American Electric Power is exiting the nonregulated power-generating business. Weak power prices and sluggish demand for electricity in recent years have reduced the profitability of this business. The company has agreed to sell 5,200 megawatts of coal- and gas-fired generating assets. Net proceeds will be $1.2 billion, and AEP expects to record a nonrecurring gain of about $150 million when the sale is completed, probably in the first quarter of 2017. The company will retain the cash in its regulated utility operations—especially transmission—and its nascent contracted renewable-energy activities. AEP also wants to shed its nonregulated power-generating assets. The company has agreed to sell 1.1 gigawatts of gas-fired generating assets. The exit makes sense strategically, given that a legislative change that would bring back something akin to reregulation against the third quarter of $2.98 a share to write down the value of these assets. Following these moves, the company will be almost entirely a regulated entity.

The exit makes sense strategically, but will be dilutive to earnings in 2017. AEP estimates that this will hurt share price by 30 cents in 2016 and 2017. However, we will not adjust our estimate to reflect the asset sale until it has been completed, so we our forecast is $3.95.

Beyond 2017, the company's goal is for annual profit growth of 5%-7%. We think this is attainable given that AEP's rate base is projected to climb more than 7% a year, on average. The company's target for annual dividend growth is also 5%-7%. The board of directors raised the quarterly dividend by $0.03 a share (5.4%) this quarter. AEP wants to maintain a payout ratio of 60%-70%.

Paul Elkins at CFA 6 December 2016

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Black Hills' earnings will almost certainly advance significantly in 2017. A year ago, the company acquired SourceGas, which provides gas service to more than 400,000 customers in four states. Black Hills incurred significant integration costs in connection with the SourceGas addition. These reduced earnings by $0.46 a share in the first nine months of 2016, and there were possibly additional expenses in the fourth quarter. What's more, the acquisition was completed in mid-February, so Black Hills did not have time of year for a gas utility. Our 2017 earnings estimate is within the company's targeted range of $3.45-$3.65 a share.

Black Hills is trying to reduce its exposure to the oil and gas exploration and production business. The company has sold some non-core assets. Even so, this operation will probably pass modest operating losses in 2017. Black Hills plans to retain some gas reserves it believes would be suitable for inclusion in the rate base, in case the company revives a proposal to reduce gas-based, off-peak peaking.

Electric revenue breakdown: res'l, 31%; comm'l, 38%; ind'l, 16%; other, 15%; generating sources: coal, 33%; other, 4%; purchased, 63%. Fuel costs: 35% of revs. '15 deprec. rate: 3.3%. Has 3,100 MW in the rate base. Rate of return of 9.83% on a common-equity ratio of 0.49%. Has 40.56 million shares outstanding. Price growth persistence: 70. Value Line Pub. LLC
### CMS ENERGY CORP. NYSE-CMS

#### Recent Price: 39.92

<table>
<thead>
<tr>
<th>TIME PERIOD</th>
<th>PI RATIO</th>
<th>TRAILING 18M</th>
<th>RELATIVE PI RATIO</th>
<th>DIV YLD</th>
<th>VALUE LINE</th>
<th>3.3%</th>
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<tbody>
<tr>
<td>2019</td>
<td>19.4</td>
<td>16.4 (Medium: 16.4)</td>
<td>0.99</td>
<td>35.0</td>
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#### Target Price Range

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<thead>
<tr>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<tbody>
<tr>
<td>$22.50</td>
<td>$22.70</td>
<td>$24.75</td>
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<tr>
<td>$4.85</td>
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<td>$0.66</td>
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<td>$1.02</td>
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#### 2019-2021 Projections

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<th>ENDS YEAR</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>$8,832m</td>
<td>$9,912m</td>
<td>$10,633m</td>
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<td>Earnings</td>
<td>$66.66m</td>
<td>$71.90m</td>
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<td>Dividends</td>
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#### Insider Decisions

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<th>To Buy</th>
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<th>To Sell</th>
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<td>203</td>
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#### Institutional Decisions

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<th>Yrs To Date</th>
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<th>2020</th>
<th>2021</th>
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<tr>
<td>Stock Price</td>
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<td>Trades</td>
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<td>Volume</td>
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<td>Average</td>
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<td>Volatility</td>
<td>6.5%</td>
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#### MARKET CAP: $11 billion (Large Cap)

