765.6 3066.2 3444.5 6081.3 6651.1 6892.3 7053.5 7402.1 7746.4 8110 8370 8370 8370 8370 8370 8370 8370 8370 8370 8370 8370 8370																				
ELECTRIC OPERATING STATISTICS		10.1% 8.2% 7.9% 7.5% 3.5% 3.9% 5.3% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0%																				
% Change Retail Sales (KWH)		5.1% 3.2% NMF .9% NMF .9% 3.4% 2.0% 2.2% 3.2% 3.0% 3.0% 3.0% 3.0% 3.0% 3.0% 3.0% 3.0% 3.0% 3.0% 3.0% 3.0% 3.0%																				
Avg. Indust. Use (MWH)		68% 76% 104% 91% NMF 81% 54% 66% 63% 55% 56% 59% 59% 59% 59% 59% 59% 59% 59% 59% 59% 59% 59%																				
Avg. Indust. Rev. per KWH (\$)		211 235 267																				
Capacity at Peak (MW)		ANNUAL RATES Past 5 Yrs. Past 5 Yrs. Est'd '11-'13 of change (per sh)																				
Peak Load, Summer (MW)		Revenues -5.0% "Cash Flow" -2.5% Earnings -3.5% Dividends -6.5% Book Value 5.0%																				
Annual Load Factor (%)		Past 5 Yrs. -11.0% Past 5 Yrs. -5.0% Past 5 Yrs. -2.0% Past 5 Yrs. -12.5% Past 5 Yrs. 3.5%																				
% Change Customers (avg.)		Est'd '11-'13 3.5% Est'd '11-'13 8.0% Est'd '11-'13 6.0% Est'd '11-'13 7.0% Est'd '11-'13 3.0%																				
Fixed Charge Cov. (%)		QUARTERLY REVENUES (\$ mill.) Full Year																				
Fixed Charge Cov. (%)		Cal-ender Mar.31 Jun.30 Sep.30 Dec.31																				
Fixed Charge Cov. (%)		2011 492.9 565.1 773.7 486.3 2318.0 2012 479.7 603.6 746.2 480.4 2309.9 2013 542.2 600.3 765.0 538.8 2446.3 2014 585.1 625 814.9 575 2600 2015 600 650 850 600 2700																				
Fixed Charge Cov. (%)		EARNINGS PER SHARE Full Year																				
Fixed Charge Cov. (%)		Cal-ender Mar.31 Jun.30 Sep.30 Dec.31																				
Fixed Charge Cov. (%)		2011 .01 .31 .91 .01 1.25 2012 d.07 .41 .95 .03 1.35 2013 .17 .41 .93 .11 1.62 2014 .15 .45 .98 .12 1.70 2015 .17 .46 1.00 .12 1.75																				
Fixed Charge Cov. (%)		QUARTERLY DIVIDENDS PAID Full Year																				
Fixed Charge Cov. (%)		Cal-ender Mar.31 Jun.30 Sep.30 Dec.31																				
Fixed Charge Cov. (%)		2010 .2075 .2075 .2075 .2075 .83 2011 .2075 .2075 .2075 .2125 .84 2012 .2125 .2125 .2125 .2175 .86 2013 .2175 .2175 .2175 .23 .88 2014 .23 .23																				
Fixed Charge Cov. (%)		REGULATORY LAG REMAINS A PROBLEM FOR GREAT PLAINS ENERGY'S UTILITY SUBSIDIARIES. Because the company is unable to recover some of its rising operating expenses, its return on equity has been mediocre since 2008. Great Plains had hoped to address this problem either through bills in the Missouri legislature or its request for an accounting order from the state regulatory commission, but the proposed legislation was not passed and it looks as if it isn't going to get the accounting order. This order would allow the utilities to defer currently unrecovered transmission expenses for future recovery.																				
Fixed Charge Cov. (%)		Kansas City Power & Light has reached a settlement in its abbreviated rate case in Kansas. If the state commission approves the agreement, the utility will receive an \$11.5 million (2.2%) rate hike in order to recover construction work in progress for an environmental upgrade to a coal-fired plant. Of the \$615 million that represents the utility's 50% share of the project, \$281 million is allocated to Kansas. Missouri regulatory law does not allow construction work in progress in rates, so the company will seek recovery of the portion allocated to Missouri through a general rate case that it will file next year. (The company will also file a general rate case in Kansas in 2015.) Completion of the project is targeted for the second quarter of 2015.																				
Fixed Charge Cov. (%)		We estimate modest earnings improvement this year and next. Rate relief should help. In addition, the service area's economy is showing more signs of improvement. Our 2014 earnings estimate is within the company's guidance of \$1.60-\$1.75 a share. Profit growth should be more substantial in 2016, once the utilities' general rate orders take effect.																				
Fixed Charge Cov. (%)		Great Plains expects to pay no significant cash income taxes through 2020. The company benefits from tax-loss carryforwards. Thanks to this source of cash flow, which is not reflected in our "cash flow" figures, the company won't need an equity offering through 2016, at least.																				
Fixed Charge Cov. (%)		Timely Great Plains stock has a dividend yield that is about equal to the utility mean. Total return potential to 2017-2019 is just slightly above the industry average.																				
Fixed Charge Cov. (%)		Paul E. Debbas, CFA June 20, 2014																				
Fixed Charge Cov. (%)		COMPANY'S FINANCIAL STRENGTH B+ Stock's Price Stability 95 Price Growth Persistence 5 Earnings Predictability 65																				

(A) Dil. EPS. Excl. nonrec. gains (losses): '00, 49¢; '01, (\$2.01); '02, (5¢); '03, 29¢; '04, (7¢); '05, 12¢; gain (losses) on disc. ops.: '03, (13¢); '04, 10¢; '05, (3¢); '06, 35¢; '11-'12 EPS don't

add due to change in shs. or rounding. Next earnings report due early Aug. (B) Div'ds historically paid in mid-Mar., June, Sept. & Dec. (C) Div'd reinvest. plan avail. (C) Incl. infang. In

'13: \$6.62/sh. (D) In mill. (E) Rate base: Fair value. Rate all'd on com. eq. in MO in '13: 9.7% in KS in '13: 9.5%; earned on avg. com. eq., '13: 7.3%. Regulatory Climate: Average.

Company's Financial Strength B+
Stock's Price Stability 95
Price Growth Persistence 5
Earnings Predictability 65

HAWAIIAN ELECTRIC NYSE:HE				RECENT PRICE	P/E RATIO	Trailing: 15.3 Median: 19.0	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE		
TIMELINESS 3 Lowered 4/10/14 SAFETY 2 Raised 11/2/12 TECHNICAL 2 Lowered 5/2/14 BETA .85 (1.00 = Market)				24.72	15.2		0.81	5.0%			
2017-19 PROJECTIONS High 30 (+20%) Low 20 (-20%) Ann'l Total Return 9% Nil				29.5 28.9 27.5 29.8 22.7 25.0 26.8	29.8 21.0 12.1 18.6 20.6	29.2 28.3 26.8	23.7 23.8 23.9		Target Price Range 2017 2018 2019 64 48 40 32 24 20 16 12 8 6		
Insider Decisions J J A S O N D J F to Buy 0 1 0 1 0 0 1 0 0 to Sell 0 0 0 0 0 0 0 0 0 Institutional Decisions 202013 3Q2013 4Q2013 to Buy 97 100 93 to Sell 91 79 79 Hld's(000) 39552 39953 42460											
1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015				© VALUE LINE PUB. LLC 17-19							
CAPITAL STRUCTURE as of 12/31/13 Total Debt \$1598.4 mill. Due in 5 Yrs \$341.7 mill. LT Debt \$1381.5 mill. LT Interest \$68.5 mill. Incl. \$50 mill. 6.5% oblig. pfd. sec. of trust subsid. (LT Interest earned: 4.3x) Leases, Uncapitalized Annual rentals \$18.0 mill. Pension Assets-12/13 \$1186.7 mill. Pfd Stock \$34.3 mill. Pfd Div'd \$2.0 mill. 1,114,657 shs. 4 1/4% to 5 1/4% \$20 par. call. \$20 to \$21; 120,000 shs. 7 1/4%; \$100 par. call. \$100. Sinking fund ends 2018. Common Stock 101,415,268 shs. as of 2/17/14 MARKET CAP: \$2.5 billion (Mid Cap)				1924.1 2215.6 2460.9 2536.4 3218.9 2309.6 2865.0 3242.3 3375.0 3238.5 3350 3500 109.6 120.3 109.9 93.6 92.2 84.9 115.4 140.1 164.9 163.4 165 176 45.8% 36.4% 36.5% 35.4% 34.7% 34.1% 37.0% 35.1% 35.9% 34.0% 33.0% 31.0% 7.6% 5.9% 8.4% 8.3% 14.2% 20.6% 7.4% 6.0% 6.9% 4.8% 17.0% 16.0% 47.6% 45.2% 49.9% 47.6% 46.0% 48.0% 44.5% 44.9% 45.7% 44.0% 45.0% 46.5% 51.0% 53.3% 48.6% 51.0% 52.7% 50.7% 54.3% 53.9% 53.1% 55.0% 54.0% 52.5% 2375.1 2283.9 2252.7 2501.8 2635.2 2840.8 2732.9 2841.3 3001.0 3142.9 3530 3625 2422.3 2542.8 2647.5 2743.4 2907.4 3088.6 3165.9 3334.5 3594.8 3858.9 4045 4220 6.0% 6.8% 6.4% 5.2% 4.7% 4.3% 5.6% 6.2% 6.7% 6.4% 6.0% 6.0% 8.8% 9.6% 9.7% 7.1% 6.5% 5.8% 7.6% 8.9% 10.1% 9.3% 9.0% 9.0% 8.9% 9.7% 9.9% 7.2% 6.5% 5.8% 7.7% 9.0% 10.2% 9.4% 9.0% 9.0% 1.1% 1.5% .7% .8% .5% NMF 1.4% 2.1% 4.2% 3.7% 2.0% 2.5% 87% 85% 93% 89% 93% 116% 82% 78% 59% 61% 77% 75%							
ELECTRIC OPERATING STATISTICS 2011 2012 2013 % Change Retail Sales (KWH) -.5 -3.5 -1.5 Avg. Indust. Use (MWH) 628.4 611.9 611.2 Avg. Indust. Revs. per KWH (\$) 27.89 30.35 29.31 Capacity at Yearend (Mw) 2327 2332 2354 Peak Load, Winter (Mw) 1530 1535 1535 Annual Load Factor (%) 74.8 72.1 71.0 % Change Customers (yr-end) +3 +5 +8				BUSINESS: Hawaiian Electric Industries, Inc. is the parent company of Hawaiian Electric Company, Inc. (HECO) and American Savings Bank (ASB). HECO & its subs., Maui Electric Co. (MECO) & Hawaii Electric Light Co. (HELCO), supply electricity to 452,000 customers on O'ahu, Maui, Molokai, Lanai, & Hawaii. Operating companies' systems are not interconnected. Disc. in fl power sub. in '01. Elec.							
ANNUAL RATES Past 10 Yrs Past 5 Yrs Est'd '11-'13 to '17-'19 Revenues 3.5% 1.0% 2.0% "Cash Flow" -5.5% 1.5% 3.5% Earnings -- 6.0% 4.0% Dividends -- -- 1.0% Book Value 1.5% 2.5% 3.5%				The stock of Hawaiian Electric Industries has been one of the poorest-performing electric utility issues so far in 2014. While most utility equities have risen in price—several by more than 10%—HEI has declined 5% this year. After an analyst report suggested that HEI's board might cut the dividend, the company stated (in early April) that "the board of directors has not cut the dividend, nor is a dividend cut currently contemplated." (This was unusual, at it typically doesn't respond to what is said in analyst reports.) Despite HEI's statement, the stock continues to lag its peers. We think the dividend will hold at the current level. HEI is covering the dividend, and the directors maintained the payout even during a stretch of four straight years (2007 through 2010) in which the company did not earn the disbursement. Moreover, finances are sound. The fixed-charge coverage and common-equity ratio are well above the industry averages. In fact, we have raised the company's Financial Strength rating from B++ to A. This is not to suggest that the company has nothing to worry about. HEI's utilities have regulatory mechanisms designed to decouple volume and revenues, and reduce the effects for regulatory lag. However, changes in these mechanisms will hurt the company's net profit this year by an estimated \$3 million-\$5 million. (The utilities were already underearning their allowed return on equity.) We look for share earnings to wind up close to the 2013 tally. Our estimate is within HEI's targeted range of \$1.57-\$1.67. The company's largest utility will file a rate case by mid-2014. Hawaiian Electric Company will get an interim rate order in mid-2015. This, along with loan growth at American Savings Bank, should help boost the bottom line in 2015. ASB is earning a return on equity well above the utilities' ROE. This stock has some appeal for income-oriented investors. The dividend yield is more than one percentage point above the industry average. However, because we project little dividend growth over the 3- to 5-year period, total return potential is unexciting.							
QUARTERLY REVENUES (\$mill.) Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 710.6 794.3 866.4 851.0 3242.3 2012 814.9 854.3 867.7 838.1 3375.0 2013 784.1 796.7 831.2 826.5 3238.5 2014 825 825 875 825 3350 2015 850 850 925 875 3500				FIXED CHARGE COV. (%) 337 396 398							
EARNINGS PER SHARE ^ Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 .30 .28 .50 .36 1.44 2012 .40 .40 .49 .38 1.67 2013 .34 .41 .48 .39 1.62 2014 .37 .40 .47 .36 1.60 2015 .37 .40 .50 .38 1.65				RETAINED TO COM EQ Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2010 .31 .31 .31 .31 1.24 2011 .31 .31 .31 .31 1.24 2012 .31 .31 .31 .31 1.24 2013 .31 .31 .31 .31 1.24 2014 .31							
QUARTERLY DIVIDENDS PAID ^ Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2010 .31 .31 .31 .31 1.24 2011 .31 .31 .31 .31 1.24 2012 .31 .31 .31 .31 1.24 2013 .31 .31 .31 .31 1.24 2014 .31				Company's Financial Strength A Stock's Price Stability 85 Price Growth Persistence 35 Earnings Predictability 70							

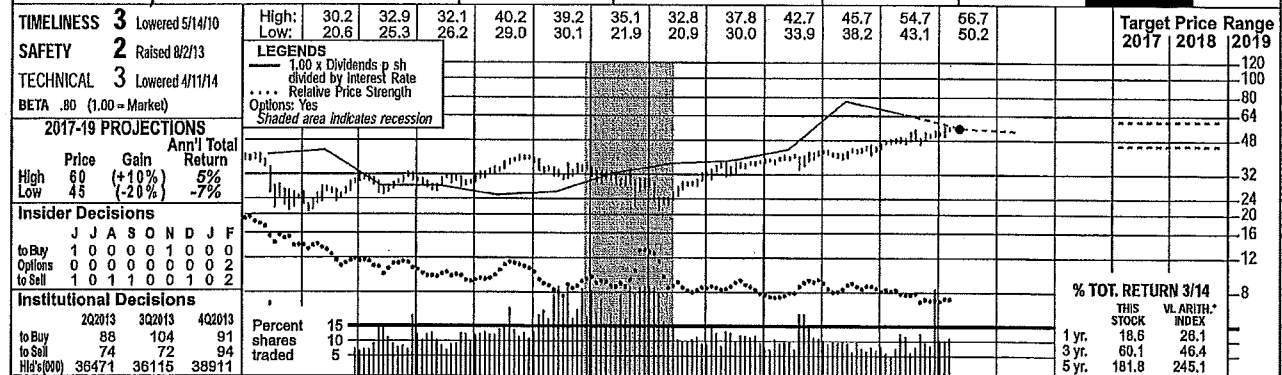
(A) Dil. EPS. Excl. gains (losses) from disc. ops.: '00, (56¢); '01, (36¢); '03, (5¢); '04, 2¢; '05, (1¢); nonrec. gain (losses): '05, '11, '07, '09; '12, (25¢). Next earnings report due early May. (B) Div's historically paid in early Mar., June, Sept., & Dec. ■ Div'd reinvest. plan avail. (C) Incl. inflang. In '13: \$5.81/sh. (D) In mill., adj. for split. (E) Rate base: Orig. cost. Rate allowed on com. eq. in '11: HECO, 10%; in '12: HELCO, 10%; in '13: MECO, 9%; earned on avg. com. eq., '13: 9.7%. Regul. Climate: Avg. (F) Excl. div's paid through reinvest. plan.

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IDACORP, INC. NYSE:IDA

RECENT PRICE **55.06** P/E RATIO **15.1** (Trailing: 15.1; Median: 14.1) RELATIVE P/E RATIO **0.80** DIV'D YLD **3.1%** VALUE LINE



Year	Price	Gain	Ann'l Total Return
High	60	+10%	5%
Low	45	-20%	-7%

Year	to Buy	to Sell	to Buy	to Sell
2013	88	74	104	94
3Q2013	36471	36115	38911	38911

Year	to Buy	to Sell	to Buy	to Sell
2013	88	74	104	94
3Q2013	36471	36115	38911	38911

Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues per sh	26.55	25.00	24.40	24.40	24.40	24.40	24.40	24.40	24.40	24.40	24.40	24.40	24.40	24.40	24.40	24.40
"Cash Flow" per sh	6.75	6.35	6.20	6.20	6.20	6.20	6.20	6.20	6.20	6.20	6.20	6.20	6.20	6.20	6.20	6.20
Earnings per sh ^A	3.65	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45
Div'd Decl'd per sh ^{B†}	2.00	1.80	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72
Cap'l Spending per sh	12.70	6.45	6.45	6.45	6.45	6.45	6.45	6.45	6.45	6.45	6.45	6.45	6.45	6.45	6.45	6.45
Book Value per sh ^C	44.55	40.45	40.45	40.45	40.45	40.45	40.45	40.45	40.45	40.45	40.45	40.45	40.45	40.45	40.45	40.45
Common Shs Outst'g ^D	51.20	50.20	50.20	50.20	50.20	50.20	50.20	50.20	50.20	50.20	50.20	50.20	50.20	50.20	50.20	50.20
Avg Ann'l P/E Ratio	14.0	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4
Relative P/E Ratio	.90	.79	.79	.79	.79	.79	.79	.79	.79	.79	.79	.79	.79	.79	.79	.79
Avg Ann'l Div'd Yield	3.5%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%

CAPITAL STRUCTURE as of 12/31/13
 Total Debt \$1671.1 mill. Due in 5 Yrs \$124.3 mill.
 LT Debt \$1615.3 mill. LT Interest \$81.5 mill.
 (LT Interest earned: 3.5x)

Pension Assets-12/13 \$545.1 mill.
 Oblig. \$695.1 mill.

Pfd Stock None

Common Stock 50,220,039 shs.
 as of 2/14/14

MARKET CAP: \$2.8 billion (Mid Cap)

Year	2011	2012	2013
% Change Retail Sales (KWH)	+1.6	+2.5	+3.3
Avg. Indust. Use (MWH)	N/A	N/A	N/A
Avg. Indust. Rev. per KWH (\$)	4.54	4.63	5.21
Capacity at Peak (Mw)	N/A	N/A	N/A
Peak Load, Summer (Mw)	2973	3245	3497
Annual Load Factor (%)	N/A	N/A	N/A
% Change Customers (yr-end)	+7	+1.1	+1.5

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '11-'13 of change (per sh)

Revenues	-10.0%	2.0%	3.5%
"Cash Flow"	3.0%	6.5%	2.5%
Earnings	5.5%	10.0%	2.0%
Dividends	-2.5%	3.0%	7.0%
Book Value	4.5%	5.5%	4.5%

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	251.5	235.0	309.6	230.7	1026.8
2012	241.1	254.7	334.0	250.9	1080.7
2013	264.9	303.9	381.1	296.3	1246.2
2014	275	295	375	280	1225
2015	285	305	385	280	1255

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.60	.42	2.16	.18	3.36
2012	.50	.71	1.84	.33	3.37
2013	.70	.93	1.46	.55	3.64
2014	.60	.70	1.85	.35	3.50
2015	.65	.80	1.65	.35	3.45

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.30	.30	.30	.30	1.20
2011	.30	.30	.30	.30	1.20
2012	.33	.33	.33	.38	1.37
2013	.38	.38	.38	.43	1.57
2014	.43				

BUSINESS: IDACORP, Inc. is the holding company for Idaho Power, a utility that operates 17 hydroelectric generation developments, 3 natural gas-fired plants, and partly owns three coal plants across Idaho, Oregon, Wyoming, and Nevada. Service territory covers 24,000 square miles, serving 601,000 business customers. Sells electricity in Idaho (95% of revenues) and Oregon (5%). Revenue breakdown: residential, 40%; commercial, 22%; industrial, 14%; other, 24%. Fuel sources: hydro, 45%; thermal, 34%; purchased power, 21%. '13 depr rate: 2.4%. Has 2,067 employees. Chairman: Robert A. Tinsman. President & CEO: Darrel T. Anderson. Incorp: Idaho. Address: 1221 W. Idaho St., Boise, ID 83702. Telephone: 208-388-2200. Internet: www.idacorpinc.com.

IDACORP, Inc. reported sound results for 2013. The electric utility posted share earnings of \$1.64. Revenue for the year of \$1.2 billion, a year-over-year increase of 15%, was driven by weather-related sales increases, customer base growth, and \$30 million in new revenue from higher rates related to the inclusion of the Langley Culch power plant.

Idaho Power does not intend to file a general rate case in 2014. Although the unit does not plan to file a rate case this year, it aims to pursue the extension of the current accumulated deferred investment tax credit (ADITC) beyond 2014. Idaho Power has held preliminary discussions with the Idaho Public Utility Commission and intends to file an application this year for the extension. The absence of a new rate case is favorable from a risk standpoint.

An unexpected increase in interest rates is a significant risk for utility stocks. A number of income-seeking investors have invested in utility stocks over the past few years thanks to higher dividend yields relative to investment-grade bonds. If bond yields were to rise in 2014,

these investors could choose bonds over utility stocks, putting pressure on the price of utility issues. Indeed, marked improvement in the domestic economy could lead to higher interest rates, resulting in lower valuations for utility stocks.

The company has a growing service territory, evidenced by positive customer growth. In the past year, there has been an increase of 1.5% in the number of customers, reflecting a rise of over 7,000 customers. Further, most-recent forecasts predict a 1.4% five-year compounded annual growth rate in residential loads and a 2.1% 5-year CAGR in residential customers.

This equity is neutrally ranked for Timeliness and, its current dividend yield does not make it an appealing choice for income oriented-investors. IDA recently increased its quarterly dividend from \$0.38 a share to \$0.43 which is \$1.72 on an annualized basis and further hikes are likely. Still, the yield will likely be low compared to other utility stocks. Investors seeking a high yield should look elsewhere, for now.

Saumya Ajila
May 2, 2014

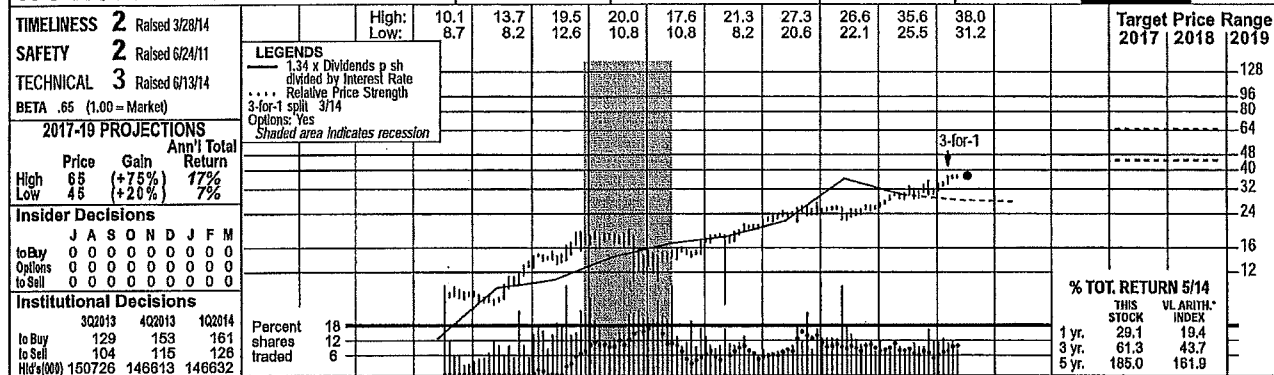
INTEGRYS ENERGY NYSE-TEG		RECENT PRICE	P/E RATIO		Trailing: 14.7 Median: 15.0		RELATIVE P/E RATIO	D/V D YLD		VALUE LINE					
		57.82	15.4	15.4	15.4	15.4	0.82	4.7%							
TIMELINESS 3 Lowered 5/16/14	High: 46.8	50.5	60.0	57.8	60.6	53.9	45.1	54.4	54.6	61.9	63.6	62.4	Target Price Range		
SAFETY 2 Raised 6/24/11	Low: 36.8	43.5	47.7	47.4	48.1	36.9	19.4	40.5	42.8	50.8	52.6	52.1	2017	2018	2019
TECHNICAL 3 Lowered 5/9/14	LEGENDS 0.66 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession														
BETA .80 (1.00 = Market)	2017-19 PROJECTIONS Ann'l Total High Price 65 (+10%) 7% Low Price 50 (-15%) 2%														
Insider Decisions J A S O N D J F M to Buy 0 0 0 0 0 0 0 0 0 0 0 0 Opts to Buy 2 1 0 0 0 0 0 0 1 0 0 to Sell 3 1 0 0 0 1 0 0 2															
Institutional Decisions 3Q2013 4Q2013 1Q2014 to Buy 147 142 168 to Sell 146 145 142 Files(000) 41128 42358 42754 Percent shares traded 12 8 4															
% TOT. RETURN 5/14 THIS STOCK VS. ARITH. INDEX 1 yr. 5.8 19.4 3 yr. 28.7 43.7 5 yr. 180.7 161.9															
IntegrYS Energy Group was created as a holding company on February 21, 2007 to oversee the entire operations of the recently merged WPS Resources and Peoples Energy. WPS acquired Peoples in an agreement under which each common share of Peoples was converted into .825 share of WPS common. The combination took the new name of IntegrYS Energy Group. All data on this page prior to 2/21/07 are for WPS Resources only.															
CAPITAL STRUCTURE as of 3/31/14 Total Debt \$3378.1 mill. Due In 5 Yrs \$781.9 mill. LT Debt \$2956.2 mill. LT Interest \$147.8 mill. (LT Interest earned: 5.1x) Leases, Uncapitalized Annual rentals \$6.7 mill. Pension Assets-4/2/13 \$1627.7 mill. Oblig. \$1641.7 mill. Pfd Stock \$51.1 mill. Pfd Div'd \$3.1 mill. 510,626 shs. 5.00% to 6.88%, callable \$101 to \$107.50; sinking fund began 11/1/79. All cumulative, \$100 par. Common Stock 79,534,371 shs.															
MARKET CAP: \$4.6 billion (Mid Cap)															
ELECTRIC OPERATING STATISTICS 2011 2012 2013 % Change Retail Sales (KWH) +9 +2 -4 Avg. C & I Use (KWH) N/A N/A N/A Avg. C & I Res. per KWH (¢) N/A N/A N/A Capacity at Peak (MW) 3312 3173 3344 Peak Load, Summer (MW) 2455 2347 2400 Annual Load Factor (%) N/A N/A N/A % Change Customers (y-end) +4 +4 +4															
FIXED CHARGE COV. (%) 302 367 410															
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '11-'13 of change (per sh) Revenues -4.5% -17.5% 7.0% "Cash Flow" 2.0% 5.0% 4.0% Earnings 3.0% 7.5% 3.5% Dividends 2.5% 1.5% 1.5% Book Value 4.5% -- 3.0%															
QUARTERLY REVENUES (\$mill.) Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 1627.1 1010.8 938.7 1132.1 4708.7 2012 1247.9 839.6 927.7 1197.2 4212.4 2013 1678.2 1116.0 1129.7 1710.7 5634.6 2014 2925 1250 1275 1900 7350 2015 2400 1300 1350 1950 7000															
EARNINGS PER SHARE ^ Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 1.56 .38 .47 .48 2.88 2012 1.24 .65 .93 .86 3.67 2013 2.28 d.06 .47 1.63 4.33 2014 1.89 .41 .45 1.00 3.75 2015 1.75 .45 .50 1.05 3.75															
QUARTERLY DIVIDENDS PAID ^ Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2010 .68 .68 .68 .68 2.72 2011 .68 .68 .68 .68 2.72 2012 .68 .68 .68 .68 2.72 2013 .68 .68 .68 .68 2.72 2014 .68 .68															
BUSINESS: IntegrYS Energy Group, Inc. is a holding company for Wisconsin Public Service, Peoples Gas, and four other utility subsidiaries. Has 497,000 electric customers in WI and MI, 1.7 million gas customers in WI, IL, MN, and MI. Also has retail electric and gas marketing ops. In the Northeast and Midwest. Elec. rev. breakdown: residential, 29%; small commercial & industrial, 29%; large commercial & industrial, 19%; other, 23%. Generating sources: coal, 53%; gas, 9%; wind, 2%; hydro, 2%; purch., 34%. Fuel costs: 62% of revs. '13 depr. rates (utility): 1.9%-3.3%. Has 4,900 empis. Chairman & CEO: Charles A. Schrock. Pres. & COO: Lawrence T. Borgard, Inc.: WI. Address: 130 East Randolph St., Chicago, IL 60601-6207. Tel.: 312-228-6400. Internet: www.integrysgroup.com.															
The sale of IntegrYS Energy's Michigan-based electric utility awaits regulatory approval. The aftertax proceeds would be \$220 million, which the company would use to offset some of its financing needs. IntegrYS would book a \$0.60-a-share nonrecurring gain on the sale. A settlement in Michigan needs commission approval, and the transaction also requires approval in Wisconsin and by the Federal Energy Regulatory Commission. It is expected to close by the end of the third quarter. We won't reflect the deal in our figures until after it has been completed.															
IntegrYS' utilities are active in the regulatory arena. Wisconsin Public Service is seeking a \$76.8 million electric rate increase and a \$1.6 million gas rate decrease based on a return of 10.6% return on equity. New tariffs should take effect at the start of 2015. Peoples Gas and North Shore Gas filed for a total hike of \$136.0 million, based on a 10.25% ROE. New rates are expected to take effect in early 2015. Minnesota Energy Resources is asking for a gas rate hike of \$12.2 million, based on a 10.75% ROE. Intervenor are recommending increases that are less than half of what the utility is seeking. A final ruling is expected in October.															
Mark-to-market accounting gains or charges can skew the company's earnings comparisons. These arise from IntegrYS' energy-services unit. We include them in our earnings presentation because they are an ongoing part of its operations. These items added \$0.80 a share to the bottom line in 2013, and another \$0.16 a share in the March quarter of 2014. Otherwise, we expect utility income to rise this year and next, thanks mainly to rate relief, but the nonutility side of the business isn't likely to boost its profits.															
Wisconsin Public Service is building environmental upgrades at two coal-fired plants. One project should be completed this year at a cost of \$220 million, the other in 2016 at a cost of \$345 million. The utility should be able to recover this spending in rates.															
This stock's noteworthy feature is its high dividend yield. This is a percentage point above the utility average. However, 3- to 5-year total return potential is unexciting.															
<i>Paul E. Debbas, CFA June 20, 2014</i>															
Company's Financial Strength A Stock's Price Stability 95 Price Growth Persistence 45 Earnings Predictability 45															

(A) Diluted EPS. Excl. nonrecr. losses: '09, \$3.24; '10, 41¢; gains (losses) from disc. ops.: '07, \$1.02; '08, 6¢; '09, 4¢; '11, (1¢); '12, (12¢); '13, 6¢. '11 & '12 EPS don't add due to rounding. Next egs. report due early Aug. (B) Div'ds historically paid mid-Mar., June, Sept., & Dec. (C) Div'd reinvestment plan avail. (D) Incl. intang. (E) Rate base; in '13: \$26.11/sh. (F) In mill. (G) Rate base; Net orig. cost. Rate allowed on com. eq. in WI '13: 10.3%; in IL in '13: 9.28%; in MN in '12: 9.7%; earned on avg. com. eq. '13: 10.8%. Regul. Climate: WI, Above Avg.; IL, Below Avg.

To subscribe call 1-800-833-0046.

ITC HOLDINGS CORP. NYSE-ITC

RECENT PRICE **37.46** P/E RATIO **19.7** (Trailing: 23.7, Median: NMF) RELATIVE P/E RATIO **1.05** DIV YLD **1.7%** VALUE LINE



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	@VALUE LINE PUB. LLC	17-19
Revenues per sh	1.37	2.06	1.76	3.31	4.15	4.13	4.58	4.92	5.30	5.98	6.85	7.75		10.50
"Cash Flow" per sh	.35	.68	.58	1.10	1.37	1.44	1.53	1.73	1.88	2.24	2.85	3.25		4.50
Earnings per sh ^A	.03	.35	.31	.56	.73	.86	.95	1.10	1.20	1.47	1.90	2.15		3.00
Div'd Decl'd per sh ^B	--	.18	.36	.38	.40	.42	.44	.46	.49	.54	.61	.68		1.00
Cap'l Spending per sh	.83	1.19	1.32	2.23	2.70	2.69	2.55	3.62	5.12	5.22	5.30	5.55		6.50
Book Value per sh ^C	2.14	2.64	4.18	4.37	6.24	6.73	7.34	8.18	9.03	10.25	11.05	12.00		18.00
Common Shs Outst'g ^D	92.04	99.89	127.19	128.75	148.95	150.25	162.15	163.97	156.75	157.50	155.00	152.50		155.50
Avg Ann'l P/E Ratio	--	26.3	33.0	27.6	23.2	17.1	20.0	21.4	20.7	20.4	18.5	17.5		18.5
Relative P/E Ratio	--	1.40	1.78	1.47	1.40	1.14	1.27	1.34	1.32	1.14	1.05	1.00		1.15
Avg Ann'l Div'd Yield	--	1.9%	3.5%	2.4%	2.3%	2.8%	2.3%	1.9%	2.0%	1.8%	1.8%	1.8%		1.8%
Revenues (\$mill)	126.4	205.3	223.6	426.2	617.9	621.0	698.8	757.4	830.5	941.3	1065	1185		1650
Net Profit (\$mill)	2.6	34.7	33.2	73.3	109.2	130.9	145.7	171.7	187.9	233.5	300	340		485
Income Tax Rate	39.0%	35.3%	29.2%	33.3%	38.1%	37.2%	36.1%	35.6%	36.6%	33.7%	36.5%	36.5%		36.5%
AFUDC % to Net Profit	80.2%	10.1%	15.0%	14.7%	13.8%	13.1%	11.9%	12.5%	16.0%	16.3%	13.0%	12.0%		9.0%
Long-Term Debt Ratio	71.1%	66.3%	70.3%	72.4%	70.8%	70.6%	69.1%	67.8%	63.8%	67.9%	66.5%	65.5%		58.5%
Common Equity Ratio	28.9%	33.7%	29.7%	27.6%	29.2%	29.4%	30.9%	32.2%	36.2%	32.1%	33.5%	34.5%		41.5%
Total Capital (\$mill)	680.0	780.6	1794.5	2041.5	3177.3	3445.9	3614.3	3903.9	3910.2	5025.8	5125	5285		6875
Net Plant (\$mill)	513.7	603.6	1197.9	1660.4	2304.4	2542.1	2872.3	3415.8	4134.6	4846.5	5530	6215		8650
Return on Total Cap'l	2.3%	6.2%	3.0%	5.7%	5.4%	5.7%	6.1%	6.3%	6.7%	6.2%	7.5%	8.0%		8.5%
Return on Shr. Equity	1.3%	13.2%	6.2%	13.0%	11.8%	12.9%	13.0%	13.6%	13.3%	14.5%	17.5%	18.5%		17.5%
Return on Com Equity ^E	1.3%	13.2%	6.2%	13.0%	11.8%	12.9%	13.0%	13.6%	13.3%	14.5%	17.5%	18.5%		17.5%
Retained to Com Eq	1.3%	6.5%	NMF	4.5%	5.4%	6.8%	7.1%	8.0%	8.0%	9.3%	12.0%	13.0%		12.0%
All Div'ds to Net Prof	--	50%	115%	66%	54%	48%	45%	41%	40%	36%	31%	31%		32%

CAPITAL STRUCTURE as of 3/31/14
 Total Debt \$3745.5 mill. Due in 5 Yrs \$1616.2 mill.
 LT Debt \$3545.5 mill. LT Interest \$166.6 mill.
 (LT Interest earned: 3.1x)
 Pension Assets-12/13 \$48.9 mill.
 Oblig. \$73.5 mill.