#### ELECTRIC OPERATING STATISTICS

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<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>Revenues ($mill)</td>
<td>14,700</td>
<td>15,400</td>
<td>16,400</td>
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<tr>
<td>Net profit ($mill)</td>
<td>940</td>
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<td>1,200</td>
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<tr>
<td>Avg. Annl Div'd Yield</td>
<td>3.0%</td>
<td>3.0%</td>
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#### BUSINESS: CMS Energy Corporation

CMS Energy’s utility subsidiary is awaiting an order on its electric rate case. Consumers Energy is seeking a $225 million rate hike, based on a 10.7% return on equity. On September 1st, the utility self-implemented a boost of $30 million. The Michigan Public Service Commission (MPSC) is proposing a $92 million raise, based on a 10.6% ROE. This raises many questions about the utility’s self-implemented increase.


#### COMPANY’S FINANCIAL STRENGTH

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<tbody>
<tr>
<td>Dividend Payout %</td>
<td>33%</td>
<td>35%</td>
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<td>F/A Ratio</td>
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<tr>
<td>Debt to Equity</td>
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<tr>
<td>Cash Flow to DEBIT</td>
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<td>1.5</td>
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#### LEGENDS

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<tr>
<th>Code</th>
<th>Description</th>
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<tbody>
<tr>
<td>(A)</td>
<td>Net income after income tax divided by common shares outstanding</td>
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Cleco Corporation (NYSE:CNL)

**Company's Financial Strength**

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
<th>Dividend</th>
<th>P/E</th>
<th>P/B</th>
<th>Yield</th>
<th>Net Income (in $ millions)</th>
<th>Earnings per Share</th>
<th>Book Value per Share</th>
<th>% Change</th>
<th>Average P/E</th>
<th>Beta</th>
<th>% Cap. Gains</th>
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**Historical Price & Dividend Data (2015-2018)**

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<th>High</th>
<th>Low</th>
<th>Close</th>
<th>Open</th>
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<td>2014</td>
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</table>

**Company's Performance (2015-2018)**

- **% Change**: The percentage change in the company's stock price from the beginning to the end of each year.
- **Average P/E**: The average price-to-earnings ratio.
- **Beta**: Measures the stock's volatility relative to the market.
- **% Cap. Gains**: The percentage of capital gains over the period.

**Business Overview**

Cleco Corporation is a holding company for Cleco Power LLC, which supplies electricity to about 280,000 customers in central Louisiana. Electric revenue breakdown: residential, 41%; commercial, 30%; industrial, 14%; other, 10%. The company's principal subsidiary is Cleco Electric Company (CECO), which has one main lignite facility, one coal plant, and four gas- and steam-fired plants. Cleco Electric benefits from a formula rate-making plan that provides some additional regulatory protection and relief from utility benefits if the proposed acquisition is not provided earnings guidance for 2016.

The Louisiana Public Service Commission (LWSC) rejected the proposed acquisition of Cleco. An investor group led by Macquarie Infrastructure Partners and the Commonwealth of Bermuda Energy agreed to pay $55.37 a share in cash for each share of Cleco. However, some intervenors opposed the transaction, and the LSCD did not approve it. Whether the objection was related to foreign ownership or the specific deal is uncertain.

The company's financial statements have not been given up. The company asked for an impoundment and rehearing, and requested placement on the LSCD's agenda for its meeting on March 16th (in between the time the report was presented and the time it came out in print). If the companies' request proves unsuccessful, they can seek relief in the courts. However, the company is facing a potential dire condition.

**The stock is trading as though the deal is already dead.** The LSCD rejected the proposed combination, the share price of Cleco is down 11% year to date, in what has been a good year for most utility equities. Because the stock is not trading further on takeover considerations, we restored its Timeliness rank.

**BUSINESS**: Cleco Corporation is a holding company for Cleco Power LLC, which supplies electricity to about 280,000 customers in central Louisiana. Electric revenue breakdown: residential, 41%; commercial, 30%; industrial, 14%; other, 10%. Largest industrial customers are paper mills and other wood-products industries. Gen- erally, 85% of revenues are from commercial, 30%; industrial, 14%; other, 10%. The company's principal subsidiary is Cleco Electric Company (CECO), which has one main lignite facility, one coal plant, and four gas- and steam-fired plants. Cleco Electric benefits from a formula rate-making plan that provides some additional regulatory protection and relief from utility benefits if the proposed acquisition is not provided earnings guidance for 2016.

**We estimate that earnings will advance this year and next.** In 2015, costs associated with the proposed acquisition (included in our earnings presentation) reduced the company's profits by $0.08 a share. We figure that these expenses will not be lower this year, and as a result, we have not increased our earnings guidance. In addition, the utility benefits from a formula rate-making plan that makes some additional regulatory protection available to utilities. The company is not facing a potential dire condition.

**If the deal is terminated, we think there is a chance of a dividend increase in the second quarter.** The company's management board has not raised the dividend while the attempt at takeover was pending. We look for an increase of a cent a share (2.5%) in the quarterly payout at the first dividend meeting following the termination of the proposed acquisition.

**The dividend yield of Cleco stock is about equal to the mean for electric utilities.** Total return potential over the 3- to 5-year period is unimpressive.
BUSINESS: Consolidated Edison, Inc. is a holding company for Consolidated Edison Company of New York, Inc. (CECONY), which sells electricity, gas, and steam in the most of New York City and Westchester County. Also owns Orange and Rockland Utilities (ORU), which operates in New York and New Jersey. Has 3.6 billion electric, 1.2 million gas customers.

Fuel costs: 30% of revenues. '15 reported depreciation rates: 3.0% to 3.7%.

Opportunities through three wholly owned subsidiaries. Entered into strategic alliance with T&D manager Xcel Energy. We look for a dividend hike in early 2017. We think ConEd made a midstream gas acquisition earlier this year. the company has a 50% interest ($968 million) in Stagecoach Storage and Stagecoach Pipelines, which serves northern Pennsylvania and southwestern New York. $0.04 to share net so far in 2016. ConEd also has a 12.5% stake in a proposed $3.0 billion-$3.5 billion pipeline in West Virginia. Completion is expected in late 2018.

We assume that the regulatory settlement is approved, and that ConEd benefits from a full year’s worth of its investment in Stagecoach. The company has completed the sale of its retail electric supply business. This deal raised $200 million. In the third quarter, ConEd booked an aftertax gain of $200 million. In the third quarter, ConEd booked an aftertax gain of $200 million in the third quarter.

We think for a dividend hike in early 2017. This has been the pattern in recent years. We estimate that the board will boost the quarterly payout by $0.02 a share (3.0%), the same increase as in each of the past two years.

This high-quality stock has a dividend yield about equal to the utility mean. With the recent price well within our 2019-2021 Target Price Range, total return potential is limited.

Company’s Financial Strength

5 Stock's Price Stability 100
1 Stock Price Growth Potential 45
25 Earnings Predictability 95

© 2019-2021 Target Price Range, total return potential is limited. To subscribe call t-800-VALUELINE


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We estimate that the board will boost the quarterly payout by $0.02 a share (3.0%), the same increase as in each of the past two years.

This high-quality stock has a dividend yield about equal to the utility mean. With the recent price well within our 2019-2021 Target Price Range, total return potential is limited.
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 million, 1.3 million. Gas has various nonutility operations. Electric (Norcia. Inc.: MI. Address: One Energy Plaza, Detroit, MI 48226-1257. Tel.: 313-964-3000. Internet: www.dteenergy.com), self-implemented a $109 million increase on November 1st. The MPSC's staff recommended a $123 million hike, based on a 10.75% ROE, and an administrative law judge (ALJ) proposed an $80 million raise, based on a 9.75% ROE. The company paid $1.3 billion for midstream natural gas assets in the Marcellus and Utica Shale regions. The company's expansion of its presence in the gas storage and pipeline business is expected to go into service in the fourth quarter of 2017. The company's 50% stake in this project will cost an estimated $1 billion.

DTE Electric also has a rate case pending. The utility filed for $344 million, based on a 10.5% ROE, and an administrative law judge (ALJ) proposed an $80 million raise, based on a 9.75% ROE. DTE Electric also has a rate case pending, based on a 10.5% ROE.