Pfd Stock None

Common Stock 157,831,921 shs. as of 4/25/14

MARKET CAP: \$5.9 billion (Large Cap)

CURRENT POSITION

	2012	2013	3/31/14
Cash Assets	26.2	34.3	14.0
Receivables	72.2	89.3	103.1
Inventory (FIFO)	37.4	32.0	30.2
Other	62.4	35.9	40.6
Current Assets	198.2	191.5	187.9
Accs Payable	102.5	111.1	118.1
Debt Due	651.9	200.0	200.0
Other	228.4	188.3	143.2
Current Liab.	982.8	499.4	461.3
Fix Chg. Cov.	265%	281%	294%

ANNUAL RATES

Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13
of change (per sh)	10 Yrs.	to '17-'19
Revenues	12.0%	11.5%
"Cash Flow"	14.0%	15.0%
Earnings	19.0%	15.5%
Dividends	6.5%	12.5%
Book Value	13.0%	12.0%

QUARTERLY REVENUES (\$mill)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	179.4	185.1	191.3	201.6	757.4
2012	196.7	197.4	214.8	221.6	830.5
2013	217.3	229.8	238.8	255.4	941.3
2014	258.6	267.4	265	280	1065
2015	285	290	300	310	1185

EARNINGS PER SHARE ^A

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.27	.28	.28	.27	1.10
2012	.29	.27	.33	.31	1.20
2013	.32	.30	.37	.48	1.47
2014	.43	.47	.51	.49	1.90
2015	.51	.53	.56	.55	2.15

QUARTERLY DIVIDENDS PAID ^B

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.107	.107	.112	.112	.44
2011	.112	.112	.118	.118	.46
2012	.117	.117	.126	.126	.49
2013	.126	.126	.1425	.1425	.54
2014	.1425	.1425			

BUSINESS: ITC Holdings Corp. engages in the transmission of electricity in the United States. The company operates primarily as a conduit, moving power from generators to local distribution systems either through its own system or in conjunction with neighboring transmission systems. Acquired Michigan Electric Transmission Company 10/06; Interstate Power & Light's transmission assets

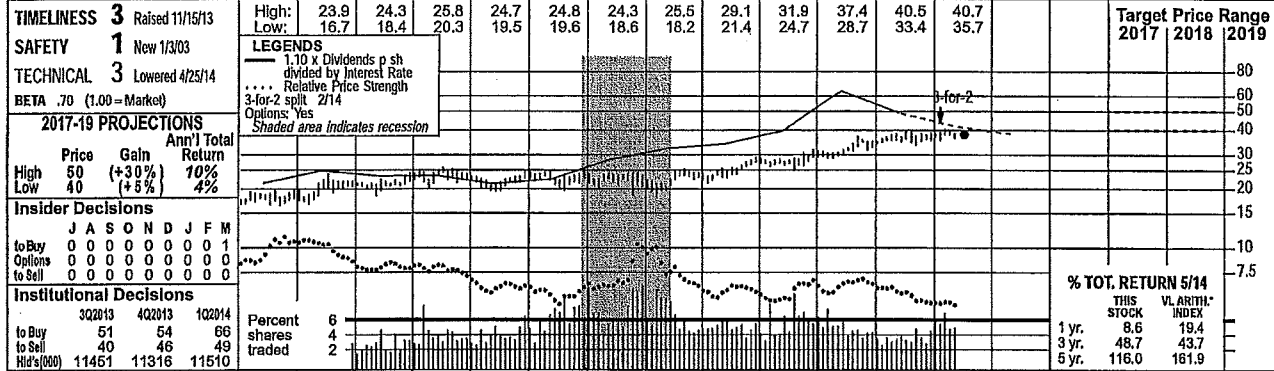
ITC Holdings' earnings are likely to rise materially this year. The comparisons (at least in the first three quarters) are easy, as expenses associated with the unsuccessful attempt to buy Entergy's transmission assets hurt the bottom line last year. Aside from this, however, ITC has plenty of places to put its capital to work. The transmission system is still catching up from many years of underinvestment in the late 20th century. Capital spending also occurs to increase transmission capacity and connect renewable-energy projects to the grid. Moreover, ITC benefits from a regulatory mechanism with the Federal Energy Regulatory Commission (FERC) that permits current-cost recovery of its transmission spending and most kinds of operating expenses. Furthermore, the company's allowed returns on equity range from 12.16% to 13.88%, with a blended allowed ROE of about 13%. Our earnings estimate of \$1.90 a share is at the upper end of ITC's guidance of \$1.83-\$1.90 a share, which does not reflect a stock buyback (see below). We estimate ITC's earnings growth rate in 2015 will reach the top of the

12/07. Has assets in Michigan, Iowa, Minnesota, Illinois, Missouri, and Kansas. Operations are regulated by the Federal Energy Regulatory Commission (FERC). '13 reported depreciation rate: 2.2%. Has about 500 employees. Chairman, President & CEO: Joseph L. Welch, Inc. Michigan. Address: 27175 Energy Way, Novi, Michigan 48377. Tel.: 248-946-3000. Internet: www.itctransco.com.

company's targeted annual range of 11%-13%. The same factors that are benefiting the bottom line this year should continue to produce higher profits in the coming years. We base our forecast on no change in the company's range of allowed ROEs. Investors should note that FERC is reviewing the allowed ROEs for transmission in certain parts of the United States. **The board of directors has authorized ITC to repurchase up to \$250 million of common stock through the end of next year.** Even with all of the company's investment opportunities, its cash flow is healthy enough to allow for a buyback. **We expect a significant dividend hike at the board meeting in the third quarter.** This is when the directors normally review the disbursement. We estimate that the annual dividend will be boosted by \$0.07 a share (12.3%). ITC is targeting 10%-15% yearly dividend growth. **ITC stock has some appeal for both the year ahead and the 3- to 5-year period.** The equity is timely, and offers decent long-term total return potential. *Paul E. Debbas, CFA June 20, 2014*

(A) Diluted earnings. Next earnings report due late July. (B) Dividends historically paid in early March, June, Sept., and Dec. (C) Dividend reinvestment plan available. (D) Shareholder investment plan available. (E) Shareholder investment plan available.	ment plan available. (C) Includes intangibles. In '13: \$1.2 billion, \$7.65/sh. (D) In millions, adjusted for stock split. (E) Rates allowed on common equity: 12.16%-13.88%. Earned on avg. com. eq., '13: 15.2%. Regulatory Climate: Above Average.	Company's Financial Strength Stock's Price Stability Price Growth Persistence Earnings Predictability	B++ 95 95 100
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MGE ENERGY INC. NDQ-MCEE RECENT PRICE **38.08** P/E RATIO **15.2** (Trailing: 16.5 Median: 16.0) RELATIVE P/E RATIO **0.81** DIV'D YLD **2.9%** VALUE LINE



Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Value Line Pub. LLC	17-19
Revenues per sh	10.35	11.30	13.00	13.03	13.17	14.59	13.89	16.73	16.13	16.33	17.35	15.40	15.36	15.76	15.61	17.04	18.85	19.45	22.20	
"Cash Flow" per sh	2.39	2.54	2.59	2.52	2.22	1.96	1.92	2.00	2.34	2.46	2.68	2.66	2.76	2.94	2.98	3.28	3.45	3.95	4.70	
Earnings per sh ^A	.92	.99	1.11	1.08	1.13	1.14	1.18	1.05	1.37	1.51	1.59	1.47	1.67	1.76	1.86	2.16	2.50	2.65	3.25	
Div'd Decl'd per sh ^B	.86	.87	.88	.89	.89	.90	.91	.92	.93	.94	.96	.97	.99	1.01	1.04	1.07	1.10	1.14	1.20	
Cap'l Spending per sh	1.28	2.11	2.96	1.65	2.97	3.02	3.13	2.80	2.94	4.14	3.08	2.35	1.76	1.88	2.84	3.43	3.43	4.00	5.30	
Book Value per sh ^E	7.56	7.66	8.04	8.45	8.62	9.56	11.06	11.21	11.93	12.99	13.92	14.47	15.14	15.89	16.71	17.81	18.85	20.00	23.60	
Common Shs Outstg ^C	24.12	24.24	24.93	25.61	26.36	27.52	30.59	30.68	31.46	32.93	34.36	34.67	34.67	34.67	34.67	34.67	35.00	35.00	36.00	
Avg Ann'l P/E Ratio	16.2	14.0	11.7	14.8	16.0	17.5	18.0	22.4	15.9	15.0	14.2	15.1	15.0	15.8	17.2	17.0	17.0	15.0	15.0	
Relative P/E Ratio	.84	.80	.76	.76	.87	1.00	.95	1.19	.86	.80	.85	1.01	.95	.99	1.09	.96	1.09	.96	.95	
Avg Ann'l Div'd Yield	5.8%	6.3%	6.7%	5.5%	5.0%	4.5%	4.3%	3.9%	4.3%	4.1%	4.2%	4.4%	4.0%	3.6%	3.2%	2.9%	3.2%	2.9%	2.7%	

CAPITAL STRUCTURE as of 3/31/14
 Total Debt \$402.5 mill. Due in 5 Yrs \$71.4 mill.
 LT Debt \$398.4 mill. LT Interest \$19.0 mill.
 (LT Interest earned: 7.9%)

Leases, Uncapitalized Annual rentals \$1.7 mill.
 Pension Assets-12/13 \$277.4 mill.
 Obligation \$284.0 mill.

Pfd Stock None

Common Stock 34,668,370 shs.
 as of 4/30/14, adj. for 3-for-2 split
MARKET CAP: \$1.3 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2011	2012	2013
% Change Retail Sales (RWH)	40.8	-0.3	-0.8
Avg. Indust. Use (MWH)	26.32	24.72	25.02
Avg. Indust. Revs. per RWH (\$)	7.38	7.86	7.94
Capacity at Peak (Mw)	N/A	N/A	N/A
Peak Load, Summer (Mw)	770	766	733
Annual Load Factor (%)	N/A	N/A	N/A
% Change Customers (avg.)	N/A	N/A	N/A

ANNUAL RATES OF CHANGE (per sh)

	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13	'11-'13
Revenues	1.5%	-0.5%	5.5%	5.5%
"Cash Flow"	3.0%	4.0%	7.5%	7.5%
Earnings	5.5%	5.5%	9.0%	9.0%
Dividends	1.5%	2.0%	4.0%	4.0%
Book Value	6.5%	5.5%	6.0%	6.0%

QUARTERLY REVENUES (\$ mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	164.6	117.3	133.6	130.9	546.4
2012	149.3	117.2	137.8	137.0	541.3
2013	167.2	128.3	140.1	155.3	590.9
2014	210.2	140	145	164.8	660
2015	210	145	150	175	680

EARNINGS PER SHARE^A

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.51	.37	.61	.27	1.76
2012	.46	.41	.68	.31	1.86
2013	.65	.40	.70	.41	2.16
2014	.80	.50	.75	.45	2.50
2015	.80	.55	.80	.50	2.65

QUARTERLY DIVIDENDS PAID^B

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.2456	.2456	.2501	.2501	.99
2011	.2501	.2501	.2551	.2551	1.01
2012	.2551	.2551	.2634	.2634	1.04
2013	.2634	.2634	.2717	.2717	1.07
2014	.2717	.2717			

BUSINESS: MGE Energy Inc. is a holding company for Madison Gas and Electric, which provides electric service to approximately 141,000 customers in a 316-square-mile area of Dane County and gas service to 147,000 customers in 1,639 square miles in seven counties in Wisconsin. Electric revenue breakdown: '13: residential, 33%; commercial, 52%; industrial, 5%; public authorities and other,

MGE Energy reported impressive results for the first quarter. Revenues and share earnings advanced 26% and 23%, respectively, on a year-over-year basis. Gas retail volumes benefited from improved customer demand due to colder weather. Moreover, electric retail sales increased 2.8%.

Comparisons should be favorable in the coming quarters, and we expect revenues and share earnings to advance at a good pace in the current year. Growth will probably continue in 2015. The company's utility operation ought to further benefit from favorable demographics within its service territory. A healthy local economy should drive population growth and demand for power in the Madison, Wisconsin area. The company's nonregulated operations and transmission investments should also contribute. Efforts to control operating expenses ought to benefit the bottom line.

Utility Madison Gas and Electric has filed an application with the Public Service Commission of Wisconsin. The company is seeking an increase in electric rates by 2.8% for 2015. The request would

10%. Generating sources, '13: coal, 54%; purchased power, 37%; natural gas and other, 9%. Fuel costs: 21% of revenues. '13 reported depreciation rate: 3.3%. Has 695 employees. Chairman, President & CEO: Gary J. Woller. Incorporated: Wisconsin. Address: 133 South Blair St., Madison, WI 53788. Telephone: 608-252-7000. Internet: www.mgeenergy.com.

then freeze rates in 2016, subject to a review of fuel costs. MGE cited costs associated with transmission improvements and the construction of emission-reduction equipment at the Columbia Energy Center as reasons for requesting the rate hike. In addition, the filing includes a decrease of natural gas rates by 2.3% next year, with a rate freeze for 2016.

The risk profile appears favorable here. The company has established a track record of stable operating results. Low exposure to economically sensitive industrial customers provides greater earnings stability. Moreover, leverage appears quite manageable. As a result, MGE earns favorable marks for Safety, Financial Strength, Price Stability, and Earnings Predictability.

This stock is ranked to perform in line with the broader market for the coming six to 12 months. Looking further out, this equity offers solid total return potential for the pull to 2017-2019, on a risk-adjusted basis. All things considered, conservative investors may find this high-quality issue attractive.

Michael Napoli, CFA June 20, 2014

(A) Diluted earnings. Next earnings report due early August. (B) Dividends historically paid in mid-March, June, September, and December. (C) In millions. (D) Rate allowed on common equity in '13: 10.3%; earned on common equity, '13: 12.1%. Regulatory Climate: Above Average. (E) Includes regulatory assets. In 2013: \$113.5 mill., \$3.27 per share.

Company's Financial Strength

A	100
Stock's Price Stability	70
Price Growth Persistence	70
Earnings Predictability	95

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NORTHEAST UTILITIES NYSE:NU

RECENT PRICE **45.34** P/E RATIO **16.8** (Trailing: 18.1, Median: 18.0) RELATIVE P/E RATIO **0.93** DIV'D YLD **3.6%** VALUE LINE

TIMELINESS 2 Raised 5/16/14	High: 20.3	20.3	22.0	28.9	33.6	31.6	26.5	32.2	36.5	40.9	45.7	47.6		Target Price Range
SAFETY 2 Raised 5/25/12	Low: 13.1	17.2	17.3	19.1	26.2	17.2	19.0	24.7	30.0	33.5	38.6	41.3		2017 2018 2019
TECHNICAL 3 Lowered 5/23/14	LEGENDS — 1.03 x Dividends p sh divided by Interest Rate Relative Price Strength Oplons: Yes Shaded area indicates recession													
BETA .75 (1.00 = Market)	2017-19 PROJECTIONS High Price 60 Gain (+3.0%) 17% Ann'l Total Return 4% Low Price 45 Gain (N/A) 4% Ann'l Total Return 4%													
Insider Decisions J J A S O N D J F to Buy 0 0 0 0 0 0 0 0 0 0 0 0 0 to Sell 0 0 0 0 0 0 0 0 0 0 0 0 0 Oplons 0 0 0 0 0 0 0 0 0 0 0 0 0 to Sell 0 0 1 2 0 2 1 2 1 1														
Institutional Decisions 2Q2013 3Q2013 4Q2013 to Buy 189 201 185 to Sell 193 190 221 Hld's (000) 206502 207924 210814 Percent shares traded 30 20 10														

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
28.77	33.91	40.86	52.82	40.89	47.53	51.82	41.85	44.64	37.27	37.22	30.97	27.76	25.21	19.98	23.16	24.70	24.90	Revenues per sh	27.00
3.73	5.68	3.39	10.48	6.32	5.80	5.00	5.46	3.69	4.82	6.16	4.96	5.68	4.88	4.03	5.22	5.55	6.95	"Cash Flow" per sh	7.00
d.36	d1.14	d.20	1.37	1.08	1.24	.91	.98	.82	1.59	1.86	1.91	2.10	2.22	1.89	2.49	2.70	2.90	Earnings per sh ^A	3.50
--	.10	.40	.45	.53	.58	.63	.68	.73	.78	.83	.95	1.03	1.10	1.32	1.47	1.57	1.68	Div'd Decl'd per sh ^B	2.00
1.79	2.50	2.88	3.40	3.86	4.31	4.85	5.89	5.49	7.14	8.08	5.17	5.41	6.08	4.69	4.62	5.30	5.90	Cap'l Spending per sh	6.00
15.63	15.80	15.43	16.27	17.33	17.73	17.80	18.48	18.14	18.65	19.38	20.37	21.60	22.65	29.41	30.49	31.55	32.70	Book Value per sh ^C	36.60
130.95	131.87	143.82	130.13	127.56	127.70	129.03	131.59	154.23	156.22	155.83	175.82	176.45	177.16	314.05	315.27	316.00	317.00	Common Shs Outst'g ^D	320.00
--	--	--	14.11	16.1	13.4	20.8	19.8	27.1	18.7	13.7	12.0	13.4	15.4	19.9	16.9	16.9	16.9	Avg Ann'l P/E Ratio	14.5
--	--	--	7.2	8.8	7.6	1.10	1.05	1.46	.99	.82	.80	.85	.97	1.27	.95	.95	.95	Relative P/E Ratio	.90
--	.6%	1.9%	2.3%	3.0%	3.5%	3.3%	3.5%	3.3%	2.6%	3.2%	4.2%	3.6%	3.2%	3.5%	3.5%	3.5%	3.5%	Avg Ann'l Div'd Yield	4.0%

CAPITAL STRUCTURE as of 12/31/13		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Total Debt	\$9403.2 mill. Due in 5 Yrs	\$3598.1 mill.																				
LT Debt	\$7776.8 mill. LT Interest	\$344.5 mill.																				
(LT Interest earned: 4.5x)																						
Leases, Uncapitalized Annual rentals		\$20.1 mill.																				
Pension Assets-12/13		\$3985.9 mill.																				
Pfd Stock		\$155.6 mill. Pfd Div'd	\$7.6 mill.																			
Incl. 2,324,000 shs \$1.90-\$3.28 rates (\$60 par) not subject to mandatory redemption.																						
Common Stock		315,434,940 shs.																				
as of 1/31/14																						
MARKET CAP: \$14 billion (Large Cap)																						

ELECTRIC OPERATING STATISTICS		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
% Change Retail Sales (RWH)		-1.2	+4.7	+1.0																	
Avg. Indust. Use (MWH)		62.4	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Avg. Indust. Revs. per MWH (\$)		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Capacity at Peak (MW)		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Peak Load, Winter (MW)		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Annual Load Factor (%)		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
% Change Customers (Trend)		+4	+59.8	NA																	

ANNUAL RATES		Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13	'14-'19
of change (per sh)					
Revenues		-7.0%	-10.5%	3.0%	
"Cash Flow"		-4.5%	-5%	7.0%	
Earnings		6.0%	9.0%	8.0%	
Dividends		9.5%	11.0%	7.5%	
Book Value		5.0%	8.0%	5.0%	

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	1235	1048	1115	1068	4467.7
2012	1100	1629	1861	1684	6273.8
2013	1995	1636	1893	1777	7301.2
2014	2291	1700	2000	1809	7800
2015	2250	1750	2050	1850	7900

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	.64	.44	.51	.64	2.22
2012	.56	.15	.66	.55	1.89
2013	.72	.54	.66	.56	2.49
2014	.74	.60	.75	.61	2.70
2015	.80	.65	.80	.65	2.90

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2010	.25625	.25625	.25625	.25625	1.02
2011	.275	.275	.275	.275	1.10
2012	.294	.343	.343	.343	1.32
2013	.3675	.3675	.3675	.3675	1.47
2014	.3925				

(A) Diluted EPS. Excl. nonrec. gains (losses): '02, '04; '03, (324); '04, (74); '05, (\$1.36); '08, (19); '10, 9; '11 & '13 EPS don't add due to rounding, '12 due to change in shs. Next earnings report due early Aug. (B) Div's historically paid late Mar., June, Sept., & Dec. = Div'd reinvestment plan avail. (C) Incl. def'd chgs. In '13: \$23.09/sh. (D) In mill. (E) Rate allowed on com. eq. in MA: '11, 9.6%; in CT: (elec.) '10, 9.4% (gas) '11, 8.83%; in NH: '10, 9.67%; earn. on avg. com. eq., '13: 8.3%. Regul. Clim.: CT, Below Avg.; NH, Avg.; MA, Above Avg.

Company's Financial Strength B++
 Stock's Price Stability 100
 Price Growth Persistence 85
 Earnings Predictability 85

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Northeast Utilities is still waiting for an order in a complaint about its electric transmission business. The Federal Energy Regulatory Commission (FERC) is reviewing allowed returns on equity for transmission owners in New England due to complaints that the allowed ROEs are too high. Transmission is a sizable part of NU's operations. The company has \$2.3 billion invested in transmission, and its four-year capital budget calls for spending of \$3.7 billion. A FERC administrative law judge has recommended that NU's base return on equity for transmission be cut from 11.14% to 9.7%. Such a move would reduce the company's annual profits by \$0.10 a share. NU has already taken a \$0.05-a-share reserve (in the third quarter of 2013) for a possible refund of previously collected revenues. The timing of FERC's decision is unknown.

We expect earnings to increase at a pace within NU's targeted range of 6%-8% in 2014 and 2015. Expansion of the company's transmission system is a key driver of profit growth. (We assume no cut in the allowed ROE for transmission and no reduction in rates at Connecticut

Light & Power.) Customer demand is benefiting from a recovery in the service area's economy and conversions to natural gas from other kinds of heating. The company is attaining cost reductions stemming from its merger with NSTAR two years ago. Pension expense is down. Our 2014 earnings estimate is within NU's targeted range of \$2.60-\$2.75 a share. The dividend was raised by 6.8% in the first quarter, and its increases should be similar to bottom-line growth.

Connecticut Light & Power will file a rate case next month. This was required as part of the merger approval process. The utility plans to request an increase of \$231.5 million (6.0%), which includes \$89.5 million to recover costs that were deferred from severe storms that hit the state in 2011 and 2012. (CL&P had to swallow some of these costs.) New tariffs will take effect at the start of December.

This timely stock offers a dividend yield that is similar to the utility average. Total return potential to 2017-2019 is above the utility mean, but investors have to assume some regulatory risk.

Paul E. Debbas, CFA
 May 23, 2014

NEXTERA ENERGY NYSE-NEE		RECENT PRICE	96.08	P/E RATIO	18.3	(Trailing: 20.0 Median: 14.0)	RELATIVE P/E RATIO	1.02	DIV'D YLD	3.1%	VALUE LINE																																																																																																																																																																																																																																																																																														
TIMELINESS 3	Raised 4/26/14	High: 34.0	38.1	48.1	55.6	72.8	73.8	60.6	56.3	61.2	72.2	89.8	101.5	Target Price Range	2017	2018	2019																																																																																																																																																																																																																																																																																								
SAFETY 2	Lowered 2/26/10	Low: 26.8	30.1	35.9	37.8	53.7	33.8	41.5	45.3	49.0	58.6	69.8	84.0																																																																																																																																																																																																																																																																																												
TECHNICAL 3	Lowered 5/23/14	LEGENDS 0.94 x Dividends p sh divided by Interest Rate Relative Price Strength 2-for-1 split 3/05 Options: Yes Shaded area indicates recession																																																																																																																																																																																																																																																																																																							
BETA .70	(1.00 = Market)	2017-19 PROJECTIONS High Price 110 (+15%) Low Price 80 (-15%) Gain 7% Return Nil																																																																																																																																																																																																																																																																																																							
Insider Decisions		<table border="1"> <tr><th></th><th>J</th><th>A</th><th>S</th><th>O</th><th>N</th><th>D</th><th>J</th><th>F</th></tr> <tr><td>to Buy</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> <tr><td>to Sell</td><td>1</td><td>0</td><td>2</td><td>1</td><td>0</td><td>1</td><td>0</td><td>0</td></tr> </table>																J	A	S	O	N	D	J	F	to Buy	0	0	0	0	0	0	0	0	to Sell	1	0	2	1	0	1	0	0																																																																																																																																																																																																																																																														
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3.2%	3.9%	4.1%	3.9%	4.1%	3.9%	3.9%	3.4%	3.4%	2.7%	3.0%	3.5%	3.9%	4.0%	3.6%	3.3%	3.3%	3.3%	Avg Ann'l Div'd Yield	4.1%																																																																																																																																																																																																																																																																																						
CAPITAL STRUCTURE as of 3/31/14		<table border="1"> <tr><th></th><th>2011</th><th>2012</th><th>2013</th><th>2014</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th><th>2025</th><th>2026</th><th>2027</th><th>2028</th><th>2029</th><th>2030</th></tr> <tr><td>Total Debt \$29515 mill. Due in 5 Yrs \$13268 mill.</td><td>10522</td><td>11846</td><td>15710</td><td>15283</td><td>16410</td><td>16154</td><td>15843</td><td>15317</td><td>15341</td><td>14256</td><td>15136</td><td>15850</td><td>16200</td><td>19110</td><td>20620</td><td>2305</td><td>2480</td><td>Revenues (\$mill)</td><td>18000</td></tr> <tr><td>LT Debt \$23824 mill. LT Interest \$1084 mill.</td><td>887.0</td><td>901.0</td><td>1281.0</td><td>1312.0</td><td>1639.0</td><td>1615.0</td><td>1957.0</td><td>2021.0</td><td>1911.0</td><td>1911.0</td><td>2062.0</td><td>2305</td><td>2480</td><td>1911.0</td><td>2062.0</td><td>2305</td><td>2480</td><td>Net Profit (\$mill)</td><td>3225</td></tr> <tr><td>(LT Interest earned: 3.4x)</td><td>23.1%</td><td>23.8%</td><td>23.7%</td><td>21.9%</td><td>21.5%</td><td>16.8%</td><td>21.4%</td><td>22.4%</td><td>26.6%</td><td>26.9%</td><td>27.5%</td><td>28.0%</td><td>28.0%</td><td>27.5%</td><td>28.0%</td><td>27.5%</td><td>28.0%</td><td>Income Tax Rate</td><td>29.5%</td></tr> <tr><td></td><td>4.2%</td><td>5.4%</td><td>3.8%</td><td>5.7%</td><td>6.6%</td><td>7.9%</td><td>4.4%</td><td>4.4%</td><td>10.8%</td><td>7.0%</td><td>6.0%</td><td>7.0%</td><td>6.0%</td><td>7.0%</td><td>6.0%</td><td>7.0%</td><td>6.0%</td><td>AFUDC % to Net Profit</td><td>7.0%</td></tr> <tr><td></td><td>51.6%</td><td>48.6%</td><td>49.1%</td><td>51.2%</td><td>54.2%</td><td>55.7%</td><td>55.5%</td><td>58.2%</td><td>59.1%</td><td>57.1%</td><td>55.5%</td><td>53.0%</td><td>48.5%</td><td>44.5%</td><td>47.0%</td><td>47.0%</td><td>47.0%</td><td>Long-Term Debt Ratio</td><td>48.5%</td></tr> <tr><td></td><td>48.4%</td><td>51.4%</td><td>50.9%</td><td>48.8%</td><td>45.8%</td><td>44.3%</td><td>44.5%</td><td>41.8%</td><td>40.9%</td><td>42.9%</td><td>44.5%</td><td>47.0%</td><td>47.0%</td><td>44.5%</td><td>47.0%</td><td>47.0%</td><td>47.0%</td><td>Common Equity Ratio</td><td>51.5%</td></tr> <tr><td></td><td>15564</td><td>16538</td><td>19521</td><td>22015</td><td>25514</td><td>29267</td><td>32474</td><td>35753</td><td>39245</td><td>42009</td><td>45050</td><td>47400</td><td>52600</td><td>57200</td><td>57200</td><td>57200</td><td>57200</td><td>Total Capital (\$mill)</td><td>52600</td></tr> <tr><td></td><td>21226</td><td>22463</td><td>24499</td><td>28652</td><td>32411</td><td>38078</td><td>39075</td><td>42490</td><td>49413</td><td>52720</td><td>55725</td><td>57200</td><td>62100</td><td>62100</td><td>62100</td><td>62100</td><td>62100</td><td>Net Plant (\$mill)</td><td>62100</td></tr> <tr><td></td><td>7.0%</td><td>6.9%</td><td>8.0%</td><td>7.5%</td><td>7.9%</td><td>6.9%</td><td>7.4%</td><td>7.0%</td><td>6.2%</td><td>6.2%</td><td>6.5%</td><td>6.5%</td><td>7.5%</td><td>6.5%</td><td>6.5%</td><td>6.5%</td><td>6.5%</td><td>Return on Total Cap'l</td><td>7.5%</td></tr> <tr><td></td><td>11.8%</td><td>10.6%</td><td>12.9%</td><td>12.2%</td><td>14.0%</td><td>12.5%</td><td>13.5%</td><td>13.5%</td><td>11.9%</td><td>11.4%</td><td>11.5%</td><td>11.0%</td><td>12.0%</td><td>11.5%</td><td>11.0%</td><td>11.0%</td><td>11.0%</td><td>Return on Shr. Equity</td><td>12.0%</td></tr> <tr><td></td><td>11.8%</td><td>10.6%</td><td>12.9%</td><td>12.2%</td><td>14.0%</td><td>12.5%</td><td>13.5%</td><td>13.5%</td><td>11.9%</td><td>11.4%</td><td>11.5%</td><td>11.0%</td><td>12.0%</td><td>11.5%</td><td>11.0%</td><td>11.0%</td><td>11.0%</td><td>Return on Com Equity E</td><td>12.0%</td></tr> <tr><td></td><td>5.6%</td><td>4.2%</td><td>6.9%</td><td>6.1%</td><td>7.9%</td><td>6.5%</td><td>7.8%</td><td>7.4%</td><td>5.6%</td><td>5.2%</td><td>5.0%</td><td>4.5%</td><td>5.0%</td><td>5.6%</td><td>5.2%</td><td>5.0%</td><td>4.5%</td><td>Retained to Com Eq</td><td>5.0%</td></tr> <tr><td></td><td>53%</td><td>60%</td><td>46%</td><td>50%</td><td>44%</td><td>47%</td><td>42%</td><td>46%</td><td>53%</td><td>54%</td><td>55%</td><td>57%</td><td>57%</td><td>55%</td><td>57%</td><td>57%</td><td>57%</td><td>All Div'ds to Net Prof</td><td>57%</td></tr> </table>																2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total Debt \$29515 mill. Due in 5 Yrs \$13268 mill.	10522	11846	15710	15283	16410	16154	15843	15317	15341	14256	15136	15850	16200	19110	20620	2305	2480	Revenues (\$mill)	18000	LT Debt \$23824 mill. LT Interest \$1084 mill.	887.0	901.0	1281.0	1312.0	1639.0	1615.0	1957.0	2021.0	1911.0	1911.0	2062.0	2305	2480	1911.0	2062.0	2305	2480	Net Profit (\$mill)	3225	(LT Interest earned: 3.4x)	23.1%	23.8%	23.7%	21.9%	21.5%	16.8%	21.4%	22.4%	26.6%	26.9%	27.5%	28.0%	28.0%	27.5%	28.0%	27.5%	28.0%	Income Tax Rate	29.5%		4.2%	5.4%	3.8%	5.7%	6.6%	7.9%	4.4%	4.4%	10.8%	7.0%	6.0%	7.0%	6.0%	7.0%	6.0%	7.0%	6.0%	AFUDC % to Net Profit	7.0%		51.6%	48.6%	49.1%	51.2%	54.2%	55.7%	55.5%	58.2%	59.1%	57.1%	55.5%	53.0%	48.5%	44.5%	47.0%	47.0%	47.0%	Long-Term Debt Ratio	48.5%		48.4%	51.4%	50.9%	48.8%	45.8%	44.3%	44.5%	41.8%	40.9%	42.9%	44.5%	47.0%	47.0%	44.5%	47.0%	47.0%	47.0%	Common Equity Ratio	51.5%		15564	16538	19521	22015	25514	29267	32474	35753	39245	42009	45050	47400	52600	57200	57200	57200	57200	Total Capital (\$mill)	52600		21226	22463	24499	28652	32411	38078	39075	42490	49413	52720	55725	57200	62100	62100	62100	62100	62100	Net Plant (\$mill)	62100		7.0%	6.9%	8.0%	7.5%	7.9%	6.9%	7.4%	7.0%	6.2%	6.2%	6.5%	6.5%	7.5%	6.5%	6.5%	6.5%	6.5%	Return on Total Cap'l	7.5%		11.8%	10.6%	12.9%	12.2%	14.0%	12.5%	13.5%	13.5%	11.9%	11.4%	11.5%	11.0%	12.0%	11.5%	11.0%	11.0%	11.0%	Return on Shr. Equity	12.0%		11.8%	10.6%	12.9%	12.2%	14.0%	12.5%	13.5%	13.5%	11.9%	11.4%	11.5%	11.0%	12.0%	11.5%	11.0%	11.0%	11.0%	Return on Com Equity E	12.0%		5.6%	4.2%	6.9%	6.1%	7.9%	6.5%	7.8%	7.4%	5.6%	5.2%	5.0%	4.5%	5.0%	5.6%	5.2%	5.0%	4.5%	Retained to Com Eq	5.0%		53%	60%	46%	50%	44%	47%	42%	46%	53%	54%	55%	57%	57%	55%	57%	57%	57%	All Div'ds to Net Prof	57%
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BUSINESS: NextEra Energy, Inc. (formerly FPL Group, Inc.) is a holding company for Florida Power & Light Company (FPL), which provides electricity to 4.6 million customers in a 27,650-sq.-mi. area in eastern & southern Florida. NextEra Energy Resources is a non-regulated power generator with nuclear, gas, & wind ownership. Revenue breakdown: residential, 54%; commercial, 37%; industrial & other, 8%. Generating sources: gas, 67%; nuclear, 23%; coal, 5%; purchased, 5%. Fuel costs: 33% of revenues. '13 reported deprec. rate (utility): 3.4%. Has 13,900 employees. Chairman: Lewis Hay, III, President and CEO; James L. Robo, Inc.: Florida. Address: 700 Universe Boulevard, Juno Beach, Florida 33408. Tel.: 561-694-4000. Internet: www.nexteraenergy.com.																																																																																																																																																																																																																																																																																																									
NextEra Energy plans to spin off some of its assets into a yield-focused company. NextEra has filed a confidential S-1 registration statement with the SEC. Accordingly, the company cannot disclose much information. However, there is a comparable company, NRG Yield (NYSE: NYLD), which owns contracted assets (including renewables) that provide a steady income stream suitable for a yield-focused company.																																																																																																																																																																																																																																																																																																									
Wall Street has been anticipating such a move. NextEra was one of the best-performing utility issues in 2013, climbing 24%. The stock has continued to outleg most utility equities so far in 2014, having risen 12% year to date. The early returns on NRG Yield are favorable, with the stock having surged more than 50% since its initial public offering last July.																																																																																																																																																																																																																																																																																																									
NextEra has more going for it than just the upcoming YieldCo. The company's regulated utility, Florida Power & Light, is performing well. Its service area has made a strong recovery from the housing crisis of several years ago. Moreover, FPL is benefitting from rate relief tied to certain capital additions. The utility com-																																																																																																																																																																																																																																																																																																									
pleted the modernizations of two gas-fired plants in 2013 and 2014, and each project came in ahead of schedule and below budget. Another such project is scheduled for completion in 2016. NextEra Energy Resources has managed to hold its own in recent years, despite unfavorable conditions for many owners of nonregulated generating assets. (The company's portfolio of contracted assets, which will likely be included in the YieldCo, helps in this regard.) We continue to estimate that NextEra's earnings in 2014 will wind up at the midpoint of its targeted range of \$5.05-\$5.45 a share, and we forecast mid-single-digit growth in 2015. Beyond next year, NextEra has plenty of growth opportunities, such as a joint venture that will expand gas pipeline capacity into Florida beginning in 2017.																																																																																																																																																																																																																																																																																																									
The board of directors raised the dividend by 9.8% in the first quarter. The yield is below the industry average. NextEra is targeting a payout ratio of 55%. We think the prospective benefits of the YieldCo formation are reflected in the price of NextEra stock.																																																																																																																																																																																																																																																																																																									
<i>Paul E. Debbas, CFA</i> <i>May 23, 2014</i>																																																																																																																																																																																																																																																																																																									
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '11-'13 of change (per sh) 10 Yrs. 5 Yrs. to '17-'19																																																																																																																																																																																																																																																																																																									
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(A) Diluted EPS. Excl. nonrecurring gain (losses); '00, ('54); '02, ('60); '03, '54; '11, ('24); '13, ('80); gain on disc. ops.; '13, 44¢. '11 EPS don't add due to rounding. Next earnings report due late July. (B) Div'ds historically paid in mid-Mar., mid-June, mid-Sept., & mid-Dec. (C) Div'd reinvestment plan avail. † Shareholder investment plan avail. (C) Incl. deferred charges. In '13: \$5.18/sh. (D) In millions, adj. for stock split. (E) Rate allowed on com. eq. in '13: 9.5%-11.5%; earned on avg. com. eq., '13: 12.1%. Regulatory Climate: Average.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	75
Earnings Predictability	80