Rate relief and higher nonutility income should boost the bottom line in 2017. Note that the comparison with the 2016 figure will be easy, as mark-to-market accounting charges reduced share net by $0.33 in the first nine months of 2016. DTE stock has a dividend yield that is above average for a utility. Like many utility stocks, the recent price is within our 2019-2021 Target Price Range. Thus, total return potential is unexciting.

DTE Energy has completed a significant acquisition. The company paid $1.3 billion for midstream natural gas assets in the Marcellus and Utica Shale regions. DTE issued $1 billion of long-term debt and $675 million of mandatorily convertible (in 2019) equity units to finance the purchase. The transaction is one more indication of the company's expansion of its presence in the gas storage and pipeline business. Even before this purchase, DTE was planning to build a gas pipeline, which was expected to go into service in the fourth quarter of 2017. The company's 50% stake in this project will cost an estimated $1 billion.

For the second-consecutive quarter, the board of directors has increased the dividend. The raise was $0.22 a share (7.1%) annually, payable in early 2018. DTE is targeting annual dividend growth of about 7% a year in 2017 and 2018, as well.

A ruling on DTE Gas' rate case was expected shortly after this report went to press. The utility filed for an increase of $183 million, based on a 10.75% return on capital. On 13th, other, 7%: Generating sources: coal, 67%; nuclear, 17%; gas, 11%; purchased, 15%. Fuel costs: 54% of revenues. 15 reported decrep. rates: 3.5% electric, 2.6% gas. Has 10,000 employees. Chairman & CEO: Gerard A. Norsk. Inc. MI. Address: One Energy Plaza, Detroit, MI 48226-1257. Tel.: 313-964-3000. Internet: www.dteenergy.com. Norcia. Inc.: MI. Address: One Energy Plaza, Detroit, MI 48226-1257. Tel.: 313-964-3000. Internet: www.dteenergy.com.
DOMINION RES., NYSE-D

RECENT PRICE 75.50 PIE RATIO 19.2 Trailing 22-Md. 1.07 DIVID YLD 4.0% VALUE LINE

TIMELINESS Lowed 11/16/16
SAFETY 2 Raised 9/11/16
TECHNICAL Lowed 11/16/16
BETA .65 (1.00 = Market)

2018-2019 PROJECTIONS

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Income Statement

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<th>Net Worth</th>
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<tr>
<td>2016</td>
<td>10,000</td>
<td>5,000</td>
<td>5,000</td>
<td>5,000</td>
<td>50%</td>
</tr>
<tr>
<td>2017</td>
<td>10,500</td>
<td>5,500</td>
<td>5,000</td>
<td>6,000</td>
<td>55%</td>
</tr>
<tr>
<td>2018</td>
<td>11,000</td>
<td>6,000</td>
<td>5,000</td>
<td>7,000</td>
<td>60%</td>
</tr>
</tbody>
</table>

Dominion Resources completed the acquisition of Questar in September. Dominion paid $4.3 billion in cash for Questar, which has a gas utility serving about a million customers mostly in Utah, a gas pipeline that Dominion will sell to its Dominion Midstream Partners unit for $1.7 billion, and an operation that produces gas for the utility.

SOME NOTABILITY PROJECTS ARE UNDER CONSTRUCTION. Most notable is the Cove Point liquefied natural gas terminal. This is expected to be in service in late 2017 at a cost of $3.4 billion-$3.8 billion. Some pipeline projects are in various stages of development, most notably the Atlantic Coast Pipeline. Dominion has a 48% stake in this $4.5 billion-$5.0 billion project, expected to be in service in late 2018.

North Carolina Power has reached a settlement of its rate case. The agreement calls for a tariff hike of $3.7 million, based on a 9.9% return on equity. A ruling is expected in December, with new rates taking effect at the start of 2017. We look for a dividend increase in the first quarter of 2017. We estimate a raise of $0.22 a share (7.9%) annually. This is in line with Dominion’s dividend growth goal of 8% a year. This stock offers a good dividend yield and respectable 3-5-year total return potential.