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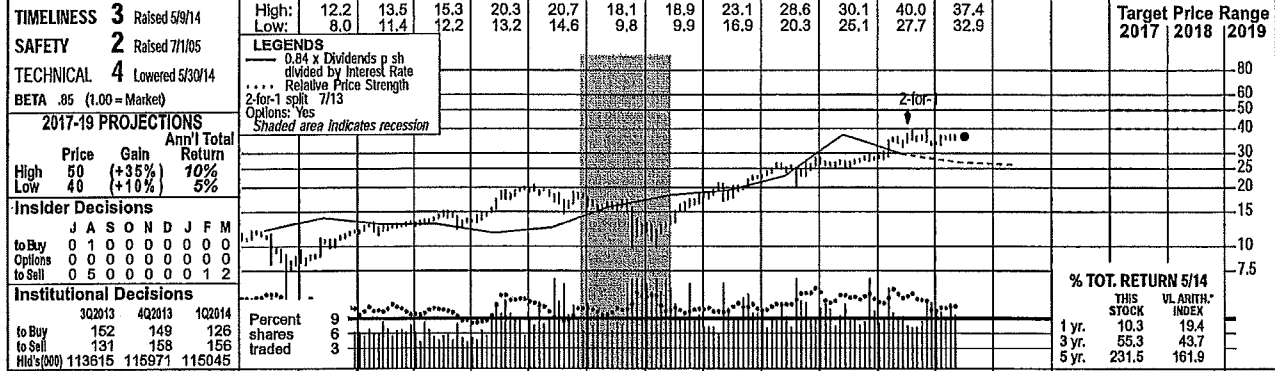
NORTHWESTERN NYSE-NWE			RECENT PRICE	PIE RATIO		RELATIVE PIE RATIO		DIV'D YLD		VALUE LINE						
			47.77	19.0	18.2	1.01	3.4%									
TIMELINESS 3 Raised 5/3/13 SAFETY 3 New 5/4/12 TECHNICAL 3 Lowered 4/11/14 BETA .70 (1.00 = Market)			High: 28.2 Low: 24.8	32.5 25.5	35.8 30.1	36.7 24.5	29.7 16.5	26.8 18.5	30.6 23.8	36.6 27.4	38.0 33.0	47.2 35.1	48.8 42.6	Target Price Range 2017 2018 2019		
2017-19 PROJECTIONS Price Gain Return High 50 (+5%) 5% Low 35 (-25%) -3%													80 60 50 40 30 25 20 15 10 7.5			
Insider Decisions J J A S O N D J F to Buy 0 4 4 0 0 0 0 0 0 0 Options 0 0 0 0 0 0 0 0 0 0 to Sell 0 0 0 0 1 0 0 1 0			Institutional Decisions 2Q2013 3Q2013 4Q2013 to Buy 101 94 91 to Sell 79 82 85 Net (000) 35520 37174 37089										Percent shares traded 30 20 10			
NorthWestern Corporation filed for protection under Chapter 11 of the Federal Bankruptcy Code on September 14, 2003. On November 1, 2004, the company emerged from a bankruptcy reorganization. All old common shares were canceled and 35,500,000 new shares (along with 4,620,333 warrants) were issued. The stock initially traded on NASDAQ under the symbol NWE and moved to the NYSE under the symbol NWE in May of 2008.			2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Revenues per sh	35.75
			29.18	32.57	31.49	30.79	35.09	31.72	30.66	30.80	28.76	29.80	31.30	32.25	"Cash Flow" per sh	7.00
			3.20	4.00	3.62	3.70	4.40	4.62	4.76	5.42	5.18	5.45	5.85	6.15	Earnings per sh A	3.00
			14.32	1.71	1.31	1.44	1.77	2.02	2.14	2.53	2.26	2.46	2.65	2.75	Div'd Decl'd per sh B+C	1.90
			--	1.00	1.24	1.28	1.32	1.34	1.36	1.44	1.48	1.52	1.60	1.68	Cap'l Spending per sh	3.75
			2.25	2.26	2.81	3.00	3.47	5.26	6.30	5.20	5.89	5.95	6.95	7.15	Book Value per sh C	32.00
			19.92	20.60	20.65	21.12	21.25	21.86	22.64	23.68	25.09	26.60	27.85	28.95	Common Shs Outs't'g D	39.20
			35.60	35.79	35.97	38.97	35.93	36.00	36.23	36.28	37.22	38.75	39.00	39.05	Avg Ann'l PIE Ratio	14.0
			--	17.1	26.0	21.7	13.9	11.5	12.9	12.6	15.7	16.9	16.9	16.9	Relative PIE Ratio	.90
			--	.91	1.40	1.15	.84	.77	.82	.79	1.00	.95	.95	Avg Ann'l Div'd Yield	4.5%	
			--	3.4%	3.6%	4.1%	5.4%	5.7%	4.9%	4.5%	4.2%	3.7%	3.7%			
CAPITAL STRUCTURE as of 12/31/13 Total Debt \$1327.6 mill. Due in 5 Yrs \$355.2 mill. LT Debt \$1185.0 mill. LT Interest \$61.4 mill. Incl. \$29.9 mill. capitalized leases. (LT Interest earned: 2.7x)			1039.0	1165.8	1132.7	1200.1	1260.8	1141.9	1110.7	1117.3	1070.3	1154.5	1220	1260	Revenues (\$mill)	1400
			41.1	61.5	49.2	53.2	67.6	73.4	77.4	92.6	83.7	94.0	105	110	Net Profit (\$mill)	120
			--	38.5%	40.3%	37.8%	37.3%	17.2%	25.0%	9.8%	9.6%	13.2%	15.0%	16.5%	Income Tax Rate	21.0%
			2.9%	2.1%	3.3%	2.5%	2.3%	7.2%	22.7%	5.4%	15.2%	14.1%	14.0%	14.0%	AFUDC % to Net Profit	4.0%
			51.8%	44.3%	49.9%	50.1%	46.8%	56.4%	57.2%	52.2%	53.8%	53.5%	52.0%	48.0%	Long-Term Debt Ratio	42.5%
			48.2%	55.7%	50.1%	49.9%	53.2%	43.8%	42.8%	47.8%	46.2%	46.5%	48.0%	52.0%	Common Equity Ratio	57.5%
Leases, Uncapitalized Annual rentals \$1.7 mill. Pension Assets-12/13 \$516.4 mill. Oblig. \$567.9 mill.			1472.9	1324.0	1482.2	1648.4	1434.3	1803.9	1916.4	1797.1	2020.7	2215.7	2270	2165	Total Capital (\$mill)	2200
			1379.1	1409.2	1491.9	1770.9	1639.7	1964.1	2118.0	2213.3	2435.6	2690.1	2840	2995	Net Plant (\$mill)	3125
Pfd Stock None			5.7%	7.0%	5.2%	5.0%	7.0%	6.0%	6.0%	7.1%	5.5%	5.5%	6.0%	6.5%	Return on Total Cap'l	6.5%
			5.8%	8.3%	6.6%	6.5%	8.9%	9.3%	9.4%	10.8%	9.0%	9.1%	9.5%	9.5%	Return on Shr. Equity	9.5%
			5.8%	8.3%	6.6%	6.5%	8.9%	9.3%	9.4%	10.8%	9.0%	9.1%	9.5%	9.5%	Return on Com Equity E	9.5%
Common Stock 38,767,473 shs. as of 2/14/14			5.8%	3.5%	.7%	2.3%	3.2%	3.5%	4.7%	3.2%	3.5%	4.0%	4.0%	Retained to Com Eq	3.5%	
MARKET CAP: \$1.9 billion (Mid Cap)			--	58%	90%	89%	74%	68%	63%	56%	65%	61%	60%	All Div'ds to Net Prof	62%	
ELECTRIC OPERATING STATISTICS			2011 2012 2013 % Change Retail Sales (KWH) +2.3 +3 +1.3 Avg. Indust. Use (MWH) 39347 38865 39486 Avg. Indust. Revs. per KWH (\$) N/A N/A N/A Capacity at Peak (MW) N/A N/A N/A Peak Load, Winter (MW) 2014 2108 2056 Annual Load Factor (%) N/A N/A N/A % Change Customers (yr-end) +6 +8 +7													
Fixed Charge Cov. (%) 237 210 217			BUSINESS: NorthWestern Corporation (doing business as NorthWestern Energy) supplies electricity & gas in the Upper Midwest and Northwest, serving 407,000 electric customers in Montana and South Dakota and 272,000 gas customers in Montana (83% of gross margin), South Dakota (16%), and Nebraska (2%). Electric revenue breakdown: residential, 41%; commercial, 50%; industrial, 5%; other, 4%. Generating sources are not provided by company. Fuel costs: 42% of revenues. '13 reported depreciation rate: 3.2%. Has 1,500 employees. Chairman: Dr. E. Linn Draper Jr. President & CEO: Robert C. Rowe. Incorporated: Delaware. Address: 3010 West 69th Street, Slouss Falls, South Dakota 57108. Telephone: 605-978-2900. Internet: www.northwesternenergy.com.													
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '11-'13 to '17-'19 Revenues -- -1.5% 3.0% "Cash Flow" -- 6.5% 4.5% Earnings -- 10.0% 3.5% Dividends -- 3.0% 4.5% Book Value -- 3.5% 4.0%			NorthWestern is awaiting regulatory rulings on its intended purchase of hydro assets in Montana. The utility wants to increase the proportion of its power that comes from owned generating assets, so it would pay \$900 million for 633 megawatts of capacity. NorthWestern plans to finance the transaction with up to \$500 million of debt and up to \$400 million of common equity. The purchase requires the approval of the Montana Public Service Commission and the Federal Energy Regulatory Commission (FERC). It would likely close in the second half of 2014 and would be accretive to earnings in the first full year. So far, the local reaction has been favorable, but this doesn't mean that approval is guaranteed. We will not reflect the deal in our estimates and projections until after it has been approved.													
QUARTERLY REVENUES (\$mill.) Full Year Cal- Mar.31 Jun.30 Sep.30 Dec.31 Year 2011 338.3 251.8 244.0 283.2 1117.3 2012 309.1 244.6 235.8 280.8 1070.3 2013 313.0 260.2 262.2 319.1 1154.5 2014 369.7 270 265 315.3 1220 2015 365 285 280 330 1260			The utility received an unfavorable ruling from FERC in a separate regulatory matter. FERC affirmed a decision from an administrative law judge that just 4% of a plant that went on line in early 2011 be allocated to wholesale customers. The company believes this should be 20%. (The majority is allocated to Montana users.) The ALJ's ruling forced NorthWestern to take a \$0.12-a-share charge in the third quarter of 2012, which we included in our earnings presentation, to write down the plant. NorthWestern is determining whether an additional charge is needed. It may ask FERC for a rehearing.													
EARNINGS PER SHARE A Full Year Cal- Mar.31 Jun.30 Sep.30 Dec.31 Year 2011 .89 .30 .41 .93 2.53 2012 .88 .31 .30 .78 2.26 2013 1.01 .37 .40 .68 2.46 2014 1.17 .31 .36 .81 2.65 2015 1.05 .38 .44 .88 2.75			We expect earnings to improve this year and next. In 2014, NorthWestern should benefit from a full year's effect of a gas rate hike and an asset acquisition that occurred in 2013. Growth in the company's service territory should help each year. Note that management's 2014 share-earnings guidance of \$2.60-\$2.75 is based on normal weather (the winter was colder than normal) and excludes the costs associated with the aforementioned hydro asset deal (which we are including).													
QUARTERLY DIVIDENDS PAID B+C Full Year Cal- Mar.31 Jun.30 Sep.30 Dec.31 Year 2010 .34 .34 .34 .34 1.36 2011 .36 .36 .36 .36 1.44 2012 .37 .37 .37 .37 1.48 2013 .38 .38 .38 .38 1.52 2014 .40			The dividend increase in the first period was better than we expected. For the first time since 2011, the board raised the quarterly payout by \$0.02 a share (5.3%). The yield is slightly below the utility average. With the recent price near the upper end of our 2017-2019 Target Price Range, total return potential is low.													
Company's Financial Strength B+ Stock's Price Stability 100 Price Growth Persistence 70 Earnings Predictability 95			cost. Rate allowed on com. eq. in MT in '11 (elec.): 10.25%; in '13 (gas): 9.8%; in SD in '11: none spec.; in NE in '07: 10.4%; earned on avg. com. eq., '13: 9.6%. Regul. Climate: Avg.													
(A) Diluted EPS. Excl. gain (loss) on disc. ops.: '05, (6¢); '06, 1¢; nonrec. gain: '12, 39¢ net. '12 EPS don't add due to rounding. Next earnings report due late July. (B) Div'ds historically paid in late Mar., June, Sept. & Dec. (C) Div'd re-investment plan avail. (D) Shareholder investment plan avail. (E) Incl. def'd charges. In '13: \$17.34/sh. (F) In mill. (G) Rate base: Net orig.			Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.													

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May 2, 2014

OGE ENERGY CORP. NYSE-OGE

RECENT PRICE **36.54** P/E RATIO **17.8** (Trailing: 17.6; Median: 14.0) RELATIVE P/E RATIO **0.95** DIV'D YLD **2.7%** VALUE LINE



Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016-17-19
High	10.01	13.95	21.17	20.40	19.26	21.62	27.37	32.83	21.96	20.68	21.77	14.79	19.04	19.98	18.58	14.45	12.50	12.70	14.50
Low	1.95	2.03	2.07	1.81	1.87	1.82	1.87	1.94	2.23	2.39	2.40	2.69	3.01	3.31	3.69	3.46	3.40	3.50	3.50
Price	1.02	.97	.95	.65	.72	.87	.89	.92	1.23	1.32	1.25	1.33	1.50	1.73	1.79	1.94	2.05	2.10	2.10
Gain	.67	.67	.67	.67	.67	.67	.67	.67	.67	.67	.67	.71	.73	.76	.80	.85	.93	1.03	1.03
Ann'l Total Return	.93	1.16	1.15	1.44	1.49	1.04	1.51	1.65	2.67	3.04	4.01	4.37	4.36	6.48	5.85	4.99	3.00	2.00	2.00
High	6.46	6.55	6.83	6.67	6.27	6.87	7.14	7.59	8.79	9.16	10.14	10.52	11.73	13.06	14.00	15.30	16.40	17.45	17.45
Low	161.60	155.73	155.84	155.98	157.00	174.80	180.00	181.20	182.40	183.60	187.00	194.00	195.20	196.20	197.60	198.50	200.00	201.00	204.00
Price	13.3	12.1	10.6	17.4	14.1	11.8	14.1	14.9	13.7	13.8	12.4	10.8	13.3	14.4	15.2	17.7	17.7	17.7	17.7
Gain	.69	.69	.69	.89	.77	.67	.74	.79	.74	.73	.76	.72	.85	.80	.97	1.00	1.00	1.00	1.00
Ann'l Total Return	4.9%	5.7%	6.6%	5.9%	6.6%	6.5%	5.3%	4.9%	4.0%	3.8%	4.5%	5.0%	3.7%	3.1%	2.9%	2.5%	2.5%	2.5%	2.5%

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016-17-19
Revenue	4926.6	5948.2	4005.6	3797.6	4070.7	2869.7	3716.9	3915.9	3671.2	2867.7	2500	2550	2550	2550	2550	2550	2550	2550	2550
Total Debt	157.8	166.1	226.1	244.2	231.4	258.3	295.3	342.9	355.0	387.6	410	425	425	425	425	425	425	425	425
LT Debt	34.5%	30.2%	34.8%	32.3%	30.4%	31.7%	34.9%	30.7%	28.0%	24.9%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%
LT Interest	1.1%	1.3%	3.8%	1.6%	1.7%	9.1%	5.7%	9.0%	2.7%	2.6%	4.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Leases	52.6%	49.5%	45.6%	44.4%	53.3%	50.6%	50.8%	51.6%	50.7%	43.1%	44.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%
Pension Assets	47.4%	50.5%	54.4%	55.6%	46.7%	49.4%	49.2%	48.4%	49.3%	56.9%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%
Pfd Stock	2709.7	2726.6	2950.1	3025.5	4058.6	4129.7	4852.5	5300.4	5615.8	5337.2	5825	6060	6060	6060	6060	6060	6060	6060	6060
Common Stock	3581.0	3567.4	3867.5	4246.3	5249.8	5911.6	6464.4	7474.0	8344.8	6672.8	7120	7120	7120	7120	7120	7120	7120	7120	7120
Market Cap	7.4%	7.6%	9.1%	9.5%	7.0%	7.9%	7.8%	7.8%	7.7%	8.6%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Electric Operating	12.3%	12.1%	14.1%	14.5%	12.2%	12.7%	12.9%	13.4%	12.8%	12.8%	12.5%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Business	12.3%	12.1%	14.1%	14.5%	12.2%	12.7%	12.9%	13.4%	12.8%	12.8%	12.5%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Market Cap	3.4%	3.4%	6.6%	7.1%	5.4%	6.0%	6.7%	7.7%	7.2%	7.3%	7.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Electric Operating	73%	72%	53%	51%	55%	53%	48%	43%	44%	43%	45%	49%	49%	49%	49%	49%	49%	49%	49%

CAPITAL STRUCTURE as of 3/31/14
 Total Debt \$3027.2 mill. Due in 5 Yrs \$963.4 mill.
 LT Debt \$2649.4 mill. LT Interest \$146.4 mill.
 (LT Interest earned: 4.9%)
 Leases, Uncapitalized Annual rentals \$6.7 mill.
 Pension Assets-12/13 \$654.9 mill. Oblig. \$658.1 mill.
 Pfd Stock None
 Common Stock 199,138,921 shs.
 MARKET CAP: \$7.3 billion (Large Cap)
ELECTRIC OPERATING STATISTICS

	2011	2012	2013
% Change Retail Sales (KWH)	+3.4	+1.9	+1.1
Avg. Indust. Use (MWH)	752	776	779
Avg. Indust. Rev. per MWH (\$)	5.37	5.07	5.44
Capacity at Peak (MW)	7115	7139	N/A
Peak Load, Summer (MW)	7057	7000	6341
Annual Load Factor (%)	62.2	51.6	N/A
% Change Customers (yr-end)	+8	+1.1	+1.1

BUSINESS: OGE Energy Corp. is a holding company for Oklahoma Gas and Electric Company (OG&E), which supplies electricity to 810,000 customers in Oklahoma (88% of electric revenues) and western Arkansas (9%); wholesale is (3%). Owns 26.7% of Enable Midstream Partners. Acquired Transok 6/99. Electric revenue breakdown: residential, 42%; commercial, 26%; industrial, 19%; other, 13%. Generating sources: coal, 42%; gas, 32%; wind, 5%; purchased, 21%. Fuel costs: 50% of revenues. '13 reported depreciation rate (utility): 2.8%. Has 3,300 employees. Chairman, President & CEO: Peter B. Delaney, Inc.: Oklahoma. Address: 321 North Harvey, P.O. Box 321, Oklahoma City, Oklahoma 73101-0321. Tel.: 405-553-3000. Internet: www.oge.com.

OGE Energy and CenterPoint Energy had an initial public offering in April for their Enable Midstream Partners master limited partnership. OGE's investment in Enable contributed \$0.15 to share net in the first quarter, well above \$0.06 from Enogex (its former subsidiary) a year earlier. Enable also contributed \$32.5 million to cash flow from operations in the period. The units (NYSE: ENBL) have fared well in their brief trading history, having risen more than 20% from their IPO price. The offering cut OGE's stake in Enable from 28.5% to 26.7%.

In 2014, OGE will likely post higher earnings for the sixth-straight year. The increased contribution from Enable is one factor. In addition, Oklahoma Gas and Electric's service area's economy is healthy, and the utility is experiencing above-average customer growth. We have raised our earnings estimate by \$0.05 a share, to \$2.05, because March-quarter profits were better than we expected. Our revised estimate remains within management's targeted range of \$1.94-\$2.06. **We forecast a more modest earnings increase in 2015.** The first-quarter com-

parison will be tough. We expect OGE's investment in Enable to produce most of the profit growth. Our estimate remains \$2.10 a share. **The utility will have to undertake major environmental spending.** The Environmental Protection Agency ordered OG&E to install pollution-control equipment on some coal-fired facilities. The utility's preliminary plan calls for it to scrub two units, convert two others to run on gas, and replace older gas-fired peaking units with new, more-efficient facilities. This would cost an estimated \$1.1 billion. OG&E plans to ask for recovery of this spending via riders on customers' bills. **OGE stock has one of the lowest dividend yields of any electric utility equity.** The payout ratio is also below the industry average. The company is cognizant of its low payout ratio, and will likely step up its dividend growth over the 3- to 5-year period. We think healthy profit and dividend growth will produce a decent total return (compared with most utilities) over that time frame. In fact, our projections might well prove conservative. *Paul E. Debbas, CFA June 20, 2014*

Cal-endar	QUARTERLY REVENUES (\$ mill.)	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2011	840.5 978.1 1212.1 885.2	3915.9
2012	840.7 855.0 1113.4 862.1	3671.2
2013	901.4 734.2 723.2 508.9	2867.7
2014	560.4 664.6 750 525	2500
2015	550 675 775 550	2550

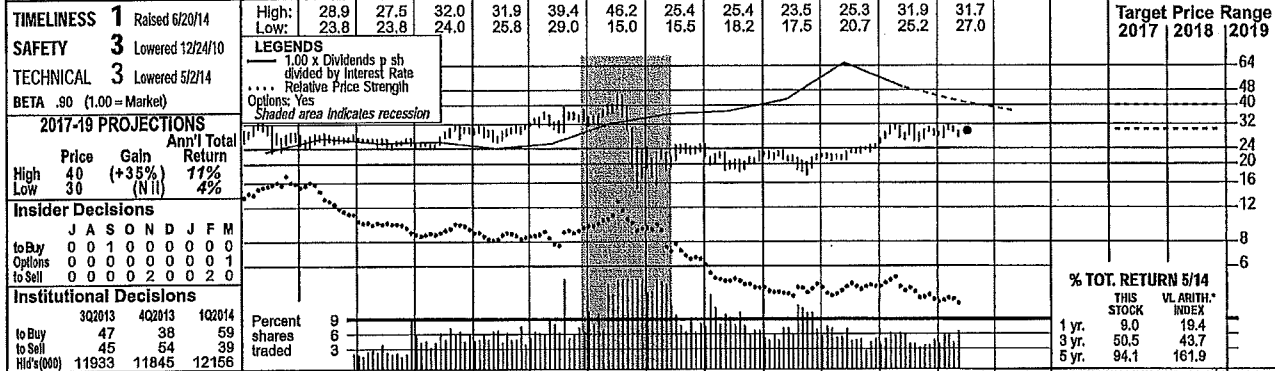
Cal-endar	EARNINGS PER SHARE ^	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2011	.13 .52 .90 .18	1.73
2012	.19 .47 .94 .19	1.79
2013	.12 .46 1.08 .29	1.94
2014	.25 .50 1.10 .20	2.05
2015	.20 .55 1.15 .20	2.10

Cal-endar	QUARTERLY DIVIDENDS PAID ^	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2010	.18125 .18125 .18125 .18125	.73
2011	.1875 .1875 .1875 .1875	.75
2012	.19625 .19625 .19625 .19625	.79
2013	.20875 .20875 .20875 .20875	.84
2014	.225 .225	.90

(A) Diluted EPS. Excl. nonrecurring losses: '02, '06, '07, '08, '09, '10, '11, '12, '13, '14, '15, '16, '17, '18, '19, '20, '21, '22, '23, '24, '25, '26, '27, '28, '29, '30, '31, '32, '33, '34, '35, '36, '37, '38, '39, '40, '41, '42, '43, '44, '45, '46, '47, '48, '49, '50, '51, '52, '53, '54, '55, '56, '57, '58, '59, '60, '61, '62, '63, '64, '65, '66, '67, '68, '69, '70, '71, '72, '73, '74, '75, '76, '77, '78, '79, '80, '81, '82, '83, '84, '85, '86, '87, '88, '89, '90, '91, '92, '93, '94, '95, '96, '97, '98, '99, '00, '01, '02, '03, '04, '05, '06, '07, '08, '09, '10, '11, '12, '13, '14, '15, '16, '17, '18, '19, '20, '21, '22, '23, '24, '25, '26, '27, '28, '29, '30, '31, '32, '33, '34, '35, '36, '37, '38, '39, '40, '41, '42, '43, '44, '45, '46, '47, '48, '49, '50, '51, '52, '53, '54, '55, '56, '57, '58, '59, '60, '61, '62, '63, '64, '65, '66, '67, '68, '69, '70, '71, '72, '73, '74, '75, '76, '77, '78, '79, '80, '81, '82, '83, '84, '85, '86, '87, '88, '89, '90, '91, '92, '93, '94, '95, '96, '97, '98, 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OTTER TAIL CORP. NDQ-OTTR

RECENT PRICE **29.54** P/E RATIO **16.9** (Trailing: 18.9; Median: 23.0) RELATIVE P/E RATIO **0.90** DIV'D YLD **4.1%** VALUE LINE



Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	17-19
Revenues per sh	18.14	19.48	23.45	26.53	27.75	29.28	30.45	35.59	37.43	41.50	37.06	29.03	31.08	29.86	23.76	24.63	25.40	25.65	33.15
"Cash Flow" per sh	2.75	2.91	3.21	3.40	3.44	3.30	2.88	3.35	3.39	3.55	2.81	2.76	2.60	2.36	2.71	3.03	3.50	3.70	4.75
Earnings per sh ^A	1.29	1.45	1.60	1.68	1.79	1.51	1.50	1.78	1.69	1.78	1.09	.71	.38	.45	1.05	1.37	1.75	1.85	2.30
Div'd Decl'd per sh ^B	.96	.99	1.02	1.04	1.06	1.08	1.10	1.12	1.15	1.17	1.19	1.19	1.19	1.19	1.19	1.19	1.21	1.23	1.30
Cap'l Spending per sh	1.23	1.37	1.85	2.17	2.95	1.97	1.72	2.04	2.35	5.43	7.51	4.95	2.38	2.04	3.20	4.53	5.25	4.35	3.15
Book Value per sh ^C	9.47	10.30	10.87	11.33	12.25	12.98	14.81	15.80	16.67	17.55	19.14	18.78	17.57	15.83	14.43	14.74	15.70	16.30	18.15
Common Shs Outst'g ^D	23.76	23.85	23.85	24.65	25.59	25.72	26.99	29.40	29.52	29.85	35.38	35.61	36.00	36.10	36.17	36.27	37.00	38.00	40.00
Avg Ann'l P/E Ratio	14.4	13.9	13.5	16.4	16.0	17.8	17.3	15.4	17.3	19.0	30.1	31.2	55.1	47.5	21.7	21.1	21.7	21.7	15.0
Relative P/E Ratio	.75	.79	.88	.84	.87	1.01	.91	.82	.93	1.01	1.81	2.08	3.51	2.98	1.38	1.19	1.19	1.19	.95
Avg Ann'l Div'd Yield	5.2%	4.9%	4.7%	3.8%	3.7%	4.0%	4.2%	4.1%	3.9%	3.5%	3.6%	5.4%	5.7%	5.8%	5.2%	4.1%	4.1%	4.1%	3.8%

CAPITAL STRUCTURE as of 3/31/14

Total Debt \$510.7 mill. Due in 5 Yrs \$98.0 mill.	882.3	1046.4	1105.0	1238.9	1311.2	1039.5	1119.1	1077.9	859.2	893.3	940	975	1325
LT Debt \$498.6 mill. LT Interest \$25.0 mill. (LT Interest earned: 3.7x)	40.0	52.9	50.8	54.0	35.1	26.0	13.6	16.4	39.0	50.2	65.0	70.0	90.0
	29.8%	34.6%	34.8%	34.1%	30.0%	--	--	14.5%	5.2%	21.3%	25.0%	25.0%	25.0%
	2.4%	1.7%	1.9%	4.2%	6.1%	4.0%	6.6%	3.8%	1.7%	3.8%	3.0%	4.0%	5.0%
	37.1%	35.0%	33.5%	38.9%	32.9%	38.8%	40.2%	44.6%	44.0%	42.1%	48.5%	49.0%	49.0%
	60.7%	62.9%	64.5%	59.4%	65.6%	59.8%	58.4%	54.0%	54.4%	57.9%	51.5%	51.0%	51.0%
	706.5	738.2	763.0	882.1	1032.5	1124.4	1083.3	1058.9	859.2	924.4	1130	1220	1425
	682.1	697.1	718.6	854.0	1037.6	1098.6	1108.7	1077.5	1049.5	1167.0	1225	1300	1525
	6.8%	8.3%	7.7%	7.2%	4.3%	3.4%	2.7%	3.2%	5.7%	6.6%	7.0%	7.0%	7.5%
	9.0%	11.0%	10.0%	10.0%	5.1%	3.8%	2.1%	2.8%	7.3%	9.4%	11.0%	11.5%	12.5%
	9.1%	11.2%	10.2%	10.2%	5.1%	3.8%	2.0%	2.7%	7.3%	9.4%	11.0%	11.5%	12.5%
	2.5%	4.2%	3.3%	3.5%	NMF	NMF	NMF	NMF	NMF	1.2%	3.5%	3.5%	5.0%
	73%	63%	68%	66%	108%	NMF	NMF	NMF	113%	87%	70%	68%	59%

Leases, Uncapitalized Annual rentals \$8 mill.
Pension Assets-12/13 \$213.6 mill. Oblig. \$254.0 mill.
Pfd Stock None
Common Stock 36,471,911 shs. as of 4/30/14
MARKET CAP: \$1.1 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2011	2012	2013
% Change Retail Sales (KWH)	+6	-1.1	+5.8
Avg. Indust. Use (KWH)	N/A	N/A	N/A
Avg. Indust. Revs. per KWH (\$)	N/A	N/A	N/A
Capacity at Peak (MW)	N/A	N/A	N/A
Peak Load, Winter (MW)	N/A	N/A	N/A
Annual Load Factor (%)	N/A	N/A	N/A
% Change Customers (yr-end)	N/A	N/A	N/A
Fixed Charge Cov. (%)	146	267	359

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13	'11-'13
Revenues	1.0%	-6.0%	4.0%	4.0%
"Cash Flow"	-2.5%	-5.5%	10.0%	10.0%
Earnings	-9.5%	-18.5%	15.5%	15.5%
Dividends	1.5%	0.5%	1.5%	1.5%
Book Value	3.5%	-1.0%	3.0%	3.0%

QUARTERLY REVENUES (\$ mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	249.1	283.3	282.4	263.1	1077.9
2012	219.9	211.4	215.3	212.6	859.2
2013	218.0	212.4	229.8	233.1	893.3
2014	240.5	225	240	234.5	940
2015	245	235	250	245	975

EARNINGS PER SHARE^A

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.14	.14	.20	d.03	.45
2012	.28	.19	.13	.47	1.05
2013	.41	.21	.41	.35	1.37
2014	.59	.30	.45	.41	1.75
2015	.55	.35	.60	.45	1.85

QUARTERLY DIVIDENDS PAID^B

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.298	.298	.298	.298	1.19
2011	.298	.298	.298	.298	1.19
2012	.298	.298	.298	.298	1.19
2013	.298	.298	.298	.298	1.19
2014	.303	.303			

Business: Otter Tail Corporation is the parent of Otter Tail Power Company, which supplies electricity to over 130,000 customers in Minnesota (48% of retail elec. revs.), North Dakota (43%), and South Dakota (9%). Electric rev. breakdown, '13: residential, 33%; commercial & farms, 37%; industrial, 23%; other, 7%. Fuel costs: 13.8% of revenues. Also has operations in manufacturing, construction, and plastics. 2013 depr. rate: 3.2%. Has 2,336 employees. Off. and dir. own 1.4% of common stock; Cascade Investment, LLC, 9.5%; Vanguard Group, Inc., 6.5%; BlackRock, Inc., 5.7% (2/14 Proxy). CEO: Edward McIntyre, Inc.: MN. Address: 215 South Cascade St., P.O. Box 496, Fergus Falls, Minnesota 56538-0496. Telephone: 866-410-8780. Internet: www.ottertail.com.

OTter Tail reported favorable a performance for the March quarter. Revenues advanced around 10%, on a year-over-year basis. Otter Tail Power Company benefited from an increase in fuel clause adjustment revenues and fuel and purchased power costs recovered in base rates. Revenue growth at the utility was also the result of a prolonged, colder-than-normal winter, and greater sales to residential and commercial customers due to improved economic conditions and customer growth in its service territory. Meanwhile, both the Manufacturing and Plastics businesses posted greater revenues, though earnings declined at these units, owing to higher costs. Overall, top-line growth outpaced that of operating expenses, and share earnings came in at \$0.59, a strong improvement over the prior-year tally.

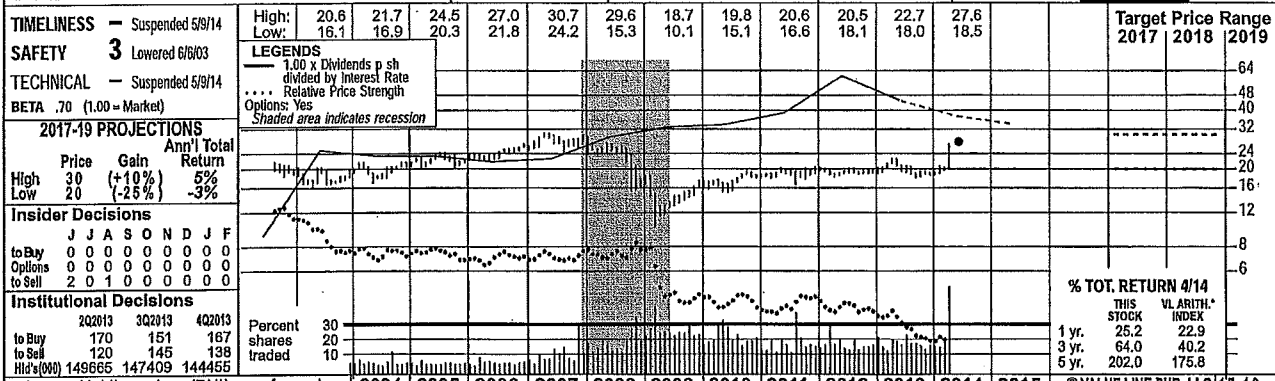
Solid results ought to continue in the coming quarters. Initiatives to restructure operations should continue to pay off going forward. Several important divestitures in recent years have allowed the company to reduce its risk profile and increase focus on its core electric business,

which ought to deliver more-predictable performance. The utility should continue to benefit from a healthy operating environment in the coming years. Meanwhile, the Plastics business should further capitalize on demand for polyvinyl chloride pipe. Elsewhere, we expect solid improvement from the Manufacturing business. Subsidiary BTD is benefiting from greater sales to manufacturers of recreational equipment. Moreover, efforts to control operating expenses ought to support the bottom line. Overall, we look for moderate top-line growth and an impressive share-earnings advance for the company in full-year 2014. We envision further improvement from 2015 onward.

This stock is ranked to outperform the broader market averages for the coming six to 12 months. Moreover, income-seeking accounts may find the healthy dividend yield attractive. That said, appreciation potential is nothing to write home about from the recent quotation, which means that investors with a long time horizon should look for more-attractive choices elsewhere.

Michael Napoli, CFA June 20, 2014

PEPCO HOLDINGS NYSE-POM



2017-19 PROJECTIONS	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	VALUE LINE PUB. LLC	17-19
High Price 30 (+10%)	38.35	42.49	43.57	46.71	48.88	41.66	31.27	26.02	22.09	18.64	19.85	21.25	Revenues per sh	25.40
Low Price 20 (-25%)	3.71	3.67	3.47	3.30	3.55	2.82	2.97	3.00	3.21	3.01	3.25	3.45	"Cash Flow" per sh	3.75
Ann'l Total Return	1.46	1.49	1.33	1.53	1.93	1.06	1.24	1.14	1.24	1.14	1.25	1.45	Earnings per sh A	1.75
to Buy	1.00	1.00	1.04	1.04	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08	Div'd Decl'd per sh B	1.08
Options	2.75	2.46	2.47	3.11	3.57	3.89	3.56	4.14	5.29	5.23	5.20	5.20	Cap'l Spending per sh	4.00
to Sell	17.87	18.88	18.82	20.04	19.14	19.15	18.79	19.06	19.33	17.24	19.45	20.10	Book Value per sh C	21.90
Institutional Decisions	188.33	189.82	191.93	200.51	218.91	222.27	225.08	227.50	230.02	250.32	252.00	254.00	Common Shs Outst'g D	260.00
Percent	13.6	14.9	18.1	18.2	12.2	13.7	14.0	16.7	15.6	17.5	16.8	15.6	Avg Ann'l P/E Ratio	14.0
shares	.72	.79	.98	.97	.73	.91	.89	1.05	.99	.98	.98	.98	Relative P/E Ratio	.90
traded	5.0%	4.5%	4.3%	3.7%	4.6%	7.4%	6.2%	5.7%	5.6%	5.4%	5.4%	5.4%	Avg Ann'l Div'd Yield	4.9%

Peppo Holdings, Inc. (PHI) was formed on August 1, 2002, upon the merger of Potomac Electric Power Co. (PEPCO) and Connecticut. In the \$2.2 billion deal, PEPCO common stockholders received one common share in PHI for each of their shares, and Connecticut investors exchanged each of their common shares for \$25 worth of PHI stock and cash, prorated 50/50.

CAPITAL STRUCTURE as of 12/31/13
Total Debt \$5064 mill. Due in 5 Yrs \$1612 mill.
LT Debt \$4063 mill. LT Interest \$260 mill.
(LT Interest earned: 3.7x)

Pension Assets-12/13 \$2.0 bill. **Oblig.** \$2.2 bill.

Pfd Stock None

Common Stock 250,517,109 shs. as of 2/14/14

MARKET CAP: \$6.9 billion (Large Cap)

ELECTRIC OPERATING STATISTICS			
	2011	2012	2013
% Change Retail Sales (KWH)	-2.8	NA	NA
Avg. Resk'd Use (KWH)	108.36	104.51	104.05
Avg. Resk'd Revs. per KWH(g)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+7	+3	+6

ANNUAL RATES				
	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13	'17-'19
Revenues	-6.5%	-13.5%	-5%	-5%
"Cash Flow"	-2.5%	-2.0%	3.0%	3.0%
Earnings	-4.0%	-6.0%	5.5%	5.5%
Dividends	8.5%	0.5%	1.5%	1.5%
Book Value	0.5%	-1.0%	2.0%	2.0%

QUARTERLY REVENUES (\$mill.)					
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	1634	1409	1643	1234	5920.0
2012	1292	1179	1476	1134	5081.0
2013	1178	1053	1344	1091	4666.0
2014	1330	1100	1370	1200	5000
2015	1350	1200	1500	1350	5400

EARNINGS PER SHARE AF					
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.28	.42	.35	.09	1.14
2012	.30	.27	.49	.18	1.24
2013	.24	.22	.44	.24	1.14
2014	.30	.25	.50	.20	1.25
2015	.30	.30	.55	.30	1.45

QUARTERLY DIVIDENDS PAID B					
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.27	.27	.27	.27	1.08
2011	.27	.27	.27	.27	1.08
2012	.27	.27	.27	.27	1.08
2013	.27	.27	.27	.27	1.08
2014	.27	.27	.27	.27	1.08

BUSINESS: Peppo Holdings, Inc. consists mainly of three electric utility subsidiaries: Potomac Electric Power Co., serving Washington, D.C. and adjoining areas of Maryland; Delmarva Power, which serves the peninsula area of Delaware, Maryland and Virginia; and Atlantic City Electric, serving southern New Jersey. In July 2010, Peppo sold competitive energy business (Connectiv Energy) to Calpine Corp. Electricity customers: 1.8 million; gas customers: 125,000. Electricity breakdown: residential, 40%; commercial, 41%; other, 19%. 2013 depreciation rate: 2.5%. Has approximately 5,025 employees as of 12/31/12. Chrmn., Pres. & CEO: Joseph M. Rigby, Inc.: DE. Address: 701 Ninth Street, N.W., Wash., D.C. 20088. Telephone.: 202-872-2000. Internet: www.pepcoholdings.com.

Exelon Corporation announced its decision to acquire Peppo Holdings for \$27.25 a share in cash. That represented a 20% premium over the previous closing price, though rumors of a takeover were already pushing up the price of POM stock by then. The deal is subject to regulatory approval by the Federal Energy Regulatory Commission, and public service commissions in New Jersey, Maryland, Delaware, Virginia, and the District of Columbia. Additionally, it will require the approval of the stockholders of Peppo Holdings. Exelon plans to file these applications by the end of June and the transaction is expected to be completed by third quarter of 2015.

Our first thoughts on the acquisition: The deal will create the largest franchise in the Mid-Atlantic region with approximately 10 million customers. Considering that this is an all-cash deal, it is particularly beneficial to the shareholders of Peppo Holdings. Exelon's cash offer of \$27.25 a share was the highest price the stock had seen since before 2008. In addition, the equity had been slumping for months. Since Peppo generates the greater part of its earnings from regulated transmission and distribution, and does not own any power plants, the union with Exelon should have no ramifications for the power market.

The company does not plan to file any new cases. Peppo Holdings will not be able to file any additional rate cases without the approval of Exelon, but it will continue to pursue the rate cases that are filed and currently pending.

Meanwhile, it was a good start to the year for Peppo Holdings. Sales of \$1,330 million and share earnings of \$0.30 for the quarter were above our estimates of \$1,250 million and \$0.25, respectively. Higher electric distribution revenue was the main driver of sales and earnings increases.

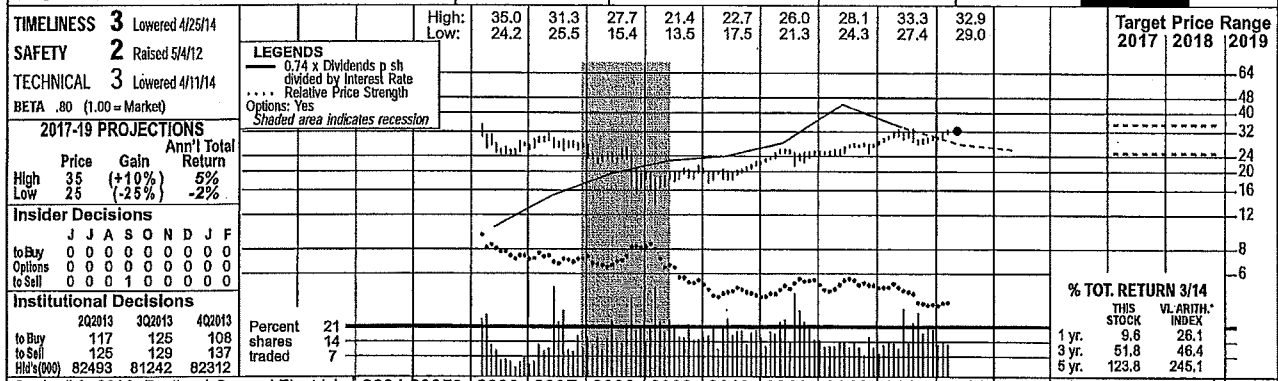
We have suspended the Timeliness rank for this issue due to the impending takeover by Exelon. As a consequence of the purchase announcement the stock no longer trades on fundamentals. We suggest investors avoid any downside risk of the deal falling through by selling at the current price.

Saumya Ajila
May 23, 2014

PG&E CORP. NYSE:PCG				RECENT PRICE	PIE RATIO 22.5 (Trailing: 24.3 Median: 15.0)										RELATIVE PIE RATIO	DIV'D YLD	VALUE LINE
TIMELINESS 3 Raised 5/10/13 SAFETY 3 Lowered 2/3/12 TECHNICAL 2 Raised 5/2/14 BETA .60 (1.00 = Market)				High: 28.0 Low: 11.7	28.0 34.5 40.1	48.2 52.2 45.7	45.8 48.6 48.0	47.0 48.5 45.6	47.0 48.5 45.6	47.0 48.5 45.6	47.0 48.5 45.6	47.0 48.5 45.6	47.0 48.5 45.6	47.0 48.5 45.6	47.0 48.5 45.6	47.0 48.5 45.6	Target Price Range 2017 2018 2019
2017-19 PROJECTIONS High Price 55 (+25%) Low Price 35 (-20%) Ann'l Total Return 9% Ann'l Total Return -7%																	120 100 80 64 48 32 24 20 16 12 8
Insider Decisions J J A S O N D J F to Buy 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 to Sell 1 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0																	12 8 4
Institutional Decisions 2Q2013 3Q2013 4Q2013 to Buy 191 212 213 to Sell 200 183 196 Hld's(00) 343105 351109 360041																	Percent shares traded 12 8 4
				VALUE LINE PUB. LLC '17-'19													
				Revenues per sh 40.00 "Cash Flow" per sh 8.75 Earnings per sh A 3.00 Div'd Decl'd per sh B+C 2.40 Cap'l Spending per sh 10.75 Book Value per sh C 36.50 Common Shs Outst'g D 500.00 Avg Ann'l P/E Ratio 15.0 Relative P/E Ratio .95 Avg Ann'l Div'd Yield 4.7%													
CAPITAL STRUCTURE as of 12/31/13 Total Debt \$14780 mill. Due in 5 yrs \$4486 mill. LT Debt \$12717 mill. LT Interest \$629.0 mill. Incl. \$90.0 mill. capitalized leases. (LT Interest earned: 2.5x) Pension Assets-12/13 \$12527 mill. Oblig. \$14077 mill. Pfd Stock \$252.0 mill. Pfd Div'd \$14.0 mill. 4,534,858 shs. 4.36% to 5%, cumulative and \$25 par, redeemable from \$25.75 to \$27.25; 5,784,825 shs. 5.00% to 6.00%, cumulative nonredeemable and \$25 par. Common Stock 456,670,424 shs. MARKET CAP: \$20 billion (Large Cap)				11080 11703 12539 13237 14628 13399 13841 14958 15040 15598 16250 17000 901.0 904.0 1005.0 1020.0 1198.0 1168.0 1113.0 1132.0 893.0 828.0 1045 1235 35.0% 37.6% 35.5% 34.6% 26.2% 31.1% 33.0% 30.3% 23.9% 24.5% 25.0% 25.5% 3.6% 5.6% 6.7% 9.4% 9.5% 11.9% 14.4% 11.2% 17.5% 17.9% 15.0% 12.0% 45.1% 48.3% 51.7% 52.6% 52.2% 51.4% 49.8% 48.8% 48.7% 46.8% 47.5% 47.5% 53.2% 50.0% 46.8% 48.1% 46.5% 47.4% 49.3% 50.2% 50.4% 52.5% 50.5% 51.5% 16242 14446 16696 18558 20163 21793 22863 24119 25956 27311 30450 31225 18989 19955 21785 23656 26261 28892 31449 33655 37523 41252 44625 47600 7.6% 8.1% 7.6% 7.4% 7.8% 6.7% 6.2% 5.9% 4.7% 4.2% 4.5% 5.0% 10.1% 12.1% 12.5% 11.6% 12.4% 11.0% 9.6% 9.2% 6.7% 5.7% 6.5% 7.5% 10.3% 12.3% 12.7% 11.8% 12.6% 11.2% 9.7% 9.2% 6.7% 5.7% 6.5% 7.5% 10.3% 7.7% 6.8% 6.0% 6.8% 5.5% 3.9% 3.4% 1.0% .2% 1.0% 2.0% 1% 39% 47% 50% 47% 52% 61% 63% 85% 96% 83% 72%													
ELECTRIC OPERATING STATISTICS 2011 2012 2013 % Change Retail Sales (KWH) -3 +8.0 +5 Avg. Indust. Use (MWH) N/A N/A N/A Avg. Indust. Revs. per KWH (\$) 9.51 9.17 9.28 Capacity at Peak (Mw) N/M F N/M F N/M F Peak Load, Summer (Mw) N/M F N/M F N/M F Annual Load Factor (%) N/M F N/M F N/M F % Change Customers (yr-end) +4 +5 +3 Fixed Charge Cov. (%) 295 231 223				BUSINESS: PG&E Corporation is a holding company for Pacific Gas and Electric Company and nonutility subsidiaries. Supplies electricity and gas to most of northern and central California. Has 5.2 million electric and 4.4 million gas customers. Electric revenue breakdown: residential, 41%; commercial, 39%; industrial, 11%; agricultural, 8%; other, 1%. Generating sources: nuclear, 24%; hydro, 11%; gas, 8%; purchased, 57%. Fuel costs: 38% of revenues. '13 reported depreciation rate (utility): 3.5%. Has 21,200 employees. Chairman, President & Chief Executive Officer: Anthony F. Earley, Jr. Incorporated: California. Address: One Market, Spear Tower, Suite 2400, San Francisco, California 94105. Telephone: 415-267-7000. Internet: www.pgecorp.com.													
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '11-'13 of change (per sh) Revenues -1.5% -1.5% 2.0% "Cash Flow" 6.5% -2.0% 3.0% Earnings 9.5% -5.5% 5.0% Dividends -- 5.0% 2.5% Book Value 11.0% 4.5% 3.0%				PG&E's utility subsidiary is facing federal criminal charges stemming from a gas pipeline explosion in San Bruno, California in September of 2010. The explosion killed eight people, injured dozens more, and caused extensive property damage. PG&E has already incurred (or committed to spend) \$2.7 billion for gas pipeline safety costs that will not be recovered from customers. However, the Pipeline Safety Division of the California Public Utilities Commission has proposed that Pacific Gas and Electric bear over \$1.5 billion of additional costs, and be hit with a \$300 million fine. (The company has already reserved for a \$200 million fine.) The indictment suggests that the company continues to face an adverse political climate. In addition, PG&E's legal expenses this year might well exceed the range of \$25 million-\$50 million in "legal and other costs" that management expected when it reported fourth-quarter earnings in February. We are including the unrecovered pipeline safety costs in our presentation — which is why earnings have been depressed for the past two years — but did not include the reserve for the fine.													
QUARTERLY REVENUES (\$ mill.) Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 3597 3684 3860 3815 14956 2012 3641 3593 3976 3830 15040 2013 3672 3776 4175 3975 15598 2014 3950 3950 4250 4100 16250 2015 4150 4150 4450 4250 17000				We have cut our 2014 share-earnings estimate by \$0.20. Even the low end of PG&E's estimate of unrecovered pipeline-safety costs (\$350 million-\$450 million) is higher than we had estimated. Assuming these costs are lower in 2015, profits should improve. However, we estimate no dividend increase this year or next. The utility is awaiting a ruling on its general rate case. It is seeking rate hikes of \$1.16 billion in 2014, \$436 million in 2015, and \$486 million in 2016. The 2014 increase will be retroactive to the start of the year. PG&E is requesting rate hikes for gas transmission and storage. This business is underearning its allowed return on equity. The utility is seeking raises of \$555 million in 2015, \$61 million in 2016, and \$168 million in 2017. It wants the first boost to be retroactive to the start of 2015 if the order isn't out before year-end 2014. We think this stock is unattractive. The dividend yield is just slightly higher than the industry average, despite the legal and regulatory risks surrounding San Bruno that PG&E is facing. <i>Paul E. Debbas, CFA May 2, 2014</i>													
EARNINGS PER SHARE A Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 .50 .91 .68 .69 2.78 2012 .66 .55 .87 d.01 2.07 2013 .55 .74 .36 .19 1.83 2014 .55 .60 .65 .40 2.20 2015 .60 .65 .75 .50 2.50				Company's Financial Strength B+ Stock's Price Stability 100 Price Growth Persistence 60 Earnings Predictability 80													
QUARTERLY DIVIDENDS PAID B+C Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2010 .42 .455 .455 .455 1.79 2011 .455 .455 .455 .455 1.82 2012 .455 .455 .455 .455 1.82 2013 .455 .455 .455 .455 1.82 2014 .455 .455				Due to rounding. Next earnings report due early Aug. (B) Div'ds historically paid in mid-Jan., Apr., July, and Oct. = Div'd reinvest. plan avail. + Shareholder Investment plan avail. (C) Incl. intang. in '13: \$10.76/sh. (D) In mill. (E) Rate base: net orig. cost. Rate allowed on com. eq. in '13: 10.4%; earned on avg. com. eq., '13: 5.9%. Regulatory Climate: Above Average.													
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PORTLAND GENERAL NYSE:POR

RECENT PRICE **32.51** P/E RATIO **15.2** (Trailing: 18.4 Median: NMF) RELATIVE P/E RATIO **0.81** DIV'D YLD **3.4%** VALUE LINE



2017-19 PROJECTIONS	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
High	35	31.3	27.7	21.4	22.7	26.0	28.1	33.3	32.9							
Low	25	24.2	15.4	13.5	17.5	21.3	24.3	27.4	29.0							

On April 3, 2006, Portland General Electric's existing stock (which was owned by Enron) was canceled, and 62.5 million shares were issued to Enron's creditors or the Disputed Claims Reserve (DCR). The stock began trading on a when-issued basis that day, and regular trading began on April 10, 2006. Shares issued to the DCR were released over time to Enron's creditors until all of the remaining shares were released in June, 2007.	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues per sh	23.14	24.32	27.87	27.89	23.99	23.67	24.06	23.89	23.18	21.35	22.40	22.40	22.40	22.40	22.40	22.40
Earnings per sh	4.75	4.64	5.21	4.71	4.07	4.82	4.96	5.15	4.93	5.40	5.80	5.80	5.80	5.80	5.80	5.80
Div'd Decl'd per sh	1.02	1.14	2.33	1.39	1.31	1.66	1.95	1.87	1.77	2.05	2.15	2.15	2.15	2.15	2.15	2.15
Cap'l Spending per sh	4.08	5.94	7.28	6.12	9.25	5.97	3.98	4.01	8.40	12.00	4.85	4.85	4.85	4.85	4.85	4.85
Book Value per sh	19.15	19.58	21.05	21.84	20.50	21.14	22.07	22.87	23.30	24.85	25.75	25.75	25.75	25.75	25.75	25.75
Common Shs Outs't'g	62.50	62.50	62.53	62.58	75.21	75.32	75.36	75.56	78.09	89.00	89.25	89.25	89.25	89.25	89.25	89.25
Avg Ann'l P/E Ratio	23.4	11.9	16.3	14.4	12.0	12.4	14.0	16.9	18.9	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Relative P/E Ratio	1.26	0.63	0.98	0.96	0.76	0.78	0.89	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
Avg Ann'l Div'd Yield	2.5%	3.3%	4.3%	5.4%	5.2%	4.4%	4.1%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%

CAPITAL STRUCTURE as of 12/31/13	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Debt \$1916.0 mill. Due in 5 Yrs \$270.0 mill.	1454.0	1446.0	1520.0	1743.0	1745.0	1804.0	1783.0	1813.0	1805.0
LT Debt \$1916.0 mill. LT Interest \$106.0 mill. (LT Interest earned: 2.5x)	92.0	64.0	71.0	145.0	87.0	95.0	125.0	147.0	141.0
Leases, Uncapitalized Annual rentals \$11.0 mill.	37.0%	40.2%	33.6%	33.8%	28.7%	28.8%	30.5%	28.3%	31.4%
Pension Assets-12/13 \$596.0 mill. Oblig. \$705.0 mill.	9.8%	18.8%	33.8%	17.9%	17.2%	31.6%	17.6%	5.4%	7.1%
Pfd Stock None	41.1%	42.3%	43.4%	49.9%	46.2%	50.3%	53.0%	49.6%	47.1%
Common Stock 78,086,174 shs. as of 2/10/14	58.9%	57.7%	56.6%	50.1%	53.8%	49.7%	47.0%	50.4%	52.9%
MARKET CAP: \$2.5 billion (Mid Cap)	2171.0	2076.0	2161.0	2629.0	2518.0	3100.0	3390.0	3298.0	3264.0
ELECTRIC OPERATING STATISTICS	2275.0	2436.0	2718.0	3066.0	3301.0	3858.0	4133.0	4285.0	4392.0

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13
Revenues	5.2%	5.2%	5.0%
"Cash Flow"	5.2%	5.2%	5.0%
Earnings	4.5%	4.5%	4.0%
Dividends	4.5%	4.5%	4.0%
Book Value	2.0%	2.0%	3.0%

QUARTERLY REVENUES (\$mill.)	Full Year
2011: 484.0, 411.0, 439.0, 479.0	1813.0
2012: 479.0, 413.0, 450.0, 463.0	1805.0
2013: 473.0, 403.0, 435.0, 499.0	1810.0
2014: 510.0, 425.0, 465.0, 500.0	1900.0
2015: 540.0, 445.0, 485.0, 530.0	2000.0

EARNINGS PER SHARE	Full Year
2011: .92, .29, .36, .38	1.95
2012: .65, .34, .50, .38	1.87
2013: .65, .13, .40, .59	1.77
2014: .70, .35, .50, .50	2.05
2015: .75, .36, .52, .52	2.15

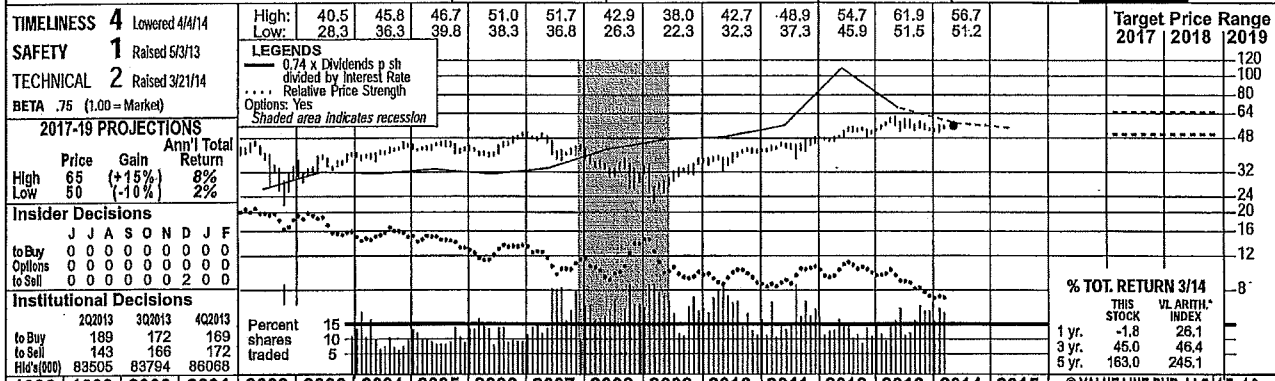
QUARTERLY DIVIDENDS PAID	Full Year
2010: .255, .255, .26, .26	1.03
2011: .26, .26, .265, .265	1.05
2012: .265, .265, .27, .27	1.07
2013: .27, .27, .275, .275	1.09
2014: .275, .275	

Business: Portland General Electric Company (PGE) provides electricity to 836,000 customers in 52 cities in a 4,000-square-mile area of Oregon, including Portland and Salem. The company is in the process of decommissioning the Trojan nuclear plant, which it closed in 1993. Electric revenue breakdown: residential, 48%; commercial, 34%; industrial, 13%; other, 5%. Generating sources: coal, 19%; gas, 16%; hydro, 16%; wind, 6%; purchased, 43%. Fuel costs: 42% of revenues. '13 reported depreciation rate: 3.7%. Has 2,600 employees. Chairman: Jack E. Davis. President and Chief Executive Officer: James J. Piro. Incorporated: Oregon. Address: 121 SW Salmon Street, Portland, Oregon 97204. Telephone: 503-464-8000. Internet: www.portlandgeneral.com.

Portland General Electric has filed a rate case. The utility is seeking a rate increase of \$81 million (4.6%), based on a return of 10% on a common-equity ratio of 50%. This would consist of a \$17 million decrease at the start of 2015, followed by increases of \$51 million and \$47 million to place two projects that are now under construction (see below) in the rate base. **Earnings should be much higher this year than the disappointing 2013 tally.** Last year, an outage of a coal-fired unit, which returned to service in early 2014, reduced earnings by \$0.13 a share. A refund stemming from a customer billing error hurt the bottom line by \$0.07 a share. At the start of 2014, PGE received a rate hike of \$63 million (about 4%). An increase in the Allowance for Funds Used During Construction, a noncash credit to income, should be another positive factor. Our previous profit estimate of \$1.85 a share was apparently too pessimistic, so we have raised it by \$0.20 a share. Our revised estimate is within management's targeted range of \$2.00-\$2.15 a share. **We forecast further bottom-line improvement in 2015.** Our assumption is based on reasonable regulatory treatment in PGE's pending rate application. **Three generating projects are under construction.** A 267-megawatt wind project should come on line in late 2014 or early 2015 at a cost of \$500 million. A 220-mw gas-fired peaking facility is due in the first quarter of 2015 at a cost of \$300 million. A 440-mw base-load gas-fired plant is expected to be in service in mid-2016 at a cost of \$450 million. In all, PGE's 2014 capital budget is more than \$1 billion. This will entail some financing (both debt and common equity) this year. **We look for a dividend hike at the board meeting later this month.** This has been the pattern in recent years. We estimate a raise of two cents a share (1.8%) in the annual payout, the same increase as in the past three years, but wouldn't rule out a larger boost. **This stock doesn't stand out among electric utility equities.** The dividend yield is not high for this industry. With the recent price above the midpoint of our 2017-2019 Target Price Range, total return potential is mediocre. *Paul E. Debbas, CFA* May 2, 2014

PINNACLE WEST NYSE-PNW

RECENT PRICE **55.60** P/E RATIO **14.7** (Trailing: 15.2) Median: 15.0
RELATIVE P/E RATIO **0.78** DIV YLD **4.2%** VALUE LINE



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC 17-19	
25.12	28.57	43.50	53.66	28.90	30.87	31.59	30.16	34.03	35.07	33.37	32.50	30.01	29.67	30.09	31.35	32.65	33.75	Revenues per sh	
7.34	7.73	7.99	8.72	7.01	7.33	6.93	5.76	9.70	9.29	8.13	8.08	6.85	7.52	7.92	8.15	8.40	8.80	"Cash Flow" per sh	
2.85	3.18	3.35	3.68	2.53	2.52	2.58	2.24	3.17	2.96	2.12	2.26	3.08	2.99	3.50	3.66	3.70	3.85	Earnings per sh A	
1.23	1.33	1.43	1.53	1.63	1.73	1.83	1.93	2.03	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.41	Div'd Decl'd per sh B
3.76	4.05	7.76	12.27	9.81	7.60	5.86	6.39	7.59	9.37	9.46	7.64	7.03	8.26	8.24	9.36	9.00	9.60	9.00	Cap'l Spending per sh
25.50	26.00	28.09	29.46	29.44	31.00	32.14	34.57	34.48	35.15	34.16	32.69	33.86	34.98	36.20	38.07	39.45	40.95	40.95	Book Value per sh C
84.83	84.83	84.83	84.83	91.26	91.29	91.79	99.08	99.96	100.49	100.89	101.43	108.77	109.25	109.74	110.18	110.25	110.30	110.30	Common Shs Outst'g D
15.2	11.9	11.3	12.0	14.4	14.0	15.8	19.2	13.7	14.9	16.1	13.7	12.6	14.6	14.3	15.3	15.3	15.3	15.3	Relative P/E Ratio
7.9	.68	.73	.61	.79	.80	.83	1.02	.74	.79	.97	.91	.80	.92	.91	.86	.86	.86	.86	Avg Ann'l Div'd Yield
2.8%	3.5%	3.8%	3.5%	4.5%	4.9%	4.5%	4.5%	4.7%	4.8%	6.2%	6.8%	5.4%	4.8%	5.3%	4.0%	4.0%	4.0%	4.0%	

CAPITAL STRUCTURE as of 12/31/13
Total Debt \$3490.0 mill. Due in 5 Yrs \$1553.6 mill.
LT Debt \$2796.5 mill. LT Interest \$156.0 mill.
Incl. \$13.4 mill. Palo Verde sale leaseback lessor notes.
(LT Interest earned: 4.4x)
Leases, Uncapitalized Annual rentals \$20.0 mill.
Pension Assets-12/13 \$2264.1 mill.
Oblig. \$2646.5 mill.
Pfd Stock None
Common Stock 110,194,366 shs.
as of 2/14/14
MARKET CAP: \$6.1 billion (Large Cap)

2899.7	2988.0	3401.7	3523.6	3367.1	3297.1	3263.6	3241.4	3301.8	3454.6	3600	3725	Revenues (\$mill)	4250
235.2	223.2	317.1	298.8	213.6	229.2	229.2	330.4	328.2	387.4	406.1	430	Net Profit (\$mill)	505
35.4%	36.2%	33.0%	33.6%	23.4%	36.9%	31.9%	34.0%	36.2%	34.4%	34.0%	34.0%	Income Tax Rate	34.0%
6.9%	10.4%	11.1%	14.8%	17.5%	11.2%	11.7%	12.8%	9.7%	10.0%	9.0%	8.0%	AFUDC % to Net Profit	6.0%
46.7%	43.2%	48.4%	47.0%	46.8%	50.4%	45.3%	44.1%	44.6%	40.0%	42.0%	44.0%	Long-Term Debt Ratio	39.0%
53.3%	56.8%	51.6%	53.0%	53.2%	49.6%	54.7%	55.9%	55.4%	60.0%	58.0%	56.0%	Common Equity Ratio	61.0%
5535.2	6033.4	6878.7	6668.7	6477.6	6886.6	6729.1	6840.9	7171.9	6990.9	7475	8055	Total Capital (\$mill)	8675
7535.5	7677.1	7881.9	8436.4	8916.7	9257.8	9578.8	9962.3	10396	10889	11370	11890	Net Plant (\$mill)	13600
5.6%	5.0%	6.2%	5.9%	4.7%	4.8%	6.5%	6.4%	6.8%	7.1%	6.5%	6.5%	Return on Total Cap'l	7.0%
8.0%	6.5%	9.2%	8.5%	6.2%	6.9%	9.0%	8.6%	9.8%	9.7%	9.5%	9.5%	Return on Shr. Equity	9.5%
8.0%	6.5%	9.2%	8.5%	6.2%	6.9%	9.0%	8.6%	9.8%	9.7%	9.5%	9.5%	Return on Com Equity E	9.5%
2.3%	1.0%	3.4%	2.5%	.3%	.7%	3.1%	2.8%	4.1%	4.1%	3.5%	3.5%	Retained to Com Eq	3.5%
71%	85%	63%	70%	96%	89%	66%	68%	58%	58%	62%	62%	All Div'ds to Net Prof	64%

ELECTRIC OPERATING STATISTICS

	2011	2012	2013
% Change Retail Sales (KWH)	+1.8	-2	-2
Avg. Indust. Use (MWH)	832	647	644
Avg. Indust. Revs. per KWH (\$)	7.78	7.86	8.21
Capacity at Peak (Mw)	8577	8864	8398
Peak Load, Summer (Mw)	7037	7207	6927
Annual Load Factor (%)	60.0	48.8	50.0
% Change Customers (yr-end)	+8	+1.3	+1.4

Fixed Charge Cov. (%) 308 397 419

ANNUAL RATES

	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13
of change (per sh)	-2.0%	-2.5%	3.0%
Revenues	-	-3.0%	3.0%
"Cash Flow"	1.5%	4.0%	4.0%
Earnings	3.5%	2.5%	3.0%
Dividends	2.0%	1.0%	3.5%
Book Value			

BUSINESS: Pinnacle West Capital Corporation is a holding company for Arizona Public Service Company (APS), which supplies electricity to 1.1 million customers in most of Arizona, except about half in the Phoenix metro area, the Tucson metro area, and Mohave County in northwestern Arizona. Discontinued SunCor real estate subsidiary in '10. Electric revenue breakdown: residential, 49%; commercial, 39%; industrial, 5%; other, 7%. Generating sources: coal, 33%; nuclear, 27%; gas & other, 18%; purchased, 22%. Fuel costs: 32% of revenues. Has 6,400 employees. '13 reported deprec. rate: 3.0%. Chairman, President & CEO: Donald E. Brandt, Inc.: AZ. Address: 400 North Fifth St., P.O. Box 53999, Phoenix, AZ 85072-3999. Tel.: 602-250-1000. Internet: www.pinnaclewest.com.

Pinnacle West's utility subsidiary has a single-issue rate case pending. In late 2013, Arizona Public Service paid \$182 million for another utility's 739-megawatt stake in Units 4 and 5 of the Four Corners coal-fired station. It retired Units 1, 2, and 3. The utility is seeking a \$62.5 million (2.2%) tariff increase in order to place the newly purchased assets in the rate base. A ruling from the Arizona Corporation Commission (ACC) could occur by yearend. APS will also have to spend an estimated \$350 million for environmental upgrades, most of which will be incurred in 2016 and 2017.