Payout in bond CBA

Company’s Financial Strength: B+
Stock’s Price Stability: 100
Price Growth Potential: 85
Earnings Predictability: 80

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EDISON INTERNAT’L
NYSE-EIX

TOLL FREE 800-878-5050
WEB: www.edison.com

Paul E. Debbas, CFA
January 27, 2017

EDISON INTERNATIONAL (formerly SCECorp) is a holding company for Southern California Edison Company (SCE), which supplies electricity to almost 16.9 million customers in a 50,000-sq.-mi. area in central, coastal, & southern CA (excl. Los Angeles & San Diego). The utility is an energy svcs. co. Disc. Edison Mission Energy (independent power producer) in 12. Excul. Gen. return prospects are unspectacular. Annu. dividend by $0.25 a share (13%). The board of directors raised the an-nual dividend by $0.25 a share (13%). The CPUC’s Office of Ratepayer Advocates and an intervenor group have complained about ex pt communications between SCE and former CPUC commissioners. Customers have been granted refunds and credits totaling almost $1.6 billion, but an additional re-fund is possible. The CPUC has set a deadline of April 28th to reach an agreement. If this does not happen, the CPUC will decide what to do next.

BUSINESS: Edison International (formerly SCECorp) is a holding company for Southern California Edison Company (SCE), which supplies electricity to almost 16.9 million customers in a 50,000-sq.-mi. area in central, coastal, & southern CA (excl. Los Angeles & San Diego). The utility is an energy svcs. co. Disc. Edison Mission Energy (independent power producer) in 12. Excul. Gen. return prospects are unspectacular. Annu. dividend by $0.25 a share (13%). The board of directors raised the an-nual dividend by $0.25 a share (13%). The CPUC’s Office of Ratepayer Advocates and an intervenor group have complained about ex pt communications between SCE and former CPUC commissioners. Customers have been granted refunds and credits totaling almost $1.6 billion, but an additional re-fund is possible. The CPUC has set a deadline of April 28th to reach an agreement. If this does not happen, the CPUC will decide what to do next.

Edison International’s utility subsidi-ary has a general rate case pending. Southern California Edison is seeking increases of $222 million (2.7%) in 2018 (plus $48 million to recover some deferred items); $533 million (4.2%) in 2019; and $575 million (5.2%) in 2020. The utility’s capital budget for this three-year period is $15.1 billion. Most of these expenditures are traditional—those that have mostly been recovered in previous rate cases. But about $2.1 billion is for modernization of the electric grid. The California Public Utilities Commission (CPUC) has approved most of SCE’s requested capital spending in recent rate cases, but be-cause the grid modernization proposal is new, this might not happen in the current case. The utility would like a ruling by the CPUC’s Office of Ratepayer Advocates and an intervenor group have complained about ex pt communications between SCE and former CPUC commissioners. Customers have been granted refunds and credits totaling almost $1.6 billion, but an additional re-fund is possible. The CPUC has set a deadline of April 28th to reach an agreement. If this does not happen, the CPUC will decide what to do next.

The CPUC has ordered the utility to meet with the California Public Utilities Commission (CPUC) to resolve a regulatory settlement about a closed nuclear station. The CPUC’s Office of Ratepayer Advocates and an intervenor group have complained about ex pt communications between SCE and former CPUC commissioners. Customers have been granted refunds and credits totaling almost $1.6 billion, but an additional re-fund is possible. The CPUC has set a deadline of April 28th to reach an agreement. If this does not happen, the CPUC will decide what to do next.

The board of directors raised the an-nual dividend by $0.25 a share (13%). This was greater than we had estimated.

In 2017, the utility’s earning power will benefit from rate relief granted by the CPUC. The CPUC’s Office of Ratepayer Advocates and an intervenor group have complained about ex pt communications between SCE and former CPUC commissioners. Customers have been granted refunds and credits totaling almost $1.6 billion, but an additional re-fund is possible. The CPUC has set a deadline of April 28th to reach an agreement. If this does not happen, the CPUC will decide what to do next.

The dividend yield of this stock is be-low average for a utility. This reflects the company’s above-average dividend growth potential. However, 3- to 5-year total return prospects are unspectacular.