The utility wants to add some generating capacity. APS is proposing to retire 220 mw of old capacity at a gas-fired plant and build 510 mw at the site, for a net increase of 290 mw. Along with 110 mw that will remain, this would bring the plant's capacity to 620 mw. The project requires a certificate of need from the ACC, which should come in late 2014 or early 2015. The estimated cost is \$600 million-\$700 million, and the new units are targeted for completion in the second quarter of 2018. **We expect just slight earnings growth**

in 2014. Each year, APS receives some rate relief for certain expenditures such as transmission. The service area's economy has recovered from the effects of the housing crisis, and this is reflected in improving customer growth rates. Kilowatt-hour sales should advance modestly, despite the effects of conservation (including installation of solar panels). However, expenses will likely wind up higher, too. Our estimate is within the company's targeted range of \$3.60-\$3.75 a share. We forecast 4% profit growth next year, assuming the utility gets rate relief for Four Corners. **We have raised the Financial Strength rating of Pinnacle West from A to A+.** The fixed-charge coverage and common-equity ratio are high—well above average for the electric utility industry. Moreover, APS is very close to earning its allowed return on equity. **This high-quality stock is untimely, but has a dividend yield that is slightly above the utility average.** However, with the recent price near the midpoint of our 2017-2019 Target Price Range, total return potential is unspectacular. *Paul E. Debbas, CFA May 2, 2014*

QUARTERLY REVENUES (\$ mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	648.9	799.8	1124.8	667.9	3241.4
2012	620.6	878.6	1109.5	693.1	3301.8
2013	686.6	915.8	1152.4	699.8	3454.6
2014	700	950	1200	750	3600
2015	725	975	1250	775	3725

EARNINGS PER SHARE A

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	d.15	.78	2.24	.11	2.99
2012	d.07	1.12	2.21	.24	3.50
2013	.22	1.18	2.04	.22	3.66
2014	.15	1.20	2.20	.15	3.70
2015	.15	1.25	2.30	.15	3.85

QUARTERLY DIVIDENDS PAID B

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.525	.525	.525	.525	2.10
2011	.525	.525	.525	.525	2.10
2012	.525	.525	.525	.545	2.12
2013	.545	.545	.545	.5675	2.20
2014	.5675				

(A) Diluted EPS. Excl. nonrec. losses: '02, 77¢; '09, \$1.45; excl. gains (losses) from disc. ops.: '00, 22¢; '05, (36¢); '06, 10¢; '08, 28¢; '09, (13¢); '10, 18¢; '11, 10¢; '12, (5¢); '11 EPS don't add due to rounding. Next earnings report due early Aug. (B) Divs historically paid in early Mar., June, Sept., and Dec. There were 5 declarations in '12. * Div'd reinvestment plan avail. (C) Incl. deferred chgs. in '13: \$7.71/sh. (D) In mill. (E) Rate base: Fair value. Rate allowed on com. eq. in '12: 10%; earned on avg. com. eq., '13: 9.9%. Regulatory Climate: Avg. Company's Financial Strength A+ Stock's Price Stability 100 Price Growth Persistence 60 Earnings Predictability 65

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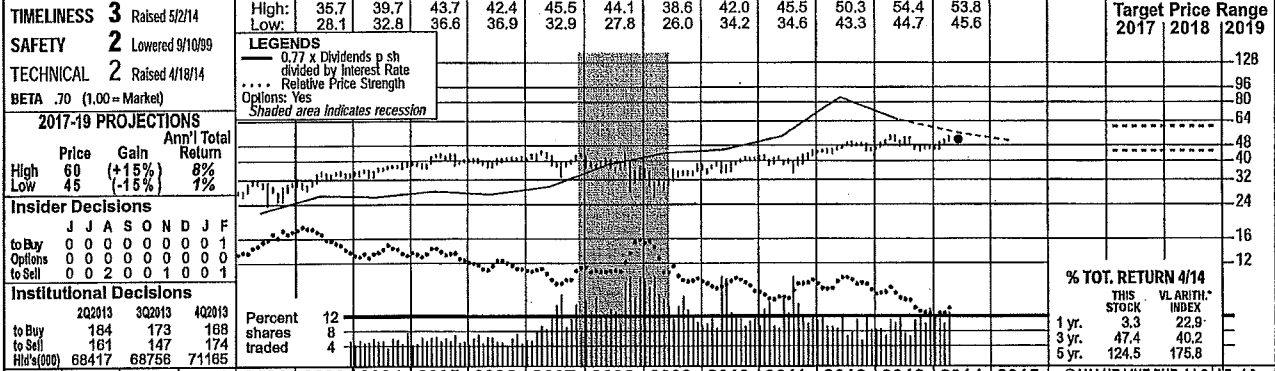
PNM RESOURCES NYSE:PNM				RECENT PRICE	27.36				P/E RATIO	18.7 (Trailing: 19.4 Median: 16.0)				RELATIVE P/E RATIO	0.99		DIV'D YLD	2.7%		VALUE LINE																																																																																																																																																																																																																									
TIMELINESS 1 Raised 1/3/14	SAFETY 3 Lowered 5/9/08	TECHNICAL 3 Lowered 4/25/14	BETA .95 (1.00 = Market)	High: 19.6	26.1	30.5	32.1	34.3	21.7	13.1	14.0	19.2	22.5	24.5	27.7				Target Price Range																																																																																																																																																																																																																										
				Low: 12.6	18.7	23.8	22.5	21.0	7.6	5.9	10.8	12.8	17.3	20.1	23.5				2017	2018	2019																																																																																																																																																																																																																								
				LEGENDS 1.30 x Dividends p sh divided by Interest Rate Relative Price Strength 3-for-2 split 6/04 Options: Yes Shaded area indicates recession																																																																																																																																																																																																																																									
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BUSINESS: PNM Resources is an investor-owned holding company of energy and energy related businesses. Primary subsidiaries include Public Service Company of New Mexico (PNM) and Texas-New Mexico Power Company (TNMP), which generate, transmit, and distribute electricity in New Mexico and Texas. Sold First Choice Energy (9/11) and gas utility operations (1/09). Electric rev.				<p>breakdown '13: residential, 37%; commercial, 37%; industrial, 7%; other, 19%. Fuels: coal, 56.8%; nuclear, 30.4%; gas/oil, 12.2%; solar, .5%. Fuel costs: 49% of revs. '13 depr. rate: 3.0%. Has 1,924 employees. Chrmn., Pres. & CEO: Patricia K. Collawn. Inc.: NM. Addr.: 414 Silver Ave. SW, Albuquerque, NM. 87102. Tel.: 505-241-2700. Internet: www.pnmresources.com.</p>																																																																																																																																																																																																																																									
Solid fourth-quarter results for PNM Resources were driven by stronger performances at PNM and TNMP, and lower losses within the Corporate and Other segment. The key factors driving earnings for PNM electric were lower outage costs and a cold winter. Earnings for PNM electric increased \$0.05 to \$0.21 a share despite a 1.8% decline in load growth from the previous year. Economic conditions in New Mexico continue to lag. Positive economic factors such as low unemployment rates and increased tax revenues in the Albuquerque metro region have not translated into load growth. In contrast, retail sales growth of nearly 5%, reflecting strong customer demand, helped support performance at the Texas-New Mexico Power Company (TNMP). PNM Resources is likely to file more than one rate case to recoup high levels of rate base expenditures. Management indicated that it would file a rate case with the New Mexico Public Regulation Commission (NMPRC) by the end of 2014. The general rate case is likely to be based with 2016 as a future test year. Since units 2 & 3 of the company's San				<p>Juan coal plant are to be shut down by the end of 2017 to meet regional haze standards, another rate case will need to be filed with 2018 as the base year to recover alternative generation options, including nuclear and solar sources. Management has indicated that its wholesale contract with the city of Gallup, maturing in June 2014, may not be renewed. This contract represents approximately \$24 million of rate base, and management believes that it should be able to offset some of these revenues through the wholesale and retail businesses. This, along with continued volatility with regard to load growth in New Mexico, could affect performance in 2014. This issue bears our highest Timeliness rank, due to its recent price performance and favorable earnings growth trends. Our outlook for earnings in the near term, based on the impending rate hikes, is positive. However, this stock has a higher Beta compared to other utility stocks, making it riskier than others in the same industry. Further, its current dividend yield of 2.7% is below average.</p>																																																																																																																																																																																																																																									
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May 2, 2014

Saumya Ajila

SCANA CORP. NYSE-SCG

RECENT PRICE **51.62** P/E RATIO **14.3** (Trailing: 14.2, Median: 14.0) RELATIVE P/E RATIO **0.79** DIV'D YLD **4.1%** VALUE LINE



Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Price	60	45	45	45	45	45	45	45	45	45	45	45	45
Gain (+15%)	0	0	0	0	0	0	0	0	0	0	0	0	0
Loss (-15%)	0	0	0	0	0	0	0	0	0	0	0	0	0
Ann'l Total Return	8%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues per sh	15.76	15.93	32.78	32.95	26.65	30.85	34.53	41.68	39.11	39.61	45.16	34.35	36.10	33.95	31.63	31.88	33.80	33.10
"Cash Flow" per sh	3.62	3.15	4.43	4.55	4.56	4.95	5.28	7.43	5.68	5.73	5.86	5.63	5.91	6.01	6.30	6.53	6.85	7.05
Earnings per sh ^A	2.12	1.44	2.12	2.15	2.38	2.50	2.67	2.78	2.59	2.74	2.95	2.85	2.98	2.97	3.15	3.39	3.60	3.70
Div'd Decl'd per sh ^B	1.54	1.32	1.15	1.20	1.30	1.38	1.46	1.58	1.68	1.76	1.84	1.88	1.90	1.94	1.98	2.03	2.10	2.16
Cap'l Spending per sh	2.87	2.37	3.28	4.99	6.41	6.94	4.86	3.38	4.52	6.21	7.68	7.41	6.87	6.81	6.16	7.84	11.35	11.20
Book Value per sh ^C	16.86	20.27	19.40	20.95	19.64	20.82	21.78	23.35	24.39	25.37	25.85	27.83	29.05	29.94	31.47	33.08	35.05	37.10
Common Shs Outs't'g ^D	103.57	103.57	104.73	104.73	110.83	110.74	112.52	114.67	116.67	116.67	117.78	123.34	127.45	129.88	132.01	141.00	145.00	149.50
Avg Ann'l P/E Ratio	14.5	17.5	12.5	12.6	12.2	13.0	13.6	14.4	15.4	15.0	12.7	11.6	12.9	13.7	14.8	14.4	14.4	14.4
Relative P/E Ratio	0.75	1.00	0.81	0.85	0.87	0.74	0.72	0.77	0.83	0.80	0.76	0.77	0.82	0.86	0.94	0.81	0.81	0.81
Avg Ann'l Div'd Yield	5.0%	5.2%	4.3%	4.4%	4.5%	4.2%	4.0%	3.9%	4.2%	4.3%	4.9%	5.7%	4.9%	4.8%	4.2%	4.2%	4.2%	4.2%

CAPITAL STRUCTURE as of 12/31/13
 Total Debt \$5825.0 mill. Due in 5 Yrs \$1294.0 mill.
 LT Debt \$5395.0 mill. LT Interest \$284.0 mill.
 (LT interest earned: 3.3x)

Leases, Uncapitalized Annual rentals \$7.0 mill.
Pension Assets-12/13 \$870.1 mill.
Pfd Stock None
Obllg. \$823.0 mill.

Common Stock 141,144,841 shs.
as of 2/20/14
MARKET CAP: \$7.3 billion (Large Cap)

Year	2011	2012	2013
% Change Retail Sales (KWH)	-3.4	-3.9	+3
Avg. Indust. Use (MWH)	8129	8055	NA
Avg. Indust. Rate per KWH (¢)	6.87	7.09	NA
Capacity at Yearend (Mw)	5842	5633	5237
Peak Load Summer (Mw)	4885	4761	4674
Annual Load Factor (%)	57.3	58.8	NA
% Change Customers (yr-end)	+5	+9	+1.2

Year	2011	2012	2013
Fixed Charge Cov. (%)	279	281	293
ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	5%	-4.5%	2.0%
"Cash Flow"	3.0%	2.0%	4.0%
Earnings	3.0%	3.0%	5.0%
Dividends	4.5%	2.5%	3.0%
Book Value	4.5%	4.5%	5.5%

Cal-endar	QUARTERLY REVENUES (\$ mill.)	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2011	1281 1000 1092 1036	4409.0
2012	1107 908 1038 1123	4176.0
2013	1311 1016 1051 1117	4495.0
2014	1590 1050 1100 1160	4900
2015	1500 1100 1150 1200	4950

Cal-endar	EARNINGS PER SHARE ^A	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2011	1.00 .43 .81 .75	2.97
2012	.91 .54 .91 .78	3.15
2013	1.11 .60 .94 .73	3.39
2014	1.37 .54 .95 .74	3.60
2015	1.30 .60 1.00 .80	3.70

Cal-endar	QUARTERLY DIVIDENDS PAID ^B	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2010	.47 .475 .475 .475	1.90
2011	.475 .485 .485 .485	1.93
2012	.485 .495 .495 .495	1.97
2013	.495 .5075 .5075 .5075	2.02
2014	.5075 .525	

SCANA's electric utility subsidiary is building two nuclear units. South Carolina Electric & Gas will own a 60% stake in the new units, which will provide the utility with 1,340 megawatts of capacity. The first unit is scheduled to come on line in late 2017 or early 2018, and the second 12 months after the first. This is several months later than the initial schedule, and the delay has caused a \$200 million cost overrun. SCE&G is having discussions with its contractors to determine which party is responsible. The company plans to update the construction schedule in the third quarter. The cost of SCE&G's 60% stake in the project is an estimated \$6.2 billion. The construction costs will necessitate some financing, both debt and equity, through 2016.

The utility implements annual rate increases to recover construction work in progress for the new nuclear units. The latest rate hike, in the fourth quarter of 2013, was \$67.2 million (2.9%). This will be a key factor in SCANA's profit growth while the new facilities are under construction.

Earnings should improve solidly in

BUSINESS: SCANA Corporation is a holding company for South Carolina Electric & Gas Company, which supplies electricity to 675,000 customers in South Carolina. Supplies gas and transmission service to 1.3 million customers in North and South Carolina and Georgia. Owns gas pipelines. Acquired PSNC Energy 2/00. Electric revenue breakdown: residential, 43%; commercial, 32%; industrial, 17%; other, 8%. Generating sources: coal, 48%; oil & gas, 28%; nuclear, 19%; hydro, 3%; purchased, 2%. Fuel costs: 51% of revenues. '13 reported deprec. rate: 2.9%. Has 6,000 employees. Chairman, CEO & President: Kevin B. Marsh. Incorporated: South Carolina. Address: 100 SCANA Parkway, Cayce, South Carolina 29033. Tel.: 803-217-9000. Internet: www.scana.com.

2014. The year got off to a good start, as first-quarter results benefitted from colder-than-normal weather. Nevertheless, SCANA maintained its earnings guidance at \$3.45-\$3.65 a share, which we regard as conservative, given that the weather benefit was \$0.10 a share. We have raised our estimate by \$0.05 a share, to \$3.60. This would produce 6% earnings growth. **We forecast a more modest profit increase in 2015.** The March-quarter comparison might be tough, assuming a reversion to normal winter weather patterns. We figure earnings will climb at the low end of SCANA's target of 3%-6% annually. **The board of directors has raised the dividend.** The annual increase was \$0.07 a share (3.4%). SCANA is targeting a payout ratio in a range of 55%-60%. We have slightly increased our 3- to 5-year dividend projection. **SCANA stock has a dividend yield that is only about average for a utility.** Like many other utility issues, the recent price is near the midpoint of our 2017-2019 Target Price Range, so total return potential is mediocre.

Paul E. Debbas, CFA
May 23, 2014

(A) Dil. eqs. Excl. nonrec. gains (losses): '99, 29¢; '00, 28¢; '01, \$3.00; '02, (\$3.72); '03, 31¢; '04, (23¢); '05, 3¢; '06, 9¢. '11 EPS don't add due to change in shs., '12 & '13 due to rounding. Next earnings report due late July.
 (B) Div'ds historically paid in early Jan., Apr., July, and Oct. = Div'd reinv. plan avail. (C) Incl. Intang. In '13: \$9.85/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in SC: 10.25% elec. in '13, 10.25% gas in '05; in NC: 10.6% in '08; earned on avg. com. eq., '13: 10.5%. Regulatory Climate: Above Avg.
 Company's Financial Strength B++
 Stock's Price Stability 100
 Price Growth Persistence 55
 Earnings Predictability 100

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SEMPRA ENERGY NYSE:SRE

RECENT PRICE **96.66** P/E RATIO **21.8** (Trailing: 22.9; Median: 12.0) RELATIVE P/E RATIO **1.16** DIV'D YLD **2.8%** VALUE LINE

TIMELINESS 4 Raised 3/1/14	High: 30.9	37.9	47.9	57.3	66.4	63.0	57.2	57.2	56.0	72.9	93.0	98.6	Target Price Range								
SAFETY 2 Lowered 2/14/00	Low: 22.3	29.5	35.5	42.9	50.9	34.3	36.4	43.9	44.8	54.7	70.6	86.7	2017 2018 2019								
TECHNICAL 3 Lowered 5/2/14	<p>LEGENDS 1.00 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession</p>																				
BETA .80 (1.00 = Market)	<p>2017-19 PROJECTIONS</p> <table border="1"> <tr> <th>Price</th> <th>Gain (+15%)</th> <th>Ann'l Total Return 6%</th> </tr> <tr> <td>High 110</td> <td></td> <td></td> </tr> <tr> <td>Low 85</td> <td></td> <td></td> </tr> </table>												Price	Gain (+15%)	Ann'l Total Return 6%	High 110			Low 85		
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<p>Insider Decisions</p> <table border="1"> <tr> <th>J</th><th>J</th><th>A</th><th>S</th><th>O</th><th>N</th><th>D</th><th>J</th><th>F</th> </tr> <tr> <td>to Buy</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td> </tr> <tr> <td>to Sell</td><td>0</td><td>1</td><td>0</td><td>0</td><td>0</td><td>1</td><td>0</td><td>0</td> </tr> </table>												J	J	A	S	O	N	D	J	F	to Buy	0	0	0	0	0	0	0	0	to Sell	0	1	0	0	0	1	0	0	<p>Institutional Decisions</p> <table border="1"> <tr> <th>2Q2013</th><th>3Q2013</th><th>4Q2013</th><th>Percent shares traded</th> </tr> <tr> <td>179</td><td>230</td><td>197</td><td>12</td> </tr> <tr> <td>232</td><td>187</td><td>235</td><td>8</td> </tr> <tr> <td>169514</td><td>171352</td><td>171143</td><td>4</td> </tr> </table>		2Q2013	3Q2013	4Q2013	Percent shares traded	179	230	197	12	232	187	235	8	169514	171352	171143	4
J	J	A	S	O	N	D	J	F																																																
to Buy	0	0	0	0	0	0	0	0																																																
to Sell	0	1	0	0	0	1	0	0																																																
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1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
23.31	22.89	35.38	39.27	29.38	34.81	40.18	45.64	44.89	43.79	44.21	32.88	37.44	41.83	39.80	43.18	43.80	45.65	Revenues per sh	52.25
5.16	5.36	4.91	5.39	5.71	5.58	6.58	5.96	6.74	6.93	7.40	7.94	7.76	8.58	8.92	8.87	9.35	9.90	"Cash Flow" per sh	12.50
1.24	1.66	2.06	2.55	2.79	3.01	3.93	3.52	4.23	4.26	4.43	4.78	4.02	4.47	4.35	4.22	4.45	4.75	Earnings per sh ^A	6.25
1.56	1.56	1.00	1.00	1.00	1.00	1.00	1.16	1.20	1.24	1.37	1.56	1.56	1.92	2.40	2.52	2.64	2.80	Div'd Decl'd per sh ^B	3.40
1.85	2.48	3.76	5.22	5.92	4.63	4.62	5.46	7.28	7.70	8.47	7.76	8.58	11.85	12.20	10.52	13.00	12.15	Cap'l Spending per sh	12.00
12.29	12.58	12.35	13.17	13.79	17.17	20.78	23.95	28.66	31.87	32.75	36.54	37.54	41.00	42.42	45.03	46.70	48.50	Book Value per sh ^C	55.75
237.00	237.40	201.90	204.46	204.91	228.60	234.18	257.19	262.01	261.21	243.32	246.51	240.45	239.93	242.37	244.46	246.50	248.50	Common Shs Outs'tg ^D	252.00
21.1	12.8	9.4	9.7	8.2	9.0	8.6	11.8	11.5	14.0	11.8	10.1	12.6	11.8	14.9	19.7	14.9	15.5	Avg Ann'l P/E Ratio	15.5
1.10	.73	.61	.50	.45	.51	.45	.63	.62	.74	.71	.67	.80	.74	.95	1.11	1.11	1.11	Relative P/E Ratio	.95
6.0%	7.4%	5.2%	4.1%	4.4%	3.7%	2.9%	2.8%	2.5%	2.1%	2.6%	3.2%	3.1%	3.6%	3.7%	3.0%	3.0%	3.0%	Avg Ann'l Div'd Yield	3.5%

<p>CAPITAL STRUCTURE as of 12/31/13</p> <p>Total Debt \$12945 mill. Due in 5 Yrs \$4623.0 mill.</p> <p>LT Debt \$11253 mill. LT Interest \$559.0 mill.</p> <p>Incl. \$236.0 mill. capitalized leases. (LT Interest earned: 3.6x)</p>												<p>9410.0</p>		<p>11737</p>		<p>11761</p>		<p>11438</p>		<p>10758</p>		<p>8106.0</p>		<p>9003.0</p>		<p>10036</p>		<p>9647.0</p>		<p>10557</p>		<p>10800</p>		<p>11350</p>		<p>Revenues (\$mill)</p>		<p>13150</p>	
<p>Leases, Uncapitalized Annual rentals \$85.0 mill.</p> <p>Pension Assets-12/13 \$2789 mill.</p> <p>Pfd Stock \$20.0 mill. Pfd Div'd \$1.2 mill.</p> <p>811,073 shs. 6% cum., \$25 par.</p> <p>Common Stock 245,089,822 shs. as of 2/21/14</p> <p>MARKET CAP: \$24 billion (Large Cap)</p>												<p>930.0</p>		<p>1118.0</p>		<p>1135.0</p>		<p>1123.0</p>		<p>1193.0</p>		<p>1008.0</p>		<p>1088.0</p>		<p>1079.0</p>		<p>1060.0</p>		<p>1060.0</p>		<p>1060.0</p>		<p>1060.0</p>		<p>Net Profit (\$mill)</p>		<p>1650</p>	
<p>Oblig. \$3459 mill.</p>												<p>17.2%</p>		<p>31.3%</p>		<p>33.6%</p>		<p>29.2%</p>		<p>30.5%</p>		<p>26.5%</p>		<p>25.3%</p>		<p>18.2%</p>		<p>26.5%</p>		<p>35.0%</p>		<p>35.0%</p>		<p>Income Tax Rate</p>		<p>34.0%</p>			
<p>2.9%</p>												<p>5.3%</p>		<p>7.2%</p>		<p>11.5%</p>		<p>13.2%</p>		<p>10.6%</p>		<p>11.3%</p>		<p>15.2%</p>		<p>17.2%</p>		<p>11.2%</p>		<p>11.0%</p>		<p>10.0%</p>		<p>AFUDC % to Net Profit</p>		<p>9.0%</p>			
<p>45.3%</p>												<p>43.1%</p>		<p>37.0%</p>		<p>34.8%</p>		<p>44.5%</p>		<p>44.8%</p>		<p>49.4%</p>		<p>50.4%</p>		<p>52.8%</p>		<p>50.5%</p>		<p>51.0%</p>		<p>51.5%</p>		<p>Long-Term Debt Ratio</p>		<p>52.0%</p>			
<p>52.6%</p>												<p>55.1%</p>		<p>61.4%</p>		<p>63.7%</p>		<p>54.2%</p>		<p>54.1%</p>		<p>49.6%</p>		<p>49.2%</p>		<p>46.7%</p>		<p>49.4%</p>		<p>49.0%</p>		<p>48.5%</p>		<p>Common Equity Ratio</p>		<p>48.0%</p>			
<p>9255.0</p>												<p>11178</p>		<p>12229</p>		<p>13071</p>		<p>14692</p>		<p>16646</p>		<p>18186</p>		<p>20015</p>		<p>22002</p>		<p>22281</p>		<p>23500</p>		<p>24775</p>		<p>Total Capital (\$mill)</p>		<p>29300</p>			
<p>11086</p>												<p>12101</p>		<p>13175</p>		<p>14894</p>		<p>16665</p>		<p>18281</p>		<p>19876</p>		<p>23572</p>		<p>25191</p>		<p>25460</p>		<p>27475</p>		<p>Net Plant (\$mill)</p>		<p>33400</p>					
<p>11.3%</p>												<p>9.2%</p>		<p>10.3%</p>		<p>9.6%</p>		<p>8.5%</p>		<p>8.3%</p>		<p>6.8%</p>		<p>6.7%</p>		<p>6.1%</p>		<p>6.0%</p>		<p>6.0%</p>		<p>6.5%</p>		<p>Return on Total Cap'l</p>		<p>7.0%</p>			
<p>18.4%</p>												<p>14.1%</p>		<p>14.5%</p>		<p>13.3%</p>		<p>13.8%</p>		<p>13.0%</p>		<p>10.9%</p>		<p>10.9%</p>		<p>10.4%</p>		<p>9.6%</p>		<p>9.5%</p>		<p>10.0%</p>		<p>Return on Shr. Equity</p>		<p>11.5%</p>			
<p>18.9%</p>												<p>14.4%</p>		<p>14.8%</p>		<p>13.5%</p>		<p>14.0%</p>		<p>13.1%</p>		<p>11.1%</p>		<p>11.0%</p>		<p>10.4%</p>		<p>9.6%</p>		<p>9.5%</p>		<p>10.0%</p>		<p>Return on Com Equity</p>		<p>11.5%</p>			
<p>14.9%</p>												<p>10.1%</p>		<p>11.0%</p>		<p>9.7%</p>		<p>9.7%</p>		<p>9.3%</p>		<p>7.0%</p>		<p>6.5%</p>		<p>5.1%</p>		<p>4.1%</p>		<p>4.0%</p>		<p>4.0%</p>		<p>Retained to Com Eq</p>		<p>5.0%</p>			
<p>22%</p>												<p>31%</p>		<p>28%</p>		<p>29%</p>		<p>31%</p>		<p>29%</p>		<p>37%</p>		<p>41%</p>		<p>52%</p>		<p>58%</p>		<p>58%</p>		<p>58%</p>		<p>All Div'ds to Net Prof</p>		<p>54%</p>			

BUSINESS: Sempra Energy is a holding co. for San Diego Gas & Electric Company, which sells electricity & gas mainly in San Diego County, & Southern California Gas Company, which distributes gas to most of Southern California. Customers: 1.4 mill. electric, 6.6 mill. gas. Elec. rev. breakdown: residential, 46%; commercial, 38%; industrial, 9%; other, 7%. Purchases most of its power; the rest is gas. Has subs. in gas pipeline & storage, power generation, & liquefied natural gas. Sold commodities business in '10. Power costs: 38% of revs. '13 reported deprec. rates: 1.6%-7.6%. Has 17,100 employees. Chairman and CEO: Debra L. Reed. President: Mark A. Snell. Inc.: CA. Address: 101 Ash St., San Diego, CA 92101-3017. Tel.: 619-696-2034. Internet: www.sempra.com.

<p>Fixed Charge Cov. (%)</p> <table border="1"> <tr> <th>2011</th><th>2012</th><th>2013</th> </tr> <tr> <td>319</td><td>262</td><td>307</td> </tr> </table>												2011	2012	2013	319	262	307	<p>ANNUAL RATES</p>		<p>Past 10 Yrs.</p>		<p>Past 5 Yrs.</p>		<p>Est'd '11-'13 to '17-'19</p>	
2011	2012	2013																							
319	262	307																							
<p>of change (per sh)</p>												<p>2.0%</p>		<p>-1.0%</p>		<p>4.0%</p>									
<p>Revenues</p>												<p>4.5%</p>		<p>4.5%</p>		<p>6.0%</p>									
<p>"Cash Flow"</p>												<p>4.5%</p>		<p>--</p>		<p>6.0%</p>									
<p>Earnings</p>												<p>8.5%</p>		<p>12.5%</p>		<p>7.0%</p>									
<p>Dividends</p>												<p>11.5%</p>		<p>6.5%</p>		<p>4.5%</p>									
<p>Book Value</p>																									

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	2434	2422	2576	2604	10036
2012	2383	2089	2507	2668	9647
2013	2650	2651	2551	2705	10557
2014	2750	2500	2700	2850	10800
2015	2900	2600	2850	3000	11350
Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	1.07	.97	1.22	1.21	4.47
2012	.97	.98	1.33	1.08	4.35
2013	.54	1.46	1.09	1.13	4.22
2014	1.10	1.00	1.20	1.15	4.45
2015	1.15	1.05	1.30	1.25	4.75
Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2010	.39	.39	.39	.39	1.56
2011	.39	.48	.48	.48	1.83
2012	.48	.60	.60	.60	2.28
2013	.60	.63	.63	.63	2.49
2014	.63	.66			

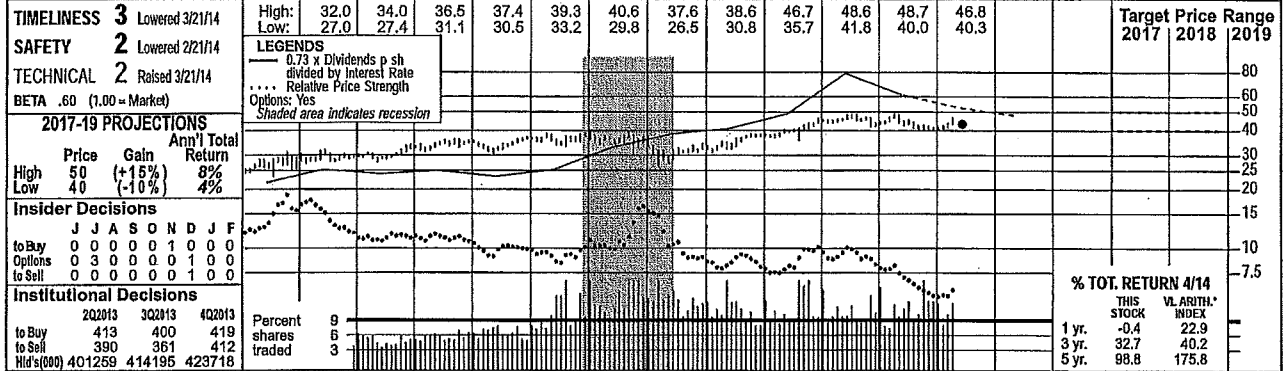
Sempra Energy should post respectable earnings growth this year and next. The rate bases of the company's utilities, San Diego Gas & Electric and Southern California Gas, are expanding due to numerous projects, such as electric reliability enhancements and an advanced metering system, in addition to normal utility maintenance expenditures. Utility income won't rise as fast as the rate base, but should still be a major contributor to Sempra's profit growth. The company has ample expansion opportunities in its international (Mexico, Peru, and Chile) operations, with several projects under way (notably natural gas pipelines in Mexico), others in various stages of development, and still other opportunities for bidding. Our 2014 and 2015 share-earnings estimates are within Sempra's guidance of \$4.25-\$4.55 and \$4.60-\$4.90, respectively. **The company is seeking regulatory approvals to build a liquefied natural gas export facility.** Sempra wants to convert its Cameron LNG terminal (originally built as an export facility) into an import site through a joint venture. The total cost of the project is estimated at \$9 billion-\$10 billion. Sempra would not assume price or volume risk; it has entered into 20-year take-or-pay contracts. This is projected to provide \$300 million-\$350 million of annual earnings. Completion of the project is expected in 2018. **A ruling on the utilities' pipeline safety enhancement plan is expected soon, and another important regulatory filing is upcoming.** SoCal Gas and SDG&E are proposing to spend \$4 billion-\$5 billion over the next several years on safety projects for the utilities' natural gas pipelines. Later this year, SoCal Gas and SDG&E will file general rate cases, with new tariffs taking effect at the start of 2016. **The dividend was raised 5% earlier this year, and dividend growth should be even greater once construction of Cameron is under way.** Sempra prefers accelerating the dividend growth rate to declaring one huge increase. **We believe Sempra's strengths are reflected in the stock price.** The equity is ranked unfavorably for Timeliness, and 3- to 5-year total return potential is low. *Paul E. Debbas, CFA* May 2, 2014

(A) Dil. EPS. Excl. nonrec. gains (losses): '05, 17¢; '06, (6¢); '09, (26¢); '10, (\$1.05); '11, \$1.15; '12, (98¢); '13, (30¢) net gain (losses) from disc. ops.; '04, (10¢); '05, (4¢); '06, \$1.21; '07, (10¢); '12 EPS don't add due to rounding. Next eps. report due early Aug. (B) Div'ds histor. paid mid-Jan., Apr., July & Oct. ^C Div'd reinvest. plan avail. (C) Incl. Intang. In '13: \$16.35/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq.: SDG&E in '13: 10.3%; SoCalGas in '13: 10.1%; earn. on avg. com. eq., '13: 9.6%. Reg. Climate: Above Avg.	Company's Financial Strength A
	Stock's Price Stability 100
	Price Growth Persistence 85
	Earnings Predictability 95

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SOUTHERN COMPANY NYSE:SO

RECENT PRICE **43.31** P/E RATIO **15.2** (Trailing: 15.0; Median: 16.0) RELATIVE P/E RATIO **0.84** DIV'D YLD **4.9%** VALUE LINE



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
16.34	17.40	14.78	14.54	14.73	15.31	16.05	18.28	19.24	20.12	22.04	19.21	20.70	20.41	19.06	19.26	20.60	20.70	20.70	20.70	20.70	20.70
4.26	4.17	3.89	3.55	3.46	3.53	3.65	4.03	4.01	4.22	4.43	4.43	4.51	4.91	5.18	5.27	5.55	5.75	5.75	5.75	5.75	5.75
1.73	1.83	2.01	1.61	1.85	1.97	2.06	2.13	2.10	2.28	2.25	2.32	2.36	2.55	2.67	2.70	2.85	2.90	2.90	2.90	2.90	2.90
1.34	1.34	1.34	1.34	1.36	1.39	1.42	1.48	1.54	1.60	1.66	1.73	1.80	1.87	1.94	2.01	2.08	2.15	2.15	2.15	2.15	2.15
2.87	3.85	3.27	-3.75	3.79	2.72	2.85	3.20	4.01	4.65	5.10	5.70	4.85	5.23	5.54	6.16	6.75	5.95	5.95	5.95	5.95	5.95
14.04	13.82	15.69	11.43	12.16	13.13	13.86	14.42	15.24	16.23	17.08	18.15	19.21	20.32	21.09	21.43	22.25	22.95	22.95	22.95	22.95	22.95
697.75	665.80	681.16	698.34	716.40	734.83	741.50	741.45	746.27	763.10	777.19	819.65	843.34	865.13	867.77	887.09	902.00	904.00	904.00	904.00	904.00	904.00
15.7	14.3	13.2	14.6	14.6	14.8	14.7	15.9	16.2	16.0	16.1	13.5	14.9	15.8	17.0	16.2	17.0	16.2	16.2	16.2	16.2	16.2
.82	.82	.86	.75	.80	.84	.78	.85	.87	.85	.97	.90	.95	.99	1.08	.91	1.08	1.08	1.08	1.08	1.08	1.08
4.9%	5.1%	5.0%	5.7%	5.0%	4.7%	4.7%	4.4%	4.5%	4.4%	4.6%	5.5%	5.1%	4.6%	4.3%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%

CAPITAL STRUCTURE as of 12/31/13		2011	2012	2013	CAPITAL STRUCTURE as of 12/31/14		2011	2012	2013
Total Debt	\$23295 mill.	1589.0	1621.0	1608.0	Total Debt	\$23295 mill.	1589.0	1621.0	1608.0
LT Debt	\$21344 mill.	27.0%	26.9%	32.7%	LT Debt	\$21344 mill.	27.0%	26.9%	32.7%
Leases	Uncapitalized Annual rentals \$101.0 mill.	5.2%	4.4%	4.8%	Leases	Uncapitalized Annual rentals \$101.0 mill.	5.2%	4.4%	4.8%
Pension Assets	-12/13 \$8733 mill. Obl. \$9863 mill.	53.5%	53.2%	50.8%	Pension Assets	-12/13 \$8733 mill. Obl. \$9863 mill.	53.5%	53.2%	50.8%
Pfd Stock	\$1131 mill. Pfd Div'd \$68.0 mill.	44.1%	44.3%	46.2%	Pfd Stock	\$1131 mill. Pfd Div'd \$68.0 mill.	44.1%	44.3%	46.2%
Incl. 1 mill. shs.	4.2%-5.44% cum. pfd. (\$100 par);	23288	24131	24618	Incl. 1 mill. shs.	4.2%-5.44% cum. pfd. (\$100 par);	23288	24131	24618
12 mill. shs.	5.2%-5.83% cum. pfd. (\$1 par); 2 mill. shs.	28361	29480	31092	12 mill. shs.	5.2%-5.83% cum. pfd. (\$1 par); 2 mill. shs.	28361	29480	31092
6.0% noncum. pfd. (\$25 par); 4 mill. shs.	5.6%-6.5% noncum. pfd. (\$100 par); 14 mill. shs.	8.1%	8.2%	8.2%	6.0% noncum. pfd. (\$25 par); 4 mill. shs.	5.6%-6.5% noncum. pfd. (\$100 par); 14 mill. shs.	8.1%	8.2%	8.2%
5.63%-6.5% noncum. pfd. (\$1 par).	Common Stock 887,940,630 shs. as of 1/31/14	14.7%	14.4%	13.3%	5.63%-6.5% noncum. pfd. (\$1 par).	Common Stock 887,940,630 shs. as of 1/31/14	14.7%	14.4%	13.3%
MARKET CAP: \$38 billion (Large Cap)		14.9%	14.9%	13.8%	MARKET CAP: \$38 billion (Large Cap)		14.9%	14.9%	13.8%

ELECTRIC OPERATING STATISTICS		2011	2012	2013
% Change Retail Sales (KWH)		-2.7	2.3	+3
Avg. Indust. Use (MWH)		3438	3445	3485
Avg. Indust. Revs. per KWH (\$)		6.37	5.84	6.08
Capacity at Yearend (MW)		4355	4570	4592
Peak Load, Summer (MW)		3698	3647	3357
Annual Load Factor (%)		59.0	59.5	63.2
% Change Customers (yr-end)		-1	+3	+7

BUSINESS: The Southern Company, through its subsidiaries, supplies electricity to 4.5 million customers in about 120,000 square miles of Georgia, Alabama, Florida, and Mississippi. Also has competitive generation business. Electric revenue breakdown: residential, 37%; commercial, 32%; industrial, 19%; other, 12%. Retail revenues by state: Georgia, 50%; Alabama, 34%; Florida, 9%; Mississippi, 7%. Generating sources: oil & gas, 37%; coal, 37%; nuclear, 16%; hydro, 4%; purchased, 6%. Fuel costs: 35% of revenues. '13 reported deprec. rate (utility): 3.3%. Has 26,300 employees. Chairman, President and CEO: Thomas A. Fanning, Inc.; Delaware. Address: 30 Ivan Allen Jr. Blvd., Atlanta, N.W., Georgia 30308. Tel: 404-506-5000. Internet: www.southerncompany.com.