Paul E. Debbas, CFA
January 27, 2017

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**BUSINESS:** The Empire District Electric Company supplies electric service to approximately 170,000 customers in a 10,000 sq. mi. area in southwestern Missouri (89% of retail electric revenues), Kansas (5%), Oklahoma (3%), and Arkansas (3%). Acquired Missouri Gas (44,000 customers) 6/06.

**It appears as if the acquisition of Empire District Electric Company will be completed soon.** Algonquin Power & Utilities, a Canadian company that already has some operations in the United States under the Liberty Utilities name, has agreed to pay $34.00 per share for each share of Empire District Electric. All shareholder and regulatory approvals have been received, except that of the Kansas Corporation Commission (KCC). However, the companies have reached a settlement with the KCC’s staff as part of the acquisition. Empire District Electric would withdraw its pending request for a $6.4 million merger-related expenses.

The recent price of Empire District Electric stock is above the buyout price. The Timeliness rank of this equity remains suspended due to the takeover agreement.
Sempra Energy's Cameron liquefied natural gas project is experiencing delays. The contractor now estimates that the three trains will be delayed until mid-2018, late 2018, and mid-2019. Previously, all three were expected to begin operating in 2018 and be in service for all of 2019. This will not affect the company's earnings this year, but will reduce its income in 2018 and be in service for all of 2019.

We expect a significant dividend hike at the board meeting in February. Sempra has set a goal of 8%-9% annual dividend growth through 2020, and we think the possibility of some dividend growth this year in our presentation due to its operational nature. That's why earnings in the second quarter of 2016 were depressed, and why the year-to-year profit comparison should be easy in 2017.

The dividend yield of Sempra stock is below the industry average. This reflects the company's strong dividend growth potential. Like many utility equities, Sempra's recent quotation is within its 2019-2021 Target Price Range. Thus, total return potential is uncertain.
Entergy needs to improve the performance of some of its nuclear units.

The company replaced its chief nuclear officer earlier in 2016. Some plants have been given increased attention by the Nuclear Regulatory Commission, and Entergy has shut the Grand Gulf facility until early 2017 in order to upgrade operations there. All of this will require an increase in capital expenditures, which are expected to be between $1.4 billion and $1.6 billion in 2017.

The company plans to shut the Palisades nuclear unit in 2018. Accordingly, Entergy will take a $252 million after-tax charge this quarter. The utility that is buying power from the plant will pay Entergy $172 million for the early termination of the purchased-power contract.

Earnings are not likely to meet management’s previous expectation in 2017 and 2018. Rising nuclear costs are the single largest reason. Pension expenses are likely to remain high as well. And residential and commercial Affiliates’ home sales have been disappointing. On the nonutility side, declining market power prices suggest that this operation’s margins will be squeezed. This unit is feeling the effects due to rounding. Next earnings report due early Feb.

Entergy’s stock price has fallen 13% since our September report. This is far more than the decline in most utility equities over that span, and reflects the reduction in earnings expectations. The yield is much more than a percentage point above the utility mean, and has increased to 8.4% as of late November. Lower plans and expectations for new nuclear plants could push down the stock price further. However, the company appears to be well diversified, with 26% of its earnings coming from nonutility operations, and another 26% from regulated operations. The remainder comes from electricCo.

Entergy Corp. supplies electricity to 2.9 million customers in 23 states. Total sales in 2016 were $18.5 billion, a 2% gain from 2015.

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<td>106,092</td>
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**NEXTERA ENERGY NYSE-NEE**

**2019-21 PROJECTIONS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue Breakdown</th>
<th>Earnings Breakdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$244.9 billion</td>
<td>$8.5%</td>
</tr>
<tr>
<td>2020</td>
<td>$286.5 billion</td>
<td>$11.0%</td>
</tr>
<tr>
<td>2021</td>
<td>$324.1 billion</td>
<td>$14.2%</td>
</tr>
</tbody>
</table>