ANNUAL RATES		Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13
Revenues	change (per sh)	3.0%	-1.0%	2.5%
"Cash Flow"		4.0%	4.0%	4.0%
Earnings		4.0%	3.5%	3.5%
Dividends		3.5%	4.0%	3.5%
Book Value		5.5%	5.5%	4.0%

Cal-endar	QUARTERLY REVENUES (mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	4012	4521	5428	3696	17657
2012	3604	4181	5049	3703	16537
2013	3897	4246	5017	3927	17087
2014	4644	4450	5350	4156	18600
2015	4250	4650	5550	4250	18700

Cal-endar	EARNINGS PER SHARE A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	.49	.70	1.06	.30	2.55
2012	.42	.71	1.11	.43	2.67
2013	.47	.66	1.08	.49	2.70
2014	.66	.66	1.13	.40	2.85
2015	.50	.75	1.20	.45	2.90

Cal-endar	QUARTERLY DIVIDENDS PAID B+†				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2010	.4375	.455	.455	.455	1.80
2011	.455	.4725	.4725	.4725	1.87
2012	.4725	.49	.49	.49	1.94
2013	.49	.5075	.5075	.5075	2.01
2014	.5075	.525			

(A) Diluted earnings. Excl. nonrecurring gain (losses): '03, 6¢; '09, (25¢); '13, (83¢); '14, (27¢). Next earnings report due late July. (B) Div'ds historically paid in early Mar., June, Sept., and Dec. (C) Div'd reinvestment plan available. (D) Shareholder investment plan available. (E) Incl. deferred charges. In '13: \$5.59/sh. (F) In mill. (G) Rate base: AL, MS, FL, GA, orig. cost. Allowed return on com. eq. (blended): 12.5%; earned on avg. com. eq., '13: 12.5%. Regulatory Climate: GA, AL Above Average; MS, FL Average.

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Southern Company's Mississippi Power subsidiary has had another delay with its coal gasification plant. The 582-megawatt project was initially scheduled to be completed this month, but has now been pushed back to the second quarter of 2015. Last year, the company took aftertax charges totaling \$729 million (\$0.83 a share) for cost overruns that will not be recovered in rates, and another such writedown of \$235 million (\$0.27 a share) was recorded in the first quarter. We have excluded these charges from our earnings presentation as nonrecurring items.

Construction is going better at the site of Georgia Power's new nuclear units. The Vogtle Units 3 and 4 are scheduled to go on line in the fourth quarter of 2017 and 2018, respectively (a year later than originally expected). They will provide the utility with 1,020 mw of capacity at a cost of \$6.8 billion. Although this project hasn't had the problems of the aforementioned coal gasification plant, Wall Street is still concerned about construction risk. This is why Southern stock trades at a discount to its historical rela-

relative valuation. **Earnings should advance solidly in 2014.** The year got off to a good start, as a much colder-than-normal winter — the company established an all-time winter peak demand — boosted first-quarter profits by \$0.07 a share, compared with normal weather patterns. Southern Company is also benefiting from rate hikes at its Georgia Power and Gulf Power subsidiaries. We have raised our earnings estimate by a nickel a share, to \$2.85. **We forecast more-modest profit growth next year.** We base our estimate on normal winter weather conditions. Georgia Power and Gulf Power will also benefit from rate relief in 2015. **This stock has a dividend yield that is more than a percentage point above the industry average.** The board of directors raised the annual dividend by \$0.07 a share (3.4%), and we project similar dividend growth over the 3- to 5-year period. However, with the recent price within our 2017-2019 Target Price Range, total return potential is just slightly above the utility mean.

Paul E. Debbas, CFA
May 23, 2014

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	100

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TECO ENERGY, INC. NYSE-TE				RECENT PRICE	17.13	P/E RATIO	17.1	(Trailing: 17.8)	RELATIVE P/E RATIO	0.95	DIV YLD	5.1%	VALUE LINE															
TIMELINESS 3	Raised 6/28/13	High: 17.0	15.5	19.3	17.7	18.6	22.0	16.7	18.1	19.7	19.4	19.2	18.5															
SAFETY 2	Raised 2/24/12	Low: 9.5	11.3	14.9	14.4	14.8	10.5	8.4	14.5	15.8	16.1	16.2	16.1															
TECHNICAL 3	Lowered 5/23/14	LEGENDS 0.71 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession																										
BETA .85	(1.00 = Market)	2017-19 PROJECTIONS Ann'l Total Return High 20 (+15%) 9% Low 16 (-5%) 4%																										
Insider Decisions J A S O N D J F to Buy 0 0 0 0 0 0 0 0 0 0 0 0 0 0 Options 0 0 0 0 0 0 0 0 0 0 0 0 0 0 to Sell 0 0 0 0 0 0 0 0 0 0 0 0 0 0																												
Institutional Decisions 2Q2013 3Q2013 4Q2013 to Buy 130 144 145 to Sell 162 125 154 Hld's(000) 132307 130648 133931																												
Percent shares traded 18 12 6																												
% TOT. RETURN 4/14 THIS STOCK V.L. ARITH. INDEX 1 yr. -1.3 22.9 3 yr. 8.1 40.2 5 yr. 119.2 175.8																												
1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19									
14.83	15.01	18.17	18.97	15.22	14.59	13.37	14.46	16.46	16.77	15.85	15.48	16.23	15.49	13.83	13.12	13.75	14.20	Revenues per sh	16.50									
3.25	3.28	4.11	4.31	3.20	1.96	2.14	2.37	2.51	2.51	2.01	2.35	2.59	2.77	2.89	2.43	2.60	2.75	"Cash Flow" per sh	3.50									
1.52	1.53	1.97	2.24	1.95	d.08	.71	1.00	1.17	1.27	.77	1.00	1.13	1.27	1.14	.92	1.00	1.05	Earnings per sh A	1.45									
1.23	1.29	1.33	1.37	1.41	.93	.76	.76	.76	.78	.80	.82	.85	.85	.88	.88	.88	.88	Div'd Decl'd per sh B	.95									
2.24	3.23	5.45	6.92	6.06	3.14	1.37	1.42	2.18	2.34	2.77	2.99	2.28	2.10	2.33	2.45	3.40	3.20	Cap'l Spending per sh	2.00									
11.42	10.73	11.93	14.12	14.86	8.93	6.43	7.65	8.25	9.56	9.43	9.75	10.10	10.50	10.58	10.74	10.85	11.00	Book Value per sh C	12.00									
132.00	132.10	126.30	139.60	175.80	187.80	199.70	208.20	209.50	210.90	212.90	213.90	214.90	215.80	216.60	217.30	218.00	218.00	Common Shs Outst'g D	218.00									
17.8	14.2	11.9	12.9	11.0	--	19.3	17.1	13.8	13.3	21.2	12.6	14.6	14.4	15.5	18.9	15.5	18.9	Avg Ann'l P/E Ratio	13.0									
.93	.81	.77	.66	.60	--	1.02	.91	.75	.71	1.28	.84	.93	.90	.99	1.06	1.06	1.06	Relative P/E Ratio	.80									
4.5%	5.9%	5.7%	4.8%	6.6%	7.4%	5.5%	4.4%	4.7%	4.6%	4.9%	6.3%	4.9%	4.6%	5.0%	5.1%	5.1%	5.1%	Avg Ann'l Div'd Yield	5.0%									
CAPITAL STRUCTURE as of 12/31/13 Total Debt \$3005.1 mill. Due in 5 Yrs \$1379.4 mill. LT Debt \$2837.8 mill. LT Interest \$152.4 mill. (LT interest earned: 2.9x)														2669.1	3010.1	3448.1	3536.1	3375.3	3310.5	3487.9	3343.4	2996.6	2851.3	3000	3100	3600	Revenues (\$mill)	3600
Leases, Uncapitalized Annual rentals \$5.0 mill.														137.4	211.0	244.4	265.8	162.4	213.9	242.9	272.6	246.0	197.8	230	230	230	Net Profit (\$mill)	315
Pension Assets-12/13 \$593.0 mill. Oblig. \$666.0 mill.														38.5%	45.1%	40.4%	40.7%	36.8%	31.6%	34.8%	36.1%	35.9%	35.5%	35.5%	35.5%	35.5%	Income Tax Rate	35.5%
Pfd Stock None														.7%	.0%	1.6%	2.3%	5.4%	6.5%	1.2%	.6%	1.7%	5.0%	9.0%	6.0%	6.0%	AFUDC % to Net Profit	2.0%
Common Stock 218,067,617 shs. as of 2/13/14 MARKET CAP: \$3.7 billion (Mid Cap)														75.1%	70.0%	65.0%	61.0%	61.5%	60.6%	59.2%	54.2%	56.5%	54.9%	55.0%	56.0%	56.0%	Long-Term Debt Ratio	56.0%
ELECTRIC OPERATING STATISTICS														24.9%	30.0%	35.0%	39.0%	38.5%	39.4%	40.8%	45.8%	43.5%	45.1%	45.0%	44.0%	44.0%	Common Equity Ratio	44.0%
2011 2012 2013 % Change Retail Sales (KWH) -3.4 -8 Avg. Indust. Use (Mwh) N/A N/A Avg. Indust. Revs. per KWH (\$) 8.84 8.84 8.50 Capacity at Peak (Mw) 4684 4688 4688 Peak Load, Wintr (Mw) N/A N/A N/A Annual Load Factor (%) N/A N/A N/A % Change Customers (avg.) +.7 +1.3														4657.9	5300.9	4941.6	5175.4	5214.3	5287.0	5317.8	4963.9	5264.5	5171.5	5255	5485	5485	Total Capital (\$mill)	6025
Fixed Charge Cov. (%) 302 301 272														4657.9	4566.9	4766.9	4888.2	5221.3	5544.1	5841.0	5967.8	5990.1	6170.1	6560	6895	6895	Net Plant (\$mill)	7125
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '11-'13 of change (per sh)														5.6%	6.5%	7.3%	7.3%	5.1%	6.0%	6.4%	7.4%	6.1%	5.4%	5.6%	5.6%	5.6%	Return on Total Cap'l	7.0%
Revenues -1.5% -3.0% 2.5% "Cash Flow" -2.0% 2.5% 5.0% Earnings -2.0% .5% 4.5% Dividends -3.5% 2.5% 1.5% Book Value -1.5% 3.0% 2.0%														10.7%	13.3%	14.1%	13.2%	8.1%	10.3%	11.2%	12.0%	10.7%	8.5%	9.5%	9.5%	9.5%	Return on Shr. Equity	12.0%
QUARTERLY REVENUES (\$mill.) Full Year														10.7%	13.3%	14.1%	13.2%	8.1%	10.3%	11.2%	12.0%	10.7%	8.5%	9.5%	9.5%	9.5%	Return on Com Equity	12.0%
Cal-ender	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	BUSINESS: TECO Energy, Inc. is a holding company for Tampa Electric, which serves 700,000 customers in west central Florida, and Peoples Gas, which serves 350,000 customers in Florida. TECO Coal mines coal. Sold TECO Transport 12/07; discontinued generation investments in Guatemala in '12. Electric revenue breakdown: residential, 49%; commercial, 31%; industrial, 9%; other, 11%. Generating sources: coal, 56%; gas, 36%; purchased, 8%. Fuel costs: 31% of revenues. '13 reported deprec. rate (utility): 3.7%. Has 3,900 employees. Chairman: Sherrill W. Hudson. President & CEO: John B. Ramil. Incorporated: Florida. Address: TECO Plaza, 702 N. Franklin Street, Tampa, Florida 33602. Telephone: 813-228-1111. Internet: www.tecoenergy.com.																						
2011	796.1	885.7	911.4	750.2	3343.4	The prospects of TECO Energy's coal-mining operations are weakening. Both margins and volume at TECO Coal are under pressure due to low demand. This subsidiary generated \$9.0 million of net profit last year—down sharply from \$50.2 million in 2012—and probably won't do any better than breakeven in 2014. And even this showing is thanks to tax depletion benefits. (TECO Coal lost \$1.6 million in the first quarter.) This stock's price has declined slightly in 2014, in a year that has seen most utility equities rise—several by more than 10%.																						
2012	697.1	752.5	858.6	688.4	2996.6	TECO expects to complete the acquisition of New Mexico Gas Company in the third quarter. The company has agreed to pay \$750 million and assume \$200 million of debt for New Mexico Gas. TECO has said that it plans to finance the deal with \$350 million-\$400 million of common equity, \$250 million of long-term debt, and cash on hand. TECO has offered concessions (such as a rate freeze through the end of 2017) that enabled it to reach a settlement with a group representing industrial customers and the state attorney general's office. The staff of the New Mexico Public Regulation Commission was not part of the settlement, but does not oppose it. Due to the effects of the concessions, the purchase would not begin to be accretive to earnings until 12 months after completion. Our figures will not reflect New Mexico Gas until after the acquisition is consummated, but we are including the merger-related expenses.																						
2013	661.1	735.9	765.9	688.4	2851.3	The utilities' prospects are good. With the service area's economy recovering, customer growth is improving. Tampa Electric and Peoples Gas are each likely to earn within their range of allowed returns on equity this year. We think their profit growth will outweigh the weakness at TECO Coal, so we estimate a partial earnings recovery in 2014, followed by an uptick next year.																						
2014	684.1	750	850	715.9	3000	TECO stock offers a high dividend yield. This is more than a percentage point above the average for electric companies and is among the highest in this industry. However, with the stock price still within our 2017-2019 Target Price Range, total return potential is just slightly above the utility average.																						
2015	725	775	875	725	3100	<i>Paul E. Debbas, CFA</i> May 23, 2014																						
Cal-ender	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	QUARTERLY DIVIDENDS PAID \$ Full Year																						
2010	.20	.205	.205	.205	.82	Company's Financial Strength B++																						
2011	.205	.215	.215	.215	.85	Stock's Price Stability 95																						
2012	.22	.22	.22	.22	.88	Price Growth Persistence 45																						
2013	.22	.22	.22	.22	.88	Earnings Predictability 70																						
2014	.22					To subscribe call 1-800-833-0046.																						

(A) Diluted earnings. Excl. nonrecurring gain (losses): '99, (11¢); '03, (\$4.97); '07, 63¢; '10, (2¢) net gains (losses) on discontinued ops. '04, (77¢); '05, 31¢; '06, 1¢; '07, 7¢; '12, (15¢). Next earnings report due late July. (B) Div's paid in late Feb., May, Aug., & Nov. * Div'd re-investment plan available. (C) Incl. deferred charges. In '13: \$1.93/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '13 (elec.): 10.25%-12.25%; in '09 (gas): 9.75%-11.75%; earned on avg. com. eq., '13: 8.6%. Regulatory Climate: Average.

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UNS ENERGY NYSE-UNS										RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO		DIV YLD	VALUE LINE			
										60.23	20.1 (Trailing: 19.8, Median: 18.0)		1.05		3.2%				
TIMELINESS — Suspended 12/20/13 SAFETY 3 New 12/31/04 TECHNICAL — Suspended 12/20/13 BETA .70 (1.00 = Market)										LEGENDS — 1.50 x Dividends p sh divided by Interest Rate Relative Price Strength Oplns: Yes Shaded area indicates recession									
2017-19 PROJECTIONS High: 24.9, 24.9, 34.8, 37.5, 40.0, 34.5, 33.3, 36.9, 39.3, 43.6, 60.0, 60.6 Low: 16.0, 22.9, 24.3, 29.5, 27.6, 20.9, 22.8, 29.0, 33.0, 35.2, 42.5, 59.2										Insider Decisions J J A S O N D J F to Buy 0 0 0 0 0 0 0 0 0 0 Oplns 0 0 1 0 0 0 0 0 0 0 to Sell 0 0 3 0 0 0 0 0 0 0									
Institutional Decisions 2Q2013 3Q2013 4Q2013 to Buy 105 109 96 to Sell 79 80 109 Mid's(000) 37355 37570 38280										Percent 24 shares 16 traded 8									
1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015										© VALUE LINE PUB. LLC 17-19									
Revenues per sh 41.20 "Cash Flow" per sh 8.00 Earnings per sh 3.80 Div'd Decl'd per sh 2.28 Cap'l Spending per sh 7.85 Book Value per sh 32.70 Common Shs Outst'g 42.50										Revenues (\$mill) 1750 Net Profit (\$mill) 160 Income Tax Rate 40.0% AFUDC % to Net Profit Nil Long-Term Debt Ratio 63.0% Common Equity Ratio 37.0% Total Capital (\$mill) 3740 Net Plant (\$mill) 4200 Return on Total Cap'l 5.5% Return on Shr. Equity 11.5% Return on Com Equity 11.5% Retained to Com Eq 4.5% All Div'ds to Net Prof 60%									
CAPITAL STRUCTURE as of 12/31/13 Total Debt \$1806.6 mill. Due in 5 Yrs \$477.0 mill. LT Debt \$1666.8 mill. LT Interest \$71.0 mill. Incl. \$149.8 mill. capitalized leases. (LT Interest earned: 3.0x)										Fixed Charge Cov. (%) 251 239 291									
Pension Assets-12/13 \$323 mill. Oblig. \$352 mill. Pfd Stock None										ANNUAL RATES Past 10 Yrs. 5 Yrs. Est'd '11-'13 of '17-'19 Revenues 1.5% -0.5% 1.0% "Cash Flow" 3.5% 6.0% 2.0% Earnings 7.0% 16.0% 6.5% Dividends 13.0% 13.5% 5.5% Book Value 6.5% 6.0% 5.0%									
Common Stock 41,633,535 shs. as of 2/14/14 MARKET CAP: \$2.5 billion (Mid Cap)										QUARTERLY REVENUES (\$ mill.) Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 344.8 369.7 450.9 344.1 1509.5 2012 315.4 364.0 434.1 348.3 1461.8 2013 332.1 365.2 437.0 350.2 1484.6 2014 325 370 450 365 1510 2015 350 375 485 370 1580									
ELECTRIC OPERATING STATISTICS % Change Retail Sales (KWH) +4 -7 +1 Avg. Indust. Use (MWH) 5060 6086 5090 Avg. Indust. Rev. per KWH (\$) 7.10 7.20 7.20 Capacity at Peak (Mw) 3271 2950 3015 Peak Load, Summer (Mw) 2334 2290 2230 Annual Load Factor (%) N/A N/A N/A % Change Customers (yr-end) +4 +5 +8										EARNINGS PER SHARE Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 .35 .71 1.46 .22 2.75 2012 .17 .64 1.21 .18 2.20 2013 .27 .83 1.62 .32 3.04 2014 .25 .75 1.67 .45 3.12 2015 .45 .80 1.65 .50 3.40									
Business: UNS Energy Corporation, through its subsidiaries, operates as an electric utility in Arizona. Subsidiaries include Tucson Electric Power (TEP), UNS Gas, and UNS Electric. '13 retail customers: TEP, 413,000 (in southeastern Arizona); UNS Gas, 149,000; UNS Electric, 93,000. Revenue sources: residential, 42%; commercial, 23%; industrial, 35%. Copper mining is largest industry served. Fuels: coal, 75%; gas, 8%; purchased power, 17%. '13 TEP reported depreciation rate: 4.0%. Has 1,977 employees: TEP, 1,398; UNS Gas, 188; UNS Electric, 143; Other, 248. Chrmn. & CEO: Paul J. Bonavia. Pres.: David G. Hulchens, Inc.: AZ. Address: 88 E. Broadway Blvd., Tucson, AZ 85701. Telephone: 520-571-4000. Internet: www.uns.com.										QUARTERLY DIVIDENDS PAID Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2010 .39 .39 .39 .39 1.56 2011 .42 .42 .42 .42 1.68 2012 .43 .43 .43 .43 1.72 2013 .435 .435 .435 .435 1.74 2014 .48									
The Federal Energy Regulatory Commission has approved the acquisition of UNS Energy Corporation by Fortis. UNS stockholders would receive \$60.25 in cash for each of their shares. The offer is generous, at 19 times estimated 2014 earnings. Indeed, the proposed purchase has been deemed consistent with the interest of the public, which moves the acquisition one step closer to completion. In addition, the shareholders of UNS Energy approved the transaction on March 26, 2014. The acquisition is expected to be completed by the end of 2014. It is now subject to approval by the Arizona Corporation Commission (ACC). The deal will give UNS much needed capital access to meet clean energy requirements. UNS will remain as a stand-alone company headquartered in Tucson, Arizona. One-third of Fortis' assets will be in the United States once the deal closes, and it will gain approximately 65,000 customers in Arizona. UNS Energy had a profitable year. The electric utility reported net income of \$127 million and share earnings of \$3.04. The significant increase in net income was mainly due to higher revenue at UNS En-										ergy's primary subsidiary, Tucson Electric Power (TEP). The subsidiary was able to report higher revenues for the year thanks to a non-fuel base rate increase which became effective on July 1, 2013, combined with a reduction in capital lease interest expense. The company also declared a first quarter dividend of \$0.48 per share for common shareholders. Tucson Electric Power (TEP) has started to work on a new transmission line. The 138 KV is expected to reduce electrical outages and provide more capacity for TEP. The project is expected to cost \$4.5 million and was approved by the Arizona Corporation Commission in March, 2011. The transmission line is expected to be completed in 2014. The Timeliness rank for this issue is suspended due to the impending acquisition. There is minimal potential for capital gains at this juncture as the stock is trading just below the takeover price. We advise investors to sell their holdings at the current level in order to avoid downside risk in case the deal falls through.									
(A) EPS diluted, Excl. nonrecur. gains: '98, '99, \$1.35; '00, 48¢; '03, \$2.00. Next earnings report due early May. Earnings may not sum due to rounding. (B) Div'ds historically										(C) 2014 Value Line Publishing LLC. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.									

Saumya Ajila
May 2, 2014

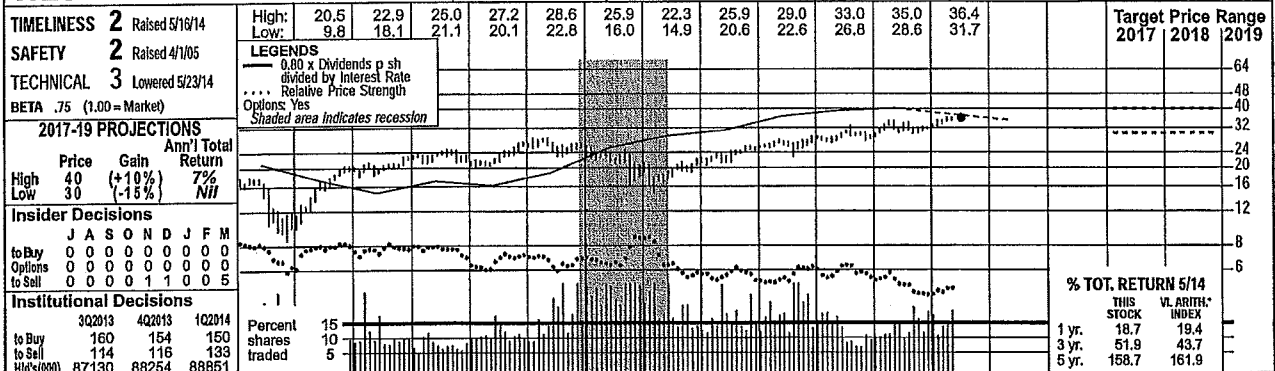
Company's Financial Strength B+
 Stock's Price Stability 90
 Price Growth Persistence 80
 Earnings Predictability 40

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VECTREN CORP. NYSE-WC										RECENT PRICE 39.91		P/E RATIO 17.7 (Trailing: 23.9) Median: 16.0		RELATIVE P/E RATIO 0.95		DIV YLD 3.7%		VALUE LINE																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
TIMELINESS 3 Lowered 2/24/12		SAFETY 2 Lowered 1/5/01		TECHNICAL 3 Raised 6/20/14		BETA .75 (1.00 = Market)		2017-19 PROJECTIONS		High 50 (+25%) Low 40 (Nil)		Ann'l Total Return 9% Gain 4%		Insider Decisions		Institutional Decisions		% TOT. RETURN 5/14																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
High: 26.1, 27.1, 29.5, 29.3, 30.5, 32.2, 26.9, 27.8, 30.7		Low: 19.7, 22.9, 25.0, 25.2, 24.8, 19.5, 18.1, 21.7, 23.7		30.8, 37.9, 41.1, 27.5, 29.5, 34.6		Target Price Range 2017 2018 2019		80, 60, 50, 40, 30, 25, 20, 15, 10, 7.5		1 yr. 20.8, 3 yr. 61.6, 5 yr. 123.8		VL ARITH. INDEX 19.4, 43.7, 181.9		J A S O N D J F M		to Buy 0 1 0 0 0 0 0 0 0 0 to Sell 1 5 0 0 0 0 0 0 0 0 Options 0 5 0 0 0 0 0 0 0 0		3Q2013 4Q2013 1Q2014 to Buy 137 118 121 to Sell 92 115 115 Hk's(000) 46830 47704 47921		Percent shares traded 12, 8, 4		© VALUE LINE PUB. LLC 17-19																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
<p>Vectren was formed on March 31, 2000 through the merger of Indiana Energy and SIGCORP. The merger was consummated with a tax-free exchange of shares and has been accounted for as a pooling of interests. Indiana Energy common stockholders received one Vectren common share for each share held. SIGCORP stockholders exchanged each common share for 1.333 common shares of Vectren.</p> <p>CAPITAL STRUCTURE as of 3/31/14 Total Debt \$1831.4 mill. Due in 5 Yrs \$687.0 mill. LT Debt \$1772.2 mill. LT Interest \$85.0 mill. (LT Interest earned: 3.5x)</p> <p>Pension Assets-12/13 \$323.9 mill. Oblig. \$338.4 mill.</p> <p>Pfd Stock None</p> <p>Common Stock 82,464,845 shs. as of 4/30/14</p> <p>MARKET CAP: \$3.3 billion (Mid Cap)</p>										<table border="1"> <tr><th>2004</th><th>2005</th><th>2006</th><th>2007</th><th>2008</th><th>2009</th><th>2010</th><th>2011</th><th>2012</th><th>2013</th><th>2014</th><th>2015</th></tr> <tr><td>22.26</td><td>26.62</td><td>26.83</td><td>29.88</td><td>30.67</td><td>25.76</td><td>26.06</td><td>28.39</td><td>27.16</td><td>30.23</td><td>33.15</td><td>34.50</td></tr> <tr><td>3.27</td><td>3.87</td><td>3.69</td><td>4.29</td><td>3.97</td><td>4.40</td><td>4.44</td><td>4.71</td><td>5.03</td><td>5.03</td><td>5.80</td><td>6.20</td></tr> <tr><td>1.42</td><td>1.81</td><td>1.44</td><td>1.83</td><td>1.63</td><td>1.79</td><td>1.65</td><td>1.73</td><td>1.94</td><td>1.66</td><td>2.25</td><td>2.45</td></tr> <tr><td>1.15</td><td>1.19</td><td>1.23</td><td>1.27</td><td>1.31</td><td>1.35</td><td>1.37</td><td>1.39</td><td>1.41</td><td>1.43</td><td>1.45</td><td>1.47</td></tr> <tr><td>3.66</td><td>3.04</td><td>3.70</td><td>4.38</td><td>4.83</td><td>5.33</td><td>3.39</td><td>3.92</td><td>4.45</td><td>4.77</td><td>4.80</td><td>5.25</td></tr> <tr><td>14.42</td><td>15.01</td><td>15.43</td><td>16.16</td><td>16.68</td><td>17.23</td><td>17.61</td><td>17.89</td><td>18.57</td><td>18.86</td><td>19.40</td><td>19.95</td></tr> <tr><td>75.90</td><td>76.19</td><td>76.10</td><td>76.36</td><td>81.03</td><td>81.10</td><td>81.70</td><td>81.90</td><td>82.20</td><td>82.40</td><td>83.00</td><td>84.00</td></tr> <tr><td>17.6</td><td>15.1</td><td>18.9</td><td>15.3</td><td>16.8</td><td>12.9</td><td>15.0</td><td>15.8</td><td>15.0</td><td>20.7</td><td>20.7</td><td>20.7</td></tr> <tr><td>.93</td><td>.80</td><td>1.02</td><td>.81</td><td>1.01</td><td>.86</td><td>.95</td><td>.99</td><td>.95</td><td>1.16</td><td>1.16</td><td>1.16</td></tr> <tr><td>4.6%</td><td>4.4%</td><td>4.5%</td><td>4.5%</td><td>4.8%</td><td>5.9%</td><td>5.5%</td><td>5.1%</td><td>4.8%</td><td>4.2%</td><td>4.2%</td><td>4.2%</td></tr> </table>		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	22.26	26.62	26.83	29.88	30.67	25.76	26.06	28.39	27.16	30.23	33.15	34.50	3.27	3.87	3.69	4.29	3.97	4.40	4.44	4.71	5.03	5.03	5.80	6.20	1.42	1.81	1.44	1.83	1.63	1.79	1.65	1.73	1.94	1.66	2.25	2.45	1.15	1.19	1.23	1.27	1.31	1.35	1.37	1.39	1.41	1.43	1.45	1.47	3.66	3.04	3.70	4.38	4.83	5.33	3.39	3.92	4.45	4.77	4.80	5.25	14.42	15.01	15.43	16.16	16.68	17.23	17.61	17.89	18.57	18.86	19.40	19.95	75.90	76.19	76.10	76.36	81.03	81.10	81.70	81.90	82.20	82.40	83.00	84.00	17.6	15.1	18.9	15.3	16.8	12.9	15.0	15.8	15.0	20.7	20.7	20.7	.93	.80	1.02	.81	1.01	.86	.95	.99	.95	1.16	1.16	1.16	4.6%	4.4%	4.5%	4.5%	4.8%	5.9%	5.5%	5.1%	4.8%	4.2%	4.2%	4.2%	<table border="1"> <tr><th>2004</th><th>2005</th><th>2006</th><th>2007</th><th>2008</th><th>2009</th><th>2010</th><th>2011</th><th>2012</th><th>2013</th><th>2014</th><th>2015</th></tr> <tr><td>1689.8</td><td>2028.0</td><td>2041.6</td><td>2281.9</td><td>2484.7</td><td>2088.9</td><td>2129.5</td><td>2325.2</td><td>2232.8</td><td>2491.2</td><td>2750</td><td>2900</td></tr> <tr><td>108.0</td><td>136.8</td><td>108.8</td><td>143.1</td><td>129.0</td><td>145.0</td><td>133.7</td><td>141.6</td><td>159.0</td><td>136.6</td><td>185</td><td>205</td></tr> <tr><td>26.5%</td><td>24.4%</td><td>21.8%</td><td>34.7%</td><td>37.1%</td><td>26.5%</td><td>35.8%</td><td>37.9%</td><td>34.2%</td><td>32.9%</td><td>36.0%</td><td>35.0%</td></tr> <tr><td>3.0%</td><td>1.4%</td><td>3.8%</td><td>2.8%</td><td>2.9%</td><td>4.1%</td><td>--</td><td>--</td><td>4.1%</td><td>4.0%</td><td>4.0%</td><td>4.0%</td></tr> <tr><td>48.1%</td><td>51.2%</td><td>50.7%</td><td>50.2%</td><td>48.0%</td><td>52.4%</td><td>49.9%</td><td>51.6%</td><td>50.4%</td><td>53.3%</td><td>53.0%</td><td>53.0%</td></tr> <tr><td>51.8%</td><td>48.8%</td><td>49.3%</td><td>49.8%</td><td>52.0%</td><td>47.6%</td><td>50.1%</td><td>48.4%</td><td>49.8%</td><td>46.7%</td><td>47.0%</td><td>47.0%</td></tr> <tr><td>2111.5</td><td>2341.3</td><td>2382.2</td><td>2479.1</td><td>2599.5</td><td>2937.7</td><td>2874.1</td><td>3025.1</td><td>3079.5</td><td>3331.4</td><td>3435</td><td>3550</td></tr> <tr><td>2156.2</td><td>2251.9</td><td>2385.5</td><td>2639.7</td><td>2720.3</td><td>2878.8</td><td>2955.4</td><td>3032.6</td><td>3119.6</td><td>3224.3</td><td>3280</td><td>3360</td></tr> <tr><td>6.4%</td><td>7.2%</td><td>6.0%</td><td>7.2%</td><td>6.5%</td><td>6.3%</td><td>6.1%</td><td>6.2%</td><td>6.4%</td><td>5.4%</td><td>6.5%</td><td>7.0%</td></tr> <tr><td>9.9%</td><td>12.0%</td><td>9.3%</td><td>11.6%</td><td>9.5%</td><td>10.4%</td><td>9.3%</td><td>9.7%</td><td>10.4%</td><td>8.8%</td><td>11.5%</td><td>12.0%</td></tr> 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</table>		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1689.8	2028.0	2041.6	2281.9	2484.7	2088.9	2129.5	2325.2	2232.8	2491.2	2750	2900	108.0	136.8	108.8	143.1	129.0	145.0	133.7	141.6	159.0	136.6	185	205	26.5%	24.4%	21.8%	34.7%	37.1%	26.5%	35.8%	37.9%	34.2%	32.9%	36.0%	35.0%	3.0%	1.4%	3.8%	2.8%	2.9%	4.1%	--	--	4.1%	4.0%	4.0%	4.0%	48.1%	51.2%	50.7%	50.2%	48.0%	52.4%	49.9%	51.6%	50.4%	53.3%	53.0%	53.0%	51.8%	48.8%	49.3%	49.8%	52.0%	47.6%	50.1%	48.4%	49.8%	46.7%	47.0%	47.0%	2111.5	2341.3	2382.2	2479.1	2599.5	2937.7	2874.1	3025.1	3079.5	3331.4	3435	3550	2156.2	2251.9	2385.5	2639.7	2720.3	2878.8	2955.4	3032.6	3119.6	3224.3	3280	3360	6.4%	7.2%	6.0%	7.2%	6.5%	6.3%	6.1%	6.2%	6.4%	5.4%	6.5%	7.0%	9.9%	12.0%	9.3%	11.6%	9.5%	10.4%	9.3%	9.7%	10.4%	8.8%	11.5%	12.0%	9.9%	12.0%	9.3%	11.6%	9.5%	10.4%	9.3%	9.7%	10.4%	8.8%	11.5%	12.0%	1.9%	4.0%	1.3%	3.8%	2.0%	2.6%	1.6%	1.9%	2.9%	1.2%	4.0%	5.0%	81%	66%	86%	67%	80%	75%	83%	80%	73%	86%	65%	60%	<table border="1"> <tr><th>2011</th><th>2012</th><th>2013</th><th>2014</th><th>2015</th></tr> <tr><td>2.3</td><td>2.3</td><td>2.3</td><td>2.3</td><td>2.3</td></tr> <tr><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></tr> <tr><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></tr> <tr><td>1494</td><td>1494</td><td>1384</td><td>1384</td><td>1384</td></tr> <tr><td>1220</td><td>1259</td><td>1192</td><td>1192</td><td>1192</td></tr> <tr><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></tr> <tr><td>--</td><td>--</td><td>--</td><td>--</td><td>--</td></tr> </table>		2011	2012	2013	2014	2015	2.3	2.3	2.3	2.3	2.3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1494	1494	1384	1384	1384	1220	1259	1192	1192	1192	N/A	N/A	N/A	N/A	N/A	--	--	--	--	--	<table border="1"> <tr><th>2011</th><th>2012</th><th>2013</th><th>2014</th><th>2015</th></tr> <tr><td>347</td><td>367</td><td>380</td><td>380</td><td>380</td></tr> <tr><td>1.0%</td><td>0.5%</td><td>6.0%</td><td>6.0%</td><td>6.0%</td></tr> <tr><td>4.5%</td><td>4.5%</td><td>7.0%</td><td>7.0%</td><td>7.0%</td></tr> <tr><td>2.0%</td><td>1.5%</td><td>9.0%</td><td>9.0%</td><td>9.0%</td></tr> <tr><td>3.0%</td><td>2.0%</td><td>1.5%</td><td>1.5%</td><td>1.5%</td></tr> <tr><td>3.0%</td><td>3.0%</td><td>2.5%</td><td>2.5%</td><td>2.5%</td></tr> </table>		2011	2012	2013	2014	2015	347	367	380	380	380	1.0%	0.5%	6.0%	6.0%	6.0%	4.5%	4.5%	7.0%	7.0%	7.0%	2.0%	1.5%	9.0%	9.0%	9.0%	3.0%	2.0%	1.5%	1.5%	1.5%	3.0%	3.0%	2.5%	2.5%	2.5%	<table border="1"> <tr><th>Cal-endar</th><th>Mar.31</th><th>Jun.30</th><th>Sep.30</th><th>Dec.31</th><th>Full Year</th></tr> <tr><td>2011</td><td>682.6</td><td>475.8</td><td>539.4</td><td>627.4</td><td>2325.2</td></tr> <tr><td>2012</td><td>604.6</td><td>470.6</td><td>513.5</td><td>644.1</td><td>2232.8</td></tr> <tr><td>2013</td><td>700.6</td><td>531.0</td><td>579.6</td><td>680.0</td><td>2491.2</td></tr> <tr><td>2014</td><td>796.8</td><td>600</td><td>625</td><td>728.2</td><td>2750</td></tr> <tr><td>2015</td><td>830</td><td>640</td><td>660</td><td>770</td><td>2900</td></tr> </table>		Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2011	682.6	475.8	539.4	627.4	2325.2	2012	604.6	470.6	513.5	644.1	2232.8	2013	700.6	531.0	579.6	680.0	2491.2	2014	796.8	600	625	728.2	2750	2015	830	640	660	770	2900	<table border="1"> <tr><th>Cal-endar</th><th>Mar.31</th><th>Jun.30</th><th>Sep.30</th><th>Dec.31</th><th>Full Year</th></tr> <tr><td>2011</td><td>.55</td><td>.18</td><td>.43</td><td>.57</td><td>1.73</td></tr> <tr><td>2012</td><td>.62</td><td>.31</td><td>.48</td><td>.53</td><td>1.94</td></tr> <tr><td>2013</td><td>.61</td><td>.07</td><td>.52</td><td>.60</td><td>1.66</td></tr> <tr><td>2014</td><td>.62</td><td>.38</td><td>.58</td><td>.67</td><td>2.25</td></tr> <tr><td>2015</td><td>.68</td><td>.42</td><td>.62</td><td>.73</td><td>2.45</td></tr> </table>		Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2011	.55	.18	.43	.57	1.73	2012	.62	.31	.48	.53	1.94	2013	.61	.07	.52	.60	1.66	2014	.62	.38	.58	.67	2.25	2015	.68	.42	.62	.73	2.45	<table border="1"> <tr><th>Cal-endar</th><th>Mar.31</th><th>Jun.30</th><th>Sep.30</th><th>Dec.31</th><th>Full Year</th></tr> <tr><td>2010</td><td>.340</td><td>.340</td><td>.340</td><td>.345</td><td>1.37</td></tr> <tr><td>2011</td><td>.345</td><td>.345</td><td>.345</td><td>.350</td><td>1.39</td></tr> <tr><td>2012</td><td>.350</td><td>.350</td><td>.350</td><td>.355</td><td>1.41</td></tr> <tr><td>2013</td><td>.355</td><td>.355</td><td>.355</td><td>.360</td><td>1.43</td></tr> <tr><td>2014</td><td>.360</td><td>.360</td><td>.360</td><td>.360</td><td>1.43</td></tr> </table>		Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2010	.340	.340	.340	.345	1.37	2011	.345	.345	.345	.350	1.39	2012	.350	.350	.350	.355	1.41	2013	.355	.355	.355	.360	1.43	2014	.360	.360	.360	.360	1.43	<p>Shares of Vectren have advanced nicely in price since last fall. The company has reported solid top-line results in recent quarters. Share earnings also advanced at a good clip in the September and December periods. In the March quarter, revenues increased roughly 14%. However, growth in operating expenses restrained profitability, and share net of \$0.62 just barely exceeded the prior-year tally. The utility group continued to perform well, as results were helped by colder-than-normal temperatures. But the nonutility group posted a loss of \$9.7 million, as infrastructure services work was delayed due to severe weather.</p> <p>We expect favorable comparisons in the coming quarters. The electric utility services business should perform well. The gas utility services segment ought to further gain from healthy customer growth and usage. Elsewhere, we expect improvement on the nonutility side. Work that had been delayed in the first quarter due to adverse weather should be largely completed by the end of the year, along with other planned projects. Demand for shale gas and oil infrastructure ought to remain strong. In addition to new investment, aging natural gas and oil pipelines need to be repaired or replaced. The coal mining operation should continue to report improvement, with the second Oaktown mine fully operational, and thanks to cost improvement initiatives implemented at the Prosperity mine. Moreover, earnings will benefit from ProLiance's exit from the gas marketing line. The absence of this unprofitable business has allowed Vectren to stabilize earnings and increase focus on core operations. Overall, revenues and share earnings should advance at a nice pace for full-year 2014. Growth will likely continue from 2015 onward.</p> <p>These shares are ranked to track the broader market for the coming six to 12 months. This issue is not a standout for long-term appreciation potential, either. That said, Vectren earns favorable marks for Safety, Financial Strength, Price Stability, and Earnings Predictability. Moreover, this equity offers a healthy dividend yield. Conservative, income-seeking accounts may find something to like here.</p> <p>Michael Napoli, CFA June 20, 2014</p>		<p>Revenues per sh 40.10 "Cash Flow" per sh 7.45 Earnings per sh A 3.00 Div'd Decl'd per sh B† 1.55 Cap'l Spending per sh 6.75 Book Value per sh C 21.50 Common Shs Outst'g D 86.00 Avg Ann'l P/E Ratio 15.0 Relative P/E Ratio .96 Avg Ann'l Div'd Yield 3.4%</p> <p>Revenues (\$mill) 3450 Net Profit (\$mill) 260 Income Tax Rate 35.0% AFUDC % to Net Profit 4.0% Long-Term Debt Ratio 53.0% Common Equity Ratio 47.0% Total Capital (\$mill) 3950 Net Plant (\$mill) 3700 Return on Total Cap'l 8.0% Return on Shr. Equity 14.0% Return on Com Equity E 14.0% Retention to Com Eq 7.0% All Div'ds to Net Prof 51%</p>		<p>BUSINESS: Vectren is a holding company formed through the merger of Indiana Energy and SIGCORP. Supplies electricity and gas to an area nearly two-thirds of the state of Indiana. Owns gas distribution assets in Ohio. Has a customer base exceeding 1.1 million. 2013 Electrically revenues: residential, 36%; commercial, 27%; Industrial, 35%; other, 2%. 2013 Gas revenues: residential, 67%; commercial, 24%; other, 9%. Also provides energy-related products and services and has an investment subsidiary. Est'd plant age: electric, 8 years. '13 deprec. rate: 5.2%. Has 5,500 employees. Chairman, President, & CEO: Carl Chapman. Incorporated: IN. Address: One Vectren Square, Evansville, Indiana 47708. Telephone: 812-491-4000. Internet: www.vectren.com.</p>	
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<p>(A) Diluted EPS. Excl. nonrecur. gain (loss); '03, '06; '09, '15. Next eps report due late July/early August. (B) Div'ds historically paid in early March, June, September, and December.</p> <p>© 2014 Value Line Publishing LLC. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.</p>										<p>Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. intang. In '13, \$5.53/sh. (D) In millions. (E) Electric rate base determination: fair value. Rates allowed on elect. common equity range from 10.15% to 10.4%; earned on common equity in '13: 8.8%. Regulatory Climate: Above Average.</p>		<p>Company's Financial Strength A Stock's Price Stability 100 Price Growth Persistence 55 Earnings Predictability 85</p>		<p>To subscribe call 1-800-833-0046.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		

WESTAR ENERGY NYSE-WR

RECENT PRICE **35.96** P/E RATIO **14.7** (Trailing: 15.0, Median: 14.0) RELATIVE P/E RATIO **0.78** DIV YLD **3.9%** VALUE LINE



Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Price	30.86	30.21	33.80	31.20	24.77	20.06	17.02	18.23	18.37	18.09	16.98	17.04	18.34	17.27	17.88	18.05	19.55	19.85	18.7	18.4	19.4	19.4
Gain	6.35	7.51	6.96	5.32	4.77	3.77	3.12	3.28	3.94	3.77	3.14	3.59	4.24	3.97	4.30	4.45	4.60	4.60	4.30	4.30	4.30	4.30
Loss	2.13	1.48	.89	d.58	1.00	1.48	1.17	1.55	1.88	1.84	1.31	1.28	1.80	1.79	2.15	2.27	2.45	2.70	2.45	2.45	2.45	2.45
Div	2.14	2.14	1.44	1.20	1.20	.87	.80	.92	.98	1.08	1.16	1.20	1.24	1.28	1.32	1.36	1.40	1.44	1.44	1.44	1.44	1.44
Cap'l	2.77	4.09	4.40	3.37	1.89	2.06	2.19	2.45	3.95	7.84	8.65	5.26	4.82	5.56	6.40	6.45	6.50	7.00	6.50	6.50	6.50	6.50
Book	29.40	27.83	27.20	25.97	13.68	14.23	16.13	16.31	17.62	19.14	20.18	20.59	21.25	22.03	22.89	23.32	24.10	25.60	24.10	24.10	24.10	24.10
Common	65.91	67.40	70.08	70.08	71.51	72.84	86.03	86.84	87.39	95.46	108.31	109.07	112.13	125.70	126.50	127.46	128.5	129.00	128.5	128.5	128.5	128.5
Relative P/E	18.4	17.2	20.6	--	14.0	10.8	17.4	14.8	12.2	14.1	17.0	14.9	13.0	14.8	13.4	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Relative P/E Ratio	.96	.98	1.34	--	.76	.62	.92	.79	.66	.75	1.02	.99	.83	.93	.65	.79	.79	.79	.79	.79	.79	.79
Avg Ann'l Div'd Yield	5.5%	8.4%	7.9%	5.8%	8.6%	5.6%	3.9%	4.0%	4.3%	4.2%	5.2%	6.3%	5.3%	4.8%	4.6%	4.7%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues per sh	30.86	30.21	33.80	31.20	24.77	20.06	17.02	18.23	18.37	18.09	16.98	17.04	18.34	17.27	17.88	18.05	19.55	19.85	18.7	18.4	19.4	19.4
"Cash Flow" per sh	6.35	7.51	6.96	5.32	4.77	3.77	3.12	3.28	3.94	3.77	3.14	3.59	4.24	3.97	4.30	4.45	4.60	4.60	4.30	4.30	4.30	4.30
Earnings per sh ^A	2.13	1.48	.89	d.58	1.00	1.48	1.17	1.55	1.88	1.84	1.31	1.28	1.80	1.79	2.15	2.27	2.45	2.70	2.45	2.45	2.45	2.45
Div'd Decl'd per sh ^B	2.14	2.14	1.44	1.20	1.20	.87	.80	.92	.98	1.08	1.16	1.20	1.24	1.28	1.32	1.36	1.40	1.44	1.44	1.44	1.44	1.44
Cap'l Spending per sh	2.77	4.09	4.40	3.37	1.89	2.06	2.19	2.45	3.95	7.84	8.65	5.26	4.82	5.56	6.40	6.45	6.50	7.00	6.50	6.50	6.50	6.50
Book Value per sh ^C	29.40	27.83	27.20	25.97	13.68	14.23	16.13	16.31	17.62	19.14	20.18	20.59	21.25	22.03	22.89	23.32	24.10	25.60	24.10	24.10	24.10	24.10
Common Shs Outstg ^E	65.91	67.40	70.08	70.08	71.51	72.84	86.03	86.84	87.39	95.46	108.31	109.07	112.13	125.70	126.50	127.46	128.5	129.00	128.5	128.5	128.5	128.5
Relative P/E Ratio	18.4	17.2	20.6	--	14.0	10.8	17.4	14.8	12.2	14.1	17.0	14.9	13.0	14.8	13.4	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Avg Ann'l Div'd Yield	.96	.98	1.34	--	.76	.62	.92	.79	.66	.75	1.02	.99	.83	.93	.65	.79	.79	.79	.79	.79	.79	.79
Income Tax Rate	5.5%	8.4%	7.9%	5.8%	8.6%	5.6%	3.9%	4.0%	4.3%	4.2%	5.2%	6.3%	5.3%	4.8%	4.6%	4.7%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%

CAPITAL STRUCTURE as of 3/31/14
 Total Debt \$3593.1 mill. Due in 5 Yrs \$675.0 mill.
 LT Debt \$3135.9 mill. LT Interest \$160.0 mill.
 (LT Interest earned: 3.4x)

Pension Assets 12/13 \$548 mill. Oblig. \$929 mill.

Pfd Stock None

Common Stock 128,254,229 shs.
MARKET CAP: \$4.6 billion (Mid Cap)

Year	2011	2012	2013
% Change Retail Sales (KWH)	+1.0	-1.5	+3.6
Avg. Indust. Use (MWH)	558.9	558.8	540.7
Avg. Indust. Revs. per KWH (\$)	6.22	6.80	6.47
Capacity at Peak (Mw)	676.4	655.7	667.1
Peak Load, Summer (Mw)	554.9	541.1	549.9
Annual Load Factor (%)	55.5	56.0	55.9
% Change Customers (yr-end)	+1	+2	+2

BUSINESS: Westar Energy, Inc., formerly Western Resources, is the parent of Kansas Gas & Electric Company. Westar supplies electricity to 700,000 customers in Kansas. Electric revenue sources: residential and rural, 34%; commercial, 38%; industrial, 28%. Sold investment in ONEOK in 2003 and 85% ownership in Protection One in 2004. 2013 depreciation rate: 3.8%. Estimated plant age: 15 years. Fuels: coal, 52%; nuclear, 8%; gas, 40%. Has 2,302 employees. BlackRock Inc owns 7.0% of common; The Vanguard Group owns 5.8%; JP Morgan owns 5.2% (3/14 proxy). CEO and Pres.: Mark A. Ruelle. Inc.: Kansas. Addr.: 818 South Kansas Avenue, Topeka, Kansas 66612. Telephone: 785-575-6300. Internet: www.westarenergy.com.

Westar Energy is off to a good start. The company reported a net profit of \$69 million, or \$0.52 a share during the first three months of the year. Better profits were owed mainly to increased energy sales, as the cold weather drove demand for electricity upward. Revenue also surged, to \$629 million, led by a 16% increase in residential sales. Commercial and industrial sales also rose by 9% and 4%, respectively.

New laws and regulations could prove to be costly. As these regulations are implemented, the company may be forced to limit the use of some of its power plants. Moreover, new carbon emissions limits that have been imposed by the Environmental Protection Agency could restrict the use of coal and natural gas fueled generating units. On the bright side, management has said that the company will continue to focus on generating electricity from environmentally friendly sources, such as wind-based power generation. This should help mitigate future regulatory problems and allow the company to meet subsequent energy standards.

Despite rising optimism, we have tempered our expectations for fiscal 2014. Our full-year share-net estimate now comes in at \$2.45, down from \$2.55, reflecting higher operating and maintenance expenses. For 2015, we project an earnings rise to \$2.70 as the company continues to expand its operations in the Kansas area. Our top-line projection now stands at \$2.5 billion, as we think revenue will grow at a steady clip for the remainder of the term.

The company plans to invest more than \$2 billion in its supply and transmission network over the next few years. This should help Westar expand its customer base and provide a more efficient way of delivering electricity to its customers. In addition, we expect many of the current projects, such as the 345-kilovolt transmission line, to finish in a timely manner.

These shares are ranked 2 (Above Average) for Timeliness. The dividend yield is about average for a utility. Like most utility issues, the recent price is within our 2017-2019 Target Price Range, so total return potential is low.

Daniel Henigson June 20, 2014

Year	2010	2011	2012	2013	2014	Full Year
Quarterly Revenues (\$ mill.)	481.7	524.9	678.2	486.2	2171.0	2171.0
Quarterly Earnings per Share ^A	.27	.38	.98	.16	1.79	1.79
Quarterly Dividends Paid ^B	.30	.31	.31	.31	1.23	1.23

(A) EPS diluted from 2010 onward. Excl. non-recur. gains (losses): '98, (\$1.45); '99, (\$1.31); '00, \$1.07; '01, 27¢; '02, (\$12.06); '03, 77¢; '08, 39¢; '11, 14¢. Earnings may not sum due to rounding. Next eps. rpt'd due early August. (B) Div'd paid in early Jan., April, July, and Oct. = Div'd reinvest. plan avail. † Shareholder Invest. plan avail. (C) Incl. reg. assets. In 2013: \$4.92/sh. (D) Rate base determined: fair value; Rate allowed on common equity in '13: 10.0%; earned on avg. com. eq., '13: 9.5%. Regul. Clim.: Avg. (E) In mill.

Company's Financial Strength **B++**
 Stock's Price Stability **100**
 Price Growth Persistence **65**
 Earnings Predictability **80**

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WISCONSIN ENERGY NYSE-WEC										RECENT PRICE	PIE RATIO 17.1 (Trailing: 17.0 Median: 15.0)					RELATIVE PIE RATIO 0.91	DIV YLD 3.6%	VALUE LINE											
TIMELINESS 2	Raised 5/9/14	High: 16.8	17.3	20.4	24.3	25.2	24.8	25.3	30.5	35.4	41.5	45.0	49.2			Target Price Range													
SAFETY 1	Raised 3/23/12	Low: 11.3	14.8	16.7	19.1	20.5	17.4	18.2	23.4	27.0	33.6	37.0	40.2			2017 2018 2019													
TECHNICAL 4	Lowered 6/6/14	LEGENDS 1.01 x Dividends p sh divided by Interest Rate Relative Price Strength 2-for-1 split 3/11 Options: Yes Shaded area indicates recession																											
BETA .65	(1.00 = Market)	2017-19 PROJECTIONS																											
App'l Total		High 50	Gain (+10%) 7%	Return (-10%) 2%																									
Insider Decisions		J	A	S	O	N	D	J	F	M																			
to Buy		0	0	0	0	0	0	0	0	0																			
Options		0	0	0	2	0	2	4	0	0																			
to Sell		0	0	1	3	0	2	4	0	0																			
Institutional Decisions		3Q2013 4Q2013 1Q2014										% TOT. RETURN 5/14																	
to Buy		204	202	231	1 yr. 16.6					THIS STOCK INDEX																			
to Sell		174	200	200	3 yr. 61.2					VL ARITH*																			
Hld's (000)		169860	165401	168816	5 yr. 171.8					161.9																			
1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC 17-19											
8.56	9.56	14.14	17.02	16.10	17.12	14.66	16.31	17.08	18.12	18.95	17.65	17.98	19.46	18.54	20.00	22.60	22.55	Revenues per sh	25.75										
2.06	2.26	2.24	2.72	2.84	2.86	2.58	2.89	2.90	2.98	2.95	3.11	3.30	3.68	4.01	4.33	4.60	4.65	"Cash Flow" per sh	5.75										
.83	.94	.54	.92	1.16	1.13	.93	1.28	1.32	1.42	1.62	1.60	1.92	2.18	2.35	2.51	2.65	2.76	Earnings per sh A	3.25										
.78	.78	.69	.40	.40	.40	.42	.44	.46	.50	.54	.68	.80	1.04	1.20	1.45	1.58	1.68	Div'd Decl'd per sh B	2.10										
1.76	2.22	2.64	3.01	2.54	2.95	2.85	3.40	4.17	5.28	4.86	3.50	3.41	3.60	3.09	3.04	3.35	3.70	Cap'l Spending per sh	4.00										
8.23	8.44	8.50	8.91	9.22	9.96	10.65	11.46	12.35	13.25	14.27	15.28	16.26	17.20	18.05	18.73	19.25	19.70	Book Value per sh C	20.75										
231.21	237.81	237.29	230.84	232.06	236.85	233.97	233.96	233.94	233.89	233.84	233.82	233.77	230.49	229.04	225.96	223.50	221.50	Common Shs Outst'g D	217.00										
18.0	13.3	18.7	12.1	10.5	12.4	17.5	14.5	16.0	16.5	14.8	13.3	14.0	14.2	15.8	16.5	16.5	16.5	Avg Ann'l PIE Ratio	14.5										
.94	.76	1.22	.62	.57	.71	.92	.77	.86	.88	.89	.89	.89	.89	1.01	.93	.93	.93	Relative P/E Ratio	.90										
5.2%	6.3%	6.8%	3.6%	3.3%	2.8%	2.6%	2.4%	2.2%	2.1%	2.4%	3.2%	3.0%	3.3%	3.2%	3.5%	3.5%	3.5%	Avg Ann'l Div'd Yield	4.6%										
CAPITAL STRUCTURE as of 3/31/14										3431.1	3815.5	3996.4	4237.8	4431.0	4127.9	4202.5	4486.4	4246.4	4519.0	5050	5000	Revenues (\$mill)	5600						
Total Debt \$5114.8 mill. Due in 5 Yrs \$1571.9 mill.										221.2	304.8	313.7	337.7	359.8	378.4	455.6	514.0	547.5	578.6	600	620	Net Profit (\$mill)	695						
LT Debt \$4348.8 mill. LT Interest \$242.7 mill.										37.5%	32.9%	35.8%	39.1%	37.6%	36.5%	35.4%	33.9%	35.9%	38.9%	38.0%	38.0%	Income Tax Rate	38.0%						
Incl. \$84.5 mill. capitalized leases.										10.0%	12.6%	19.0%	23.3%	27.2%	25.0%	18.6%	16.8%	9.4%	4.5%	6.0%	6.0%	AFUDC % to Net Profit	6.0%						
(LT Interest earned: 5.0x)										56.2%	52.8%	51.3%	50.3%	54.8%	51.9%	50.6%	53.6%	51.7%	50.6%	49.0%	51.0%	Long-Term Debt Ratio	50.5%						
Leases, Uncapitalized Annual rentals \$3.9 mill.										43.3%	46.7%	48.2%	49.2%	44.8%	47.7%	49.0%	46.0%	48.0%	49.1%	50.5%	48.5%	Common Equity Ratio	49.0%						
Pension Assets-12/13 \$1451.0 mill.										5762.3	5741.5	5992.8	6302.1	7442.0	7473.1	7764.5	8608.0	8619.3	8626.6	8525	8960	Total Capital (\$mill)	9150						
Oblig. \$1410.2 mill.										5903.1	6362.9	7052.5	7681.2	8517.0	9070.5	9601.5	10160	10572	10907	11225	11600	Net Plant (\$mill)	12400						
Pfd Stock \$30.4 mill. Pfd Div'd \$1.2 mill.										5.6%	7.0%	6.6%	7.0%	6.3%	6.4%	7.5%	7.5%	7.9%	8.1%	8.5%	8.5%	Return on Total Cap'l	9.0%						
260,000 shs. 3.60% \$100 par, callable at \$101;										8.8%	11.2%	10.7%	10.8%	10.7%	10.5%	11.9%	12.9%	13.1%	13.6%	14.0%	14.0%	Return on Shr. Equity	15.5%						
44,498 shs. 6% \$100 par.										8.8%	11.3%	10.8%	10.9%	10.7%	10.6%	12.0%	12.9%	13.2%	13.6%	14.0%	14.0%	Return on Com Equity E	15.5%						
Common Stock 225,519,455 shs.										4.9%	7.5%	7.1%	7.1%	7.0%	6.2%	7.0%	6.8%	6.5%	5.9%	6.0%	5.5%	Retained to Com Eq	5.5%						
MARKET CAP: \$10.2 billion (Large Cap)										45%	34%	35%	35%	35%	42%	41%	47%	51%	57%	58%	60%	All Div'ds to Net Prof	66%						
ELECTRIC OPERATING STATISTICS										BUSINESS: Wisconsin Energy Corporation is a holding company for We Energies, which provides electric, gas & steam service in Wisconsin. Customers: 1.1 mill. elec., 1.1 mill. gas. Acq'd WICOR 4/00. Discontinued pump-manufacturing operations in '04. Sold Point Beach nuclear plant in '07. Elec. revenue breakdown: residential, 36%; small commercial & Industrial, 32%; large commercial & Industrial, 22%; other, 10%. Generating sources: coal, 54%; gas, 10%; renewables, 3%; purchased, 33%. Fuel costs: 40% of revs. '13 reported deprec. rate (utility): 2.9%. Has 4,300 employees. Chairman & CEO: Gale E. Kleppa. President: Allen L. Leverett, Inc. WI. Address: 231 W. Michigan St., P.O. Box 1331, Milwaukee, WI 53201. Tel.: 414-221-2345. Internet: www.wisconsinenergy.com.																			
Fixed Charge Cov. (%)										336	377	414																	
ANNUAL RATES										Past 10 Yrs	Past 5 Yrs	Est'd '11-'13																	
of change (per sh)										1.5%	1.5%	5.0%																	
Revenues										3.5%	6.5%	6.0%																	
"Cash Flow"										8.0%	10.5%	5.6%																	
Earnings										12.0%	19.5%	9.5%																	
Dividends										7.0%	6.0%	2.5%																	
Book Value																													
Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year																								
	Mar.31	Jun.30	Sep.30	Dec.31																									
2011	1328.7	991.7	1052.8	1113.2	4486.4																								
2012	1191.2	944.7	1039.3	1071.2	4246.4																								
2013	1275.2	1012.3	1053.2	1178.3	4519.0																								
2014	1695.0	1055	1100	1200	5050																								
2015	1500	1100	1150	1250	5000																								
Cal-endar	EARNINGS PER SHARE A				Full Year																								
	Mar.31	Jun.30	Sep.30	Dec.31																									
2011	.72	.41	.55	.49	2.18																								
2012	.74	.51	.67	.43	2.35																								
2013	.76	.52	.60	.63	2.51																								
2014	.91	.50	.67	.57	2.65																								
2015	.80	.61	.72	.62	2.75																								
Cal-endar	QUARTERLY DIVIDENDS PAID B				Full Year																								
	Mar.31	Jun.30	Sep.30	Dec.31																									
2010	.20	.20	.20	.20	.80																								
2011	.26	.26	.26	.26	1.04																								
2012	.30	.30	.30	.30	1.20																								
2013	.34	.34	.3825	.3825	1.45																								
2014	.39	.39																											
(A) Diluted EPS. Excl. nonrec. gains (losses): '99, (5¢); '00, 10¢ net; '02, (4¢); '03, (10¢) net; '04, (42¢); gains on disc. ops.: '04, 77¢; '05, 2¢; '06, 2¢; '09, 2¢; '10, 1¢; '11, 6¢. '11										EPS don't add due to rounding. Next earnings report due late July. (B) Div'ds historically paid in early Mar., June, Sept. & Dec. Div'd reinvestment plan avail. (C) Incl. Intang. in '13.										\$6.86/sh. (D) In mill., adj. for split. (E) Rate base: Net orig. cost. Rates all'd on com. eq. in WI in '13: 10.4%-10.5%; earned on avg. com. eq., '13: 13.6%. Regulat. Climate: Above Avg.									
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										Price Growth Persistence 95										Earnings Predictability 100									
										To subscribe call 1-800-833-0046.																			

Wisconsin Energy's utilities have filed a rate case in Wisconsin. Wisconsin Electric is seeking an electric rate increase of \$52.3 million (1.8%), a \$10.7 million (2.4%) gas rate decrease for 2015, and a modest raise in steam tariffs. Wisconsin Gas is asking for rate hikes of \$21.1 million (3.3%) and \$21.4 million (3.3%) in 2015 and 2016, respectively. Settlement talks with the Wisconsin commission's staff and some intervenor groups have resulted in agreed-upon allowed returns on equity for Wisconsin Electric and Wisconsin Gas of 10.2% and 10.3%, respectively. An order is expected this fall.

We have raised our 2014 share-net estimate by a nickel, to \$2.65. The utility benefited from a colder-than-normal winter. However, this resulted in higher maintenance costs, so we have trimmed our June-quarter estimate by \$0.06 a share. Our revised estimate is slightly above management's targeted range of \$2.58-\$2.64 a share. For now, we are sticking with our 2015 estimate of \$2.75 a share, although there are signs of improvement in the service area's economy.

Two significant capital projects are under way, and the company is seeking approval for another project. Wisconsin Electric is replacing the powerhouse at a hydro plant at an expected cost of \$60 million-\$65 million. It is also converting a coal-fired facility so that it can use gas at a cost of \$65 million-\$70 million. Finally, the company asked the state commission to allow it to expand its gas system to serve western Wisconsin. The initial cost is expected to be \$150 million-\$170 million. A ruling is likely next spring.

Finances are strong. Wisconsin Energy is generating free cash flow. The fixed-charge coverage is high, and rising. Earned returns on equity are very healthy. Thus, we have raised the company's Financial Strength rating a notch, to A+.

This timely stock has some appeal for conservative, income-oriented investors. The dividend yield is only slightly below the utility average, and Wisconsin Energy offers superior dividend growth prospects. On the down side, with the recent price slightly above the midpoint of our 3- to 5-year Target Price Range, total return potential is unimpressive.

Paul E. Debbas, CFA
June 20, 2014

XCEL ENERGY NYSE: XEL		RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE													
		31.32	15.8	(Trailing: 16.4 Median: 14.0)	0.84	3.9%														
TIMELINESS	3 Raised 12/27/13	High: 17.4	18.8	20.2	23.6	25.0	22.9	21.9	24.4	27.8	29.9	31.8	31.8	Target Price Range						
SAFETY	2 Raised 5/14/04	Low: 10.4	15.5	16.5	17.8	19.6	15.3	16.0	19.8	21.2	25.8	26.8	27.3	2017	2018	2019				
TECHNICAL	2 Raised 3/28/14	LEGENDS 0.76 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession																		
BETA	.65 (1.00 = Market)	2017-19 PROJECTIONS High Price 35 (+10%) Low Price 25 (-20%) Gain Nil Return 7% Ann'l Total Nil																		
Insider Decisions		J J A S O N D J F to Buy 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 Options 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 to Sell 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0																		
Institutional Decisions		202013 302013 4Q2013 to Buy 228 187 208 to Sell 207 229 232 Hld's(000) 326369 334009 329533 Percent shares traded 15 10 5																		
1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19	
18.46	18.42	34.11	43.56	23.89	19.90	20.84	23.86	24.16	23.40	24.69	21.08	21.38	21.90	20.76	21.92	22.25	22.55	Revenues per sh	25.25	
4.30	4.13	4.12	5.09	3.14	3.35	3.27	3.28	3.61	3.45	3.50	3.48	3.79	4.00	4.10	4.20	4.30	4.30	"Cash Flow" per sh	5.00	
1.84	1.43	1.60	2.27	.42	1.23	1.27	1.20	1.35	1.35	1.46	1.49	1.56	1.72	1.85	1.91	2.00	2.05	Earnings per sh ^A	2.50	
1.43	1.45	1.48	1.50	1.13	.75	.81	.85	.88	.91	.94	.97	1.00	1.03	1.07	1.11	1.20	1.26	Div'd Decl'd per sh ^B	1.45	
2.99	13.87	3.83	7.40	6.04	2.49	3.19	3.25	4.00	4.89	4.66	3.91	4.60	4.53	5.27	6.82	5.65	6.05	Cap'l Spending per sh	5.00	
16.25	16.42	16.37	17.95	11.70	12.95	12.99	13.37	14.28	14.70	15.35	15.92	16.76	17.44	18.19	19.21	20.30	21.35	Book Value per sh ^C	24.25	
152.70	155.73	339.79	345.02	398.71	398.96	400.46	403.39	407.30	428.78	453.79	457.51	482.33	486.49	487.96	497.97	512.00	526.00	Common Shs Outst'g ^D	533.00	
15.2	16.6	14.3	12.4	40.8	11.6	13.6	15.4	14.8	16.7	13.7	12.7	14.1	14.2	14.8	15.0	14.8	15.0	Avg Ann'l P/E Ratio	12.5	
.79	.95	.93	.64	2.23	.66	.72	.82	.80	.89	.82	.85	.90	.89	.94	.84	.84	.84	Relative P/E Ratio	.80	
5.1%	6.1%	6.4%	5.3%	6.6%	5.2%	4.7%	4.6%	4.4%	4.0%	4.7%	5.1%	4.5%	4.2%	3.9%	3.9%	3.9%	3.9%	Avg Ann'l Div'd Yield	4.7%	
CAPITAL STRUCTURE as of 12/31/13		8345.3 9625.5 9840.3 10034 11203 9844.3 10311 10655 10128 10915 11400 11850 Revenues (\$mill) 13500 Total Debt \$11951 mill. Due in 5 Yrs \$3545.8 mill. 526.9 499.0 568.7 575.9 645.7 685.5 727.0 841.4 905.2 948.2 1010 1080 Net Profit (\$mill) 1300 LT Debt \$10911 mill. LT Interest \$543.0 mill. 23.2% 25.8% 24.2% 33.8% 34.4% 35.1% 37.5% 35.8% 33.2% 33.8% 35.0% 35.0% Income Tax Rate 35.0% Incl. \$179.4 mill. capitalized leases. 10.9% 8.5% 9.8% 12.5% 15.9% 16.8% 11.7% 9.4% 10.8% 13.4% 13.0% 13.0% AFUDC % to Net Profit 9.0% (LT interest earned: 3.4x) 55.0% 61.7% 52.1% 49.7% 52.2% 51.6% 53.1% 51.1% 53.3% 53.3% 52.5% 51.0% Long-Term Debt Ratio 50.5% Leases, Uncapitalized Annual rentals \$240.7 mill. 44.1% 47.3% 47.0% 49.4% 47.1% 47.7% 46.3% 48.9% 46.7% 46.7% 47.5% 49.0% Common Equity Ratio 49.5% Pension Assets-12/13 \$3010.1 mill. 11601 11398 12371 12748 14800 15277 17452 17331 19018 20477 21900 22925 Total Capital (\$mill) 26100 Oblig. \$3440.7 mill. 14096 14696 15549 16676 17689 18508 20663 22353 23809 26122 27875 29900 Net Plant (\$mill) 34100 Pfd Stock None 6.2% 6.2% 6.2% 6.3% 6.0% 6.2% 5.7% 6.5% 6.1% 6.0% 6.0% 6.0% Return on Total Cap'l 6.0% Common Stock 498,288,164 shs. 9.9% 9.1% 9.6% 9.0% 9.1% 9.3% 8.9% 9.9% 10.2% 9.9% 9.5% 9.5% Return on Shr. Equity 10.0% as of 2/17/14 10.0% 9.2% 9.7% 9.1% 9.2% 9.4% 8.9% 9.9% 10.2% 9.9% 9.5% 9.5% Return on Com Equity ^E 10.0% MARKET CAP: \$16 billion (Large Cap) 3.9% 2.9% 3.6% 3.1% 3.8% 3.7% 3.6% 4.3% 4.7% 4.5% 4.0% 4.0% Retained to Com Eq 4.0% ELECTRIC OPERATING STATISTICS 62% 69% 63% 66% 59% 61% 59% 56% 54% 54% 60% 61% All Div'ds to Net Prof 59%																		
BUSINESS: Xcel Energy Inc. is the parent of Northern States Power, which supplies electricity to Minnesota, Wisconsin, North Dakota, South Dakota, & Michigan & gas to Minnesota, Wisconsin, North Dakota, & Michigan; Public Service of Colorado, which supplies electricity & gas to Colorado; & Southwestern Public Service, which supplies electricity to Texas & New Mexico. Customers: 3.5		mill. electric, 1.9 mill. gas. Elec. rev. breakdown: residential, 32%; sm. comm'l & Ind'l, 36%; lg. comm'l & Ind'l, 19%; other, 13%. Generating sources not available. Fuel costs: 47% of revs. '13 reported depr. rate: 2.9%. Has 11,600 employees. Chairman, Pres. & CEO: Ben Fowke. Inc.: MN. Address: 414 Nicollet Mall, Minneapolis, MN 55401. Tel.: 612-330-5500. Internet: www.xcelenergy.com.																		
Xcel Energy's utility subsidiary in Minnesota has a major rate case pending. Northern States Power is seeking a two-year rate increase of \$193 million (6.9%) in 2014 and \$98 million (3.5%) in 2015. The application is based on a return of 10.25% on a common-equity ratio of 52.5%. The Minnesota Public Utilities Commission (MPUC) granted NSP an interim tariff hike of \$127 million (4.6%) at the start of 2014, and the final order is expected in early 2015. Cost overruns for a nuclear uprate and life extension project will likely be an issue in this case, and the MPUC is holding hearings about this matter. Its order is expected in March. Separately, the North Dakota commission approved a settlement calling for 5% annual rate hikes for NSP through year-end 2015. Southwestern Public Service received a rate increase in New Mexico, and is seeking rate relief in Texas. In New Mexico, the utility was granted a tariff hike of \$33.1 million, based on a return of 9.96% on a common-equity ratio of 53.89%. In Texas, SPS filed for a raise of \$52.7 million, based on a return of 10.4% on a common-equity ratio of 53.89%. An order		is expected in the third quarter of 2014. Rate increases are the main driver of the profit growth we estimate this year and next. We have raised our 2014 earnings estimate by \$0.05 a share, to \$2.00, due to favorable weather conditions in the midwestern portion of Xcel's service territory. Our revised estimate remains within management's targeted range of \$1.90-\$2.05 a share. We forecast just slightly higher earnings in 2015, assuming reasonable regulatory treatment and a return to normal winter weather patterns. The board of directors raised the dividend one quarter earlier than in recent years. This will be the timing of future dividend reviews. The increase was greater than we expected, at two cents a share (7.1%) quarterly. Beyond 2014, Xcel's goal is for 4%-6% annual dividend growth, the same as its target for yearly profit growth. The dividend yield of Xcel Energy's stock is about equal to the utility average. With the recent price above the midpoint of our 2017-2019 Target Price Range, total return potential is low. Paul E. Debbas, CFA May 2, 2014																		
Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year	(A) Diluted EPS. Excl. nonrec. gain (loss): '02, (\$6.27); '10, 5¢; gains (losses) on disc. ops.: '03, 27¢; '04, (30¢); '05, 3¢; '06, 1¢; '09, (1¢); '10, 1¢; '11 & '12 EPS don't add due to round- ing. Next egs. report due late July. (B) Div'ds histor. paid mid-Jan., Apr., July, and Oct. (C) Div'd reinvestment plan avail. (D) Incl. intang. '13: \$5.04/sh. (E) Rate base: Varies, Rate all'd on com. eq.: MN '13 9.83%; WI '14 10.2%; CO '14 (elec.) 9.72%; CO '07 (gas) 10.25%; TX '86 15.05%; earned on avg. com. eq., '13: 10.3%. Regulatory Climate: Avg. Company's Financial Strength B++ Stock's Price Stability 100 Price Growth Persistence 70 Earnings Predictability 100														
2011	2817	2438	2832	2568	10685															
2012	2578	2275	2724	2551	10128															
2013	2783	2579	2822	2731	10915															
2014	3050	2600	2950	2800	11400															
2015	3050	2750	3100	2950	11850															
Cal-endar	EARNINGS PER SHARE ^A				Full Year															
2011	.42	.33	.69	.29	1.72															
2012	.38	.38	.81	.29	1.85															
2013	.48	.40	.73	.30	1.91															
2014	.51	.42	.75	.32	2.00															
2015	.49	.44	.78	.34	2.05															
Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year															
2010	.245	.245	.2525	.2525	1.00															
2011	.2525	.2525	.26	.26	1.03															
2012	.26	.26	.27	.27	1.06															
2013	.27	.27	.28	.28	1.10															
2014	.28	.30																		