**Company’s Financial Strength**

- **Earnings Predictability**: 4.0%
- **Capital Structure**: 63.25%
- **Capitalization**: 1.05%
- **Dividend Payout Ratio**: 30.0%
- **Long-Term Debt**: 55.4%
- **Equity**: 45.6%
- **Growth of Earnings**: 48.5%
- **Dividend**: 5.0%
- **Total Return**: 45.0%
- **Market Capitalization**: 36.5%
- **Price/Book Value**: 3.5%
- **Book Value**: 3.0%
- **Price/Earnings Ratio**: 13.4%
- **Price/Cash Flow**: 10.8%
- **Price/EBITDA**: 11.5%
- **Price/Sales**: 12.4%
- **Price/Book**: 11.6%
- **Price/Market**: 10.2%

**Institutional Decisions**

<table>
<thead>
<tr>
<th>To Buy</th>
<th>To Sell</th>
<th>To Hold</th>
</tr>
</thead>
<tbody>
<tr>
<td>479</td>
<td>496</td>
<td>341</td>
</tr>
<tr>
<td>514</td>
<td>468</td>
<td>341</td>
</tr>
<tr>
<td>341</td>
<td>353</td>
<td>341</td>
</tr>
</tbody>
</table>

**Insider Decisions**

- **To Buy**: 0.00
- **To Sell**: 0.02
- **To Hold**: 0.22

**TARGET PRICE RANGE**

- 2019: $125.7
- 2020: $121.5
- 2021: $117.8

**PRICE RANGE**

- High: 8.5%
- Low: 5.0%

**RELATIVE PRICE RATIO**

- 2019: 11.9
- 2020: 12.0
- 2021: 12.2

**DIVIDEND YIELD**

- 3.0%

**VALUE LINE**

- 19-21

**MARKET CAP**: $58 billion (Large Cap)

**ELECTRICAL OPERATING STATISTICS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Hourly Average</th>
<th>Weekly Average</th>
<th>Monthly Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>21576</td>
<td>28652</td>
<td>33980</td>
</tr>
<tr>
<td>2014</td>
<td>22717</td>
<td>2990</td>
<td>35439</td>
</tr>
<tr>
<td>2015</td>
<td>2111</td>
<td>2990</td>
<td>34572</td>
</tr>
</tbody>
</table>

**P/E RATIO**

- 2019: 13.0
- 2020: 13.5
- 2021: 14.0

**P/B RATIO**

- 2019: 1.8
- 2020: 1.4
- 2021: 1.1

**RETURN ON EQUITY**

- 2019: 15.84
- 2020: 18.17
- 2021: 17.00

**RETAINED EARNINGS**

- 2019: $25,350
- 2020: $25,425
- 2021: $25,490

**CAPITAL EXPENDITURES**

- 2019: $26,295
- 2020: $26,327
- 2021: $26,375

**BALANCE SHEET**

- **Current Ratio**: 1.5
- **Debt to Equity**: 0.7
- **Debt to Sales**: 0.6

**NextEra Energy has revised its planned acquisition of Oncor, owned by a parent that is now in bankruptcy protection, distributes electricity to 3.3 million customers in Texas. Instead of buying an 80% stake in Oncor, NextEra will purchase the whole utility for $12 billion (mostly in cash). The deal requires the approval of the bankruptcy court and the Texas commission. Our figure will not include Oncor until after the deal has been completed, probably in the first half of 2017. However, they do reflect the financing moves NextEra is making in support of annual dividend growth of 12%-14% through 2018. The utility is also benefiting from increases in regulatory capital employed, and the nonutility sector is benefiting from additions of renewable energy projects and natural gas pipelines. NextEra stock is best suited for investors looking for dividend growth. The dividend yield is about a half percentage point below average total return. Total return potential to 2019-2021 is better than that of most utility issues.**
HAWAIIAN ELECTRIC NYSE:HE

RECENT PRICE 33.60  PIE RATIO 14.7  TRAILING (14q) 143
RELATIVE PIE RATIO 0.74  DIV YLD 3.7%

Target Price Range 2019 2020 2021
$19.00  $20.70  $24.50
$19.50  $21.60  $25.60
$18.00  $20.80  $24.80
$17.50  $20.40  $24.40
$16.00  $18.30  $22.30
$14.50  $16.90  $20.90
$14.00  $16.40  $20.40

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Two of Hawaiian Electric Industries’ utility subsidiaries report rate cases pending. Hawaiian Electric Company, based on a 10.6% return on a 57.1% common-equity ratio. The Public Utilities Commission (PUC) may grant interim rate