(A) Diluted EPS. Excl. nonrec. gain (loss): '02, (\$6.27); '10, 5¢; gains (losses) on disc. ops.: '03, 27¢; '04, (30¢); '05, 3¢; '06, 1¢; '09, (1¢); '10, 1¢; '11 & '12 EPS don't add due to round-
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Stock's Price Stability 100
Price Growth Persistence 70
Earnings Predictability 100

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Stock's Price Stability 100
Price Growth Persistence 70
Earnings Predictability 100

Company's Financial Strength B++
Stock's Price Stability 100
Price Growth Persistence 70
Earnings Predictability 100

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CASE: UE 283
WITNESS: MATT MULDOON

**PUBLIC UTILITY COMMISSION
OF
OREGON**

**STAFF EXHIBIT 1406
Spreads over U.S. Treasuries
by Utility Credit Rating**

**Exhibits in Support of
Rebuttal Testimony**

August 13, 2014

Bloomberg Current Investment Grade Utility Spreads Over UST

Bloomberg CRVF Function Plot
Accessed by Staff on July 3, 2014



Referent Points of Interest:

10 Year Maturity Range from A rated 68 bps to B rated 96 bps,
30 Year Maturity Range from A rated 87 bps to B rated 117 bps.

CASE: UE 283
WITNESS: MATT MULDOON

**PUBLIC UTILITY COMMISSION
OF
OREGON**

**STAFF EXHIBIT 1407
“Utilities Get No Jolt
Despite Improving Economy”
WSJ**

**Exhibits in Support of
Rebuttal Testimony**

August 13, 2014

Electric Utilities Get No Jolt Despite Improving Economy

Electricity Sales Anemic for Seventh Year in a Row

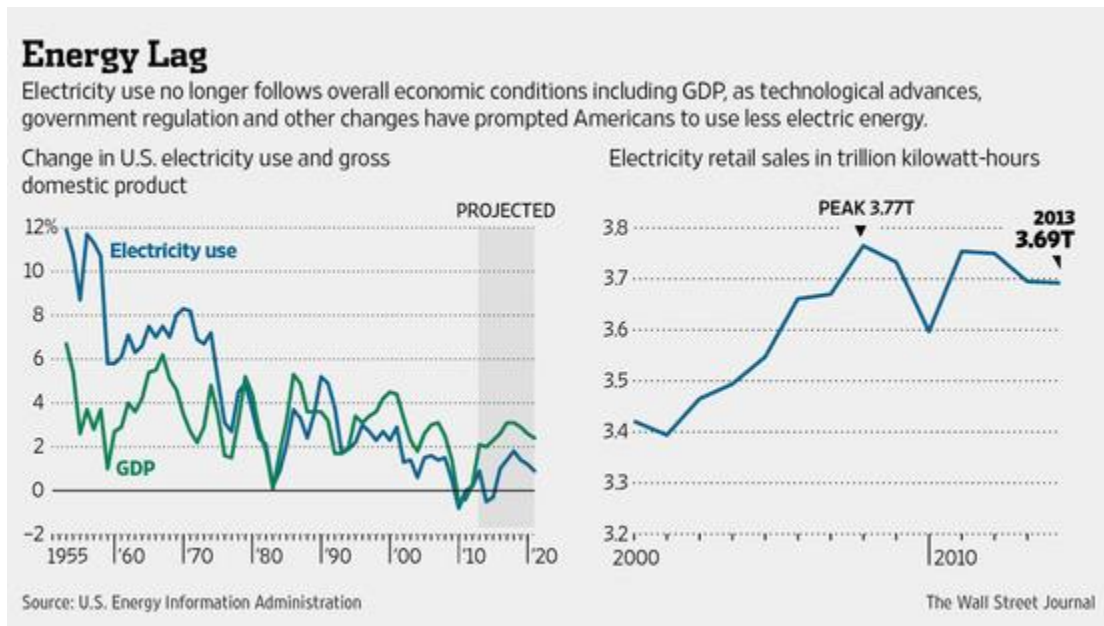
by Rebecca Smith – WSJ – Jul. 28, 2014

<http://online.wsj.com/articles/electric-utilities-get-no-jolt-from-gadgets-improving-economy-1406593548>

When customers of American Electric Power Co. AEP in Your Value Your Change Short position started dialing back on power consumption in early 2009, company executives figured consumers and businesses were just pinching pennies because of the recession.

Five years and an economic recovery later, electricity sales at the Columbus, Ohio-based power company still haven't rebounded to the peak reached in 2008. As a result, executives have had to abandon their century-old assumption that the use of electricity tracks overall economic conditions.

"It's a new world for us," says Chief Executive Nick Akins.



Utility executives across the country are reaching the same conclusion. Even though Americans are plugging in more gadgets than ever and the unemployment rate had dropped at one point to a level last reported in 2008, electricity sales are looking anemic for the seventh year in a row.

Sluggish electricity demand reflects broad changes in the overall economy, the effects of government regulation and technological changes that have made it easier for Americans to trim their power consumption. But the confluence of these trends presents utilities with an almost unprecedented challenge: how to cope with rising costs when sales of their main product have stopped growing.

Sales volume matters because the power business ranks as the nation's most capital-intensive industry. When utilities are flush with cash, they buy lots of expensive equipment and raise dividends for investors. When they're selling less of their product, they look for ways to cut or defer spending. Regulators typically allow utilities to charge

rates that are high enough to cover their basic expenses, but that doesn't guarantee them strong profits.

Utilities typically need to expand sales volume by 1% or more a year just to maintain their expensive, sprawling networks of power plants, transmission lines and substations, says Steven Piper, an energy analyst for SNL Energy, a research company.

"That's where the existential crisis is coming from," he adds.

Historically, economic expansion meant expanding electricity sales. In fact, during the 1950s and 1960s, energy demand outpaced the growth in the gross domestic product. Then, from 1975 to 1995, GDP and electricity sales grew in tandem.

But the connection now appears to be broken. The **U.S. Energy Information Administration said recently that it no longer foresees any sustained period in which electricity sales will keep pace with GDP growth.**

Some of the trends affecting the electric industry have been building for decades. Among them: Americans have migrated to states with milder weather. And although it may seem counterintuitive, it takes less energy to keep houses cool in warm climates than to warm them in cold climates. According to federal data, less than half of all Americans now live in colder states, down from almost 60% in 1960.

Demand from industry has also changed as manufacturing plants have moved overseas or even within the U.S. Edison International, has lost most of its aerospace and defense customers in Southern California. Ted Craver, chief executive, says industrial customers consumed half of Southern California Edison's electricity in the 1980s but require only 10% today.

Increasingly, both residential and business customers are making their own power rather than buying it from utilities. In Arizona, for example, solar companies are siphoning off utility customers.

Sherry Pfister, a retiree who once worked at the Palo Verde nuclear power plant 45 miles west of Phoenix, says she didn't hesitate to lease solar panels for her home in Waddell, Ariz., and says the panels have cut her utility bill by a third.

"Why isn't everybody doing it?" she wonders.



Sluggish electricity demand reflects broad changes in the overall economy, the effects of government regulation and technological changes. *Bloomberg News*

Her supplier, Sunnova Inc., wooed her with solar panels that cost 70 cents a watt, a fifth of the cost in 2008. Solar energy "is the next shale gas," says Sunnova Chief Executive John Berger, predicting it will upend the utility business.

Energy efficiency blunts the impact of population and economic growth, because upgrades in lighting, appliances and heavy equipment reduce energy needs. In 2005, the average refrigerator consumed 840 kilowatt-hours of electricity a year, according to the U.S. Energy Information Administration. A typical 2010 replacement needed only 453 kilowatt-hours of electricity.

As their sales have lagged behind, utilities have raised prices, and that, too, is discouraging use. Most U.S. households pay 12 cents a kilowatt-hour today, up one-third from a decade ago, according to EIA data. A 2012 study from the California Public Utilities Commission found that customers have had a "strong response to price changes."

To fight rising costs, Washington, D.C., has hired a consultant to help cut its electricity use 20% by 2015 – and to save \$10 million a year. FirstFuel Software sniffs out waste at the district's 400 buildings with the help of smart meters and special software.

"We're not going to win the grand innovation prize," says Sam Brooks, head of energy and sustainability for the District of Columbia, but he adds that just turning off the lights and shutting off furnaces when buildings are unoccupied turns out to be an easy way to save money.

Electricity demand is likely to be even more subdued in coming years. The U.S. Environmental Protection Agency wants to slash greenhouse-gas emissions from power plants, in part by trimming electricity use. Its goal is to offset any increases in energy use because of population growth by promoting energy-efficiency measures.

Utilities aren't waiting for better times. They're increasing spending on big solar projects and energy-efficiency programs for which they earn income as investors or managers. And many executives are searching for new services to offer.

"The industry has been pretty resilient the past hundred years," says Bill Johnson, chief executive of the Tennessee Valley Authority, which furnishes electricity to nine million people in seven states. "I wouldn't count us out quite yet."

Electricity demand also isn't bleak everywhere. FirstEnergy Corp. which is based in Akron, Ohio, says demand is increasing from such industries as steel, auto, oil refining and chemical production.

But that hasn't been enough to make up for losses elsewhere. Anthony Alexander, the company's chief executive, forecasts that it will take until 2016 at the earliest for its electricity sales to recover to prerecession levels.

"It's pretty much a lost decade," he says.

CASE: UE 283
WITNESS: MATT MULDOON


**PUBLIC UTILITY COMMISSION
OF
OREGON**

**STAFF EXHIBIT 1408
PGE 2014 Q2 Earnings Call
CAPX Slides**

**Exhibits in Support of
Rebuttal Testimony**

August 13, 2014

PGE Slides Depicting New Plant as Delivering Shareholder Value




Earnings Conference Call
Second Quarter 2014

New Generation: Capacity Resource

Port Westward Unit 2

Project Location	Clatskanie, OR
Capacity / Fuel	220 MW / Natural Gas
Technology	12 Natural Gas/Wärtsilä Reciprocating Engines
EPC Contractor	Black & Veatch, Harder Mechanical
Estimated In-Service Date	Q1 2015
Customer Price Impact	~3%
Next Steps	<ul style="list-style-type: none"> Final construction Initial testing




PW2 CapEx: \$300M
(in millions)

Year	CapEx (\$M)
2013	\$155
2014	\$130
2015	\$15

New Generation: Renewable Resource

Tucannon River Wind Farm

Project Location	Columbia County, WA
Capacity / Fuel	267 MW / Wind
Technology	116 2.3 MW Siemens Turbines
EPC Contractor	RES Americas
Estimated In-Service Date	December 2014 - Q1 2015
Customer Price Impact	~3%
Next Steps	<ul style="list-style-type: none"> Delivery of turbine components Erecting turbines Turbine testing




Tucannon River CapEx: \$500M
(in millions)

Year	CapEx (\$M)
2013	\$95
2014	\$395
2015	\$10

New Generation: Baseload Resource

Carty Generating Station


Project Location	Boardman, OR
Capacity / Fuel	440 MW / Natural Gas
Technology	Mitsubishi Turbine
EPC Contractor	Abener/Abengoa
Estimated In-Service Date	Mid 2016
Customer Price Impact	~6-8%
Next Steps	<ul style="list-style-type: none"> Pouring foundations Installation of the HRSG Receiving gas & steam turbines



Carty CapEx: \$450M
(in millions)

Year	CapEx (\$M)
2013	\$135
2014	\$115
2015	\$165
2016	\$35

Expected Rate Base and Capital Expenditures



\$1.4B of Expected Increase in Rate Base

2013: \$3.1B

10% CAGR

2017: \$4.5B

	2013	2014E	2015E	2016E	2017E	2018E	TOTAL
Base Capital Spending ⁽¹⁾	\$335	\$360	\$320	\$315	\$285	\$280	\$1,895
Port Westward Unit 2	\$155	\$130	\$15				\$300
Tucannon River Wind Farm	\$95	\$395	\$10				\$500
Carty Generating Station	\$135	\$115	\$165	\$35			\$450
TOTAL	\$720	\$1,000	\$510	\$350	\$285	\$280	\$3,145

(1) Consists of board-approved ongoing capex and hydro relicensing per the Quarterly 2014 Form 10-Q filed on July 29, 2014
Note: Amounts exclude AFDC debt and equity

Narrative explains that these new plants “drive value for our shareholders”.

<http://investors.portlandgeneral.com/index.cfm>

10

CASE: UE 283
WITNESS: JOHN CRIDER

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 1500

RPS Carve Out

August 13, 2014

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is John Crider. I am a Senior Power Cost Analyst with the Public
3 Utility Commission. My business address is 3930 Fairview Industrial Dr. SE.,
4 Salem, Oregon 97308-1088.

5 **Q. Please describe your educational background and work experience.**

6 A. My Witness Qualification Statement is found in Exhibit Staff/1201.

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to summarize and respond to PGE's proposal
9 to "carve out" and recover certain costs associated with the Company's
10 compliance with Oregon's Renewable Portfolio Standard.

11 **Q. Have you previously testified on this topic?**

12 A. No. Staff previously filed testimony by Staff witness Ryan Bracken regarding
13 PGE's "carve-out proposal". I adopt Mr. Bracken's previously-filed testimony
14 in this docket, which was labeled Staff/1100.

15 **Q. Did you prepare an exhibit for this docket?**

16 A. No.

RPS CARVE OUT PROPOSAL

Q. How does PGE describe the Renewable Portfolio Standard (RPS) carve out?

A. In its reply testimony PGE describes the RPS Carve Out as “ ‘carving out’ renewable resources from the Power Cost Adjustment Mechanism (PCAM) and passing the incremental benefits and costs of those resources through the Renewable Resources Automatic Adjustment Clause tariff (“RAC”, Schedule 122).”¹

Q. What justification does PGE use for the recovery of costs in this manner?

A. PGE states in its opening testimony and reply testimony that Senate Bill 838 (SB 838) authorizes this cost recovery by stating: “... all prudently incurred costs associated with the compliance with a renewable portfolio standard are recoverable in the rates of an electric company...”²

Q. Does PGE claim that SB 838 guarantees recovery of the costs associated with RPS compliant resources?

A. No. In its reply testimony, PGE clearly states that SB 838 does not guarantee such recovery. PGE continues in its reply testimony to state that the company is not requesting such a treatment.³

Q. Does Staff agree with PGE?

¹ UE 283/PGE/1600, Tinker-Liddle/5

² *Ibid.*

³ *Ibid.*

1 A. Yes. Staff agrees with PGE that SB 838 (codified at ORS 469A.120(1)) does
2 not provide PGE with the right to have a rate mechanism that guarantees PGE
3 100 percent recovery of both fixed and variable costs of renewable resources.

4 **Q. How does Staff characterize the costs associated with RPS**
5 **compliance?**

6 A. Staff considers that the costs associated with RPS compliance fall into one of
7 two general categories: 1) capital expenses; and 2) operating or “power cost”
8 expenses. Capital expenses include all the outlays from the Company for the
9 purchase of equipment and associated physical hardware for the purpose of
10 generating and transmitting renewable electricity. Costs related to the
11 operation of the renewable plants to generate and deliver the electricity to
12 customers are considered Net Variable Power Costs⁴ (NVPC).

13 **Q. Does the Company have a mechanism for recovery of capital costs**
14 **associated with the RPS?**

15 A. Yes. ORS 469A.120(2) directed the Commission to establish an automatic
16 adjustment clause as defined in ORS 757.210 for the “...timely recovery of
17 costs prudently incurred by an electric company to construct or otherwise
18 acquire facilities that generate electricity from renewable energy sources and
19 for associated electricity transmission.” The Commission responded by
20 establishing the Renewable Resources Automatic Adjustment Clause tariff
21 (RAC), incorporated by PGE as Schedule 122.

⁴ See PGE Tariff Schedule 125.

1 **Q. Did the legislature specify how RPS-related power costs are to be**
2 **recovered in rates?**

3 A. No. While the legislature specified that a wide range of other costs associated
4 with RPS compliance, including power costs, are recoverable in rates, the
5 legislature did not direct the Commission to treat these other RPS-related costs
6 differently than any other prudently incurred cost that is recoverable in rates.

7 **Q. How does PGE recover its NVPC?**

8 A. PGE recovers its NVPC through application of the Annual Update Tariff (AUT)
9 and the Annual Power Cost Variance Mechanism (PVM). Together these are
10 referred to as a Power Cost Adjustment Mechanism (PCAM). The AUT is a
11 forward-looking forecast where rates are set on projected costs. The PVM is a
12 backwards looking mechanism that compares actual costs to those forecasted
13 (this is called a “variance”). The variance is allowed to be recovered through
14 rates, subject to risk-sharing as discussed later in this testimony. Assuming
15 rates are set for PGE in a fair and reasonable manner, over time PGE will
16 collect on average its renewable-related power costs. The PCAM does not
17 single out renewable resources from overall variable power costs given that
18 renewable resources and PGE’s operations to meet load are highly inter-
19 related.

20 **Q. Does PGE incur power costs other than those associated with RPS**
21 **compliance?**

22 A. Yes. NVPC include costs for fuel, fuel transportation, power contracts,
23 transmission/wheeling, wholesale sales, hedges, options and other financial

1 instruments incurred to serve load.⁵ NVPC includes costs associated with all
2 generation – renewable and non-renewable alike.

3 **Q. Should renewable NVPC be treated any differently than other prudently**
4 **incurred NVPC?**

5 A. No. NVPC simply reflect the normal costs of delivering power to customers
6 regardless of the generation source. The particular mix of costs might be
7 different for renewable generation than for traditional generation (for example,
8 solar and wind generation have no fuel cost), but the nature of the costs is the
9 same and recovery should be treated no differently.

10 **Q. Does PGE explain what costs the carve-out would recover?**

11 A. Yes. In its opening testimony PGE proposes to collect "...variances in power
12 (output, market value, integration and royalties) and related PTCs costs for
13 RPS-compliant resources." The "variances" refer to the difference between the
14 amounts PGE forecasted and included in rates, and actuals. "PTC" refers to
15 federal wind production tax credits that are issued based on actual generation.

16 **Q. What has the Commission said regarding the collection of power cost**
17 **variances?**

18 A. In Order No. 07-015, which established PGE's current power cost recovery
19 structure, the Commission stated:

20 *We conclude that a PCAM should be adopted to capture power cost*
21 *variations that exceed those considered part of normal business risk.*

⁵ See PGE Schedule 125.

1 *In this case, normal business risk for PGE includes all the*
2 *circumstances to which it is exposed, such as hydro variability.*⁶

3 The Commission further states in the same order that the PCAM is
4 specifically designed "...so that PGE will bear normal business risk
5 associated with actual power costs varying from forecast."

6 **Q. Please summarize the Commission's principles used to establish the**
7 **PGE PCAM.**

8 A. The basic principles that form the basis of a well-designed PCAM, in the words
9 of the Commission are: "(1) any adjustment under a PCAM should be limited to
10 unusual events and capture power cost variances that exceed those
11 considered normal business risk for the utility; (2) there should be no
12 adjustments if the utility's overall earnings are reasonable; (3) the PCAM's
13 application should result in revenue neutrality; (4) the PCAM should operate in
14 the long-term to balance the interests of the utility shareholder and ratepayer;
15 and, implicitly, (5) the PCAM should provide an incentive to the utility to
16 manage its costs effectively."⁷

17 **Q. How are these principles reflected within the PCAM structure?**

18 A. The PCAM is designed with a deadband to limit any adjustment to unusual
19 events outside of normal business risk, an earnings test, and a cost sharing
20 between customers and the Company of any remaining variance. In general,
21 these design features are referred to as "risk-sharing mechanisms" to reflect

⁶ OPUC Order No. 07-015, page 26.

⁷ *Ibid*, page 13.

1 the concept that customers and the Company both share some cost risk
2 associated with variances.

3 **Q. Has the Commission revisited these principles?**

4 A. Yes. In Docket UE 246, which established a PCAM for PacifiCorp, the
5 Commission reviewed the arguments for the establishment of the PGE PCAM
6 and concluded that "... our reasoning used to establish a PCAM for PGE
7 remains sound..."⁸

8 **Q. Were RPS-related variances considered in Docket UE 246?**

9 A. Yes. Pacific Power claimed in this docket that it experienced an under-
10 collection of net power costs in Oregon "due primarily to the inability to
11 accurately forecast wind generation and factors associated with integrating a
12 new, large fleet of renewable resources whose generation fluctuates widely."⁹
13 Pacific Power used this claim to argue for a PCAM without any risk-sharing
14 mechanisms.

15 **Q. How did the Commission respond?**

16 A. The Commission rejected Pacific Power's argument and established a PCAM
17 for Pacific Power with the same risk-sharing mechanisms as those that exist for
18 PGE's PCAM.¹⁰

19 **Q. Does this mean that costs related to renewable energy such as wind**
20 **variability, for example, are not able to be recovered by a utility?**

⁸ OPUC Order No. 12-493, page 14.

⁹ *Ibid*, page 9.

¹⁰ *Ibid*.

1 A. Not at all. The power cost recovery mechanisms continue to be refined to allow
2 for the recovery of wind-related costs. Explicit costs for wind integration are
3 allowed for recovery within the mechanism. These costs include those for
4 additional system regulation as well as those reflecting wind forecast error.

5 **Q. In its current proposal does PGE offer any legal basis for carving out**
6 **RPS-related variances?**

7 A. Yes. In its opening testimony PGE bases its argument for adopting the carve-
8 out on the language of SB 838 stating "...all prudently incurred costs
9 associated with the compliance with a renewable portfolio standard are
10 recoverable in the rates of an electric company..."¹¹

11 **Q. Is this the same legal basis that Pacific Power used in Docket UE 246?**

12 A. Yes. Pacific Power uses the identical language of SB 838 to argue for recovery
13 of RPS-related variances without being subjected to risk-sharing mechanisms
14 incorporated into PGE's PCAM.¹²

15 **Q. Did the Commission agree with Pacific Power?**

16 A. No. The Commission rejected the Pacific Power's proposal to recover its RPS-
17 related power cost variances without being subject to risk-sharing
18 mechanisms.¹³

19 **Q. Is there any compelling reason for the Commission to alter its previous**
20 **conclusions regarding the recovery of RPS-related variances?**

21 A. No.

¹¹ UE 283/PGE/500, Niman-Peschka-Hager/43 at 14.

¹² UE 246/PAC/900, Duvall/26.

¹³ OPUC Order 12-493, pages 14-15.

1 **Q. What do you conclude regarding power cost variances and the PCAM?**

2 A. From this discussion I conclude that:

3 1) The Commission recognizes that utilities should have the opportunity to
4 recover power cost variances, both RPS-related and non-RPS-related;

5 2) The Commission has identified the proper and preferred mechanism for
6 recovery of power cost variances as a well-designed PCAM;

7 and,

8 3) The Commission believes a well-designed PCAM includes risk-sharing
9 mechanisms such as a deadband, earnings test and cost sharing between
10 customers and the Company.

11 **Q. How does PGE propose to recover the RPS-related variance?**

12 A. In its opening testimony PGE proposes to estimate the power cost variance
13 due to RPS-related resources by taking the difference of forecasted renewable
14 variable costs (equal to renewable generation valued at forecasted market
15 prices) and “actual” renewable costs (equal to actual renewable generation
16 valued at actual market prices).

17 **Q. Do you think this is an appropriate recovery method?**

18 A. No. As explained at length in Staff’s opening testimony and also discussed by
19 other Parties in testimony¹⁴ PGE’s method results in a rate adjustment even if
20 actual and forecasted renewable generation match exactly. In addition, PGE
21 designed its mechanism as a stand-alone mechanism instead of modifying the
22 Commission-established PCAM mechanism. Staff recommends using the

¹⁴ Staff/1100, Bracken/13-15; CUB/100, Jenks-McGovern/16 ;ICNU/100, Mullins/9-10.

1 established PCAM to properly recover power cost variances from forecasted
2 levels as a result of renewable generation being different than that forecasted.

3 **Q. Is it possible to determine and isolate the RPS-related variance?**

4 A. No. Power cost variances are attributable to many inter-dependent variables.

5 Isolating the amount of variance due solely to RPS-related resources is not
6 possible. However, if the Commission decides to establish a separate
7 mechanism for this cost recovery, Staff has developed alternatives for
8 consideration, as discussed at length in Staff's opening testimony.¹⁵

9 **Q. Can you summarize why Staff's methodology is more consistent with**
10 **focusing solely on renewable generation variances?**

11 A. Yes. In opening testimony Staff offered four possible alternatives, all of
12 which share the characteristic that they focus only on variance in generation
13 amounts and do not consider variance in market prices, as proposed by
14 PGE. For illustration, one Staff option proposes running the same Monet
15 used by PGE for establishing the AUT but replacing forecasted renewable
16 generation with actual generation. If actual renewable generation equals
17 forecasted generation, there is no adjustment which is what one would
18 expect. However, in the circumstance where actual generation is less than
19 forecasted, PGE would recover the costs of actual renewable generation
20 assuming everything else held constant.

21 **Q. What is your recommendation?**

¹⁵ UE 283/Staff/1100, Bracken

1 A. I recommend the Commission not adopt any separate RPS carve out
2 mechanism as the existing power cost adjustment mechanism results in a
3 fair and reasonable opportunity for PGE to recover its variable power-related
4 costs. However, in the event that the Commission is compelled to adopt a
5 separate RPS carve out mechanism, Staff recommends adoption of Staff's
6 preferred methodology as presented in opening testimony in place of the
7 mechanism proposed by PGE.

8 **Q. Does this conclude your rebuttal testimony?**

9 A. Yes.

10

CASE: UE 283
WITNESS: MARIANNE GARDNER

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 1600

Production Tax Credits

REDACTED
August 13, 2014

CERTAIN INFORMATION CONTAINED IN STAFF EXHIBIT1600

PAGES 2 AND 3

ARE CONFIDENTIAL AND SUBJECT TO PROTECTIVE

ORDER NO. 14-043.

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is Marianne Gardner. My business address is 3930 Fairview
3 Industrial Dr. SE., Salem, Oregon 97308-1088.

4 **Q. Are you the same Marianne Gardner that offered direct testimony on**
5 **behalf of Staff?**

6 A. Yes. My Witness Qualification Statement is found in Exhibit Staff/101.

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to present Staff's position regarding
9 Portland General Electric's (PGE) treatment of production tax credits (PTCs)
10 in UE 283. Specifically, Staff will address PGE's reduction of the test year
11 income tax expense by PTCs generated in the test year and PGE's inclusion
12 of deferred PTCs in rate base.

13 **Q. Did you include an exhibit for this testimony?**

14 A. Yes. I included Exhibit Staff/1601, consisting of two pages from PGE
15 work papers provided in response to Staff's data request (DR) No. 566.

16 **Q. How is your testimony organized?**

17 A. My testimony is organized as follows:

18	Issue 1, -----PTCs Generated.....	1
19	Issue 2, -----Deferred PTC Asset in Rate Base	2

Issue 1, Utilization of PTCs Generated

20 **Q. Has PGE offset customers' tax expense in the 2015 test year by the**
21 **forecasted amount of PTCs that will be generated in the 2015 test**
22 **year?**

1 A. Yes. Referring to Exhibit Staff/1601,Gardner/1 at C34 and
2 UE 283/PGE/Errata 1701, Tooman – Macfarlane/2 at 66/column 4, PGE has
3 applied 100 percent of the [REDACTED] of forecasted PTCs for 2015 to the
4 2015 test year tax expense as calculated by PGE based on their revised
5 revenue requirement.

6 **Q. Does the reduction of the 2015 test year tax expense benefit**
7 **customers?**

8 A. Yes. The reduction of the tax expense reduces the Company's 2015 test
9 year revenue requirement and proposed base rates. The reduction of tax
10 expense is consistent with past Commission practice as evidenced in
11 UE 200, Order No. 08-548, page 21, " Further, the Company is directed to
12 reduce tax expense for Glenrock to account for the additional federal
13 production tax credits..."

Issue 2, Deferred PTCs in Rate Base

14 **Q. Has PGE included a deferred tax asset for production tax credits**
15 **carryforwards in the 2015 test year rate base?**

16 A. Yes. PGE has included the average production tax credit carryforward
17 balance of [REDACTED] in rate base for the Base case and the Tucannon
18 case. PGE's calculation is shown in Exhibit 1601, lines A6 through F12.

19 Using an average rate base is consistent with Commission practice.

20 **Q. Has PGE provided a calculation of the deferred tax asset for the 2015**
21 **test year?**

1 A. Yes. In PGE's response to Staff DR No. 566, PGE provided a calculation,
2 for the average deferred PTC asset in rate base, which can be found in
3 Exhibit/Staff/1601, Gardner/1 at F12. The total carryforward for the 2015
4 test year based on PGE's proposed revenue requirement for the Base case
5 and the Tucannon case is [REDACTED].

6 **Q. Does Staff believe that PGE's calculation of the production tax**
7 **carryforward is inconsistent with the normalized method of accounting**
8 **according to IRC § 168(f)(2) and IRC § 168(i)(9)?**

9 A. No. Staff believes that PGE is complying with normalization rules according
10 to testimony provided by Mr. Greene.¹

11 **Q. Does Staff believe that PTCs carryforwards are subject to**
12 **normalization requirements as implied by Industrial Customer of**
13 **Northwest Utilities (ICNU)?**

14 A. No. In ICNU's filed testimony, Mr. Mullins states, "To the extent that
15 accelerated depreciation, or other temporary book-tax difference, reduces
16 actual taxable income and results in the inability of the Company to not fully
17 utilize production tax credits, it would be inconsistent to include the tax
18 credit carry-forwards in a normalized rate base account."²

19 Based on PGE's testimony, discussion with PGE's tax personnel and Staff's
20 independent research, Staff does not believe PTCs are subject to
21 normalization requirements. Staff did not discover any Internal Revenue
22 Service (IRS) published guidance related to normalization requirements for

¹ UE 283/PGE/1900, Greene/1-11.

² UE 283/ICNU/100, Mullins/16-17.

1 PTCs. However, according to the Matthew Bender publication Accounting
2 for Public Utilities, “When an entity claims PTCs (instead of ITC or Section
3 1603 grants), the PTCs claimed will continue to be recognized as a
4 reduction of income tax expense in the year in which the eligible kWh
5 generation occurs. Entities must assess any deferred tax assets for PTC
6 credit carryforwards to determine whether a valuation allowance is
7 necessary.”³

8 **Q. Is it appropriate for PGE to include a deferred tax asset for PTCs in**
9 **rate base?**

10 A. Yes. Since customers are receiving a current benefit from the recognition of
11 the generated PTCs as a reduction to tax expense, PGE is entitled to earn a
12 return in rate base for the averaged deferred tax asset.

13 **Q. Does this conclude your direct testimony?**

14 A. Yes.

³ Robert L. Hahne and Gregory E. Ailff, Accounting for Public Utilities §18.04 (Matthew Bender).

CASE: UE 283
WITNESS: MARIANNE GARDNER

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 1601

**Exhibit in Support of
Rebuttal Testimony**

**REDACTED
August 13, 2014**

Staff/1601
Gardner/1

This page is confidential and is subject to
Protective Order No. 14-043.

CERTIFICATE OF SERVICE

UE 283
REBUTTAL TESTIMONY

I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 13th day of August, 2014 at Salem, Oregon

Kay Barnes

Kay Barnes
Public Utility Commission
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UE 283
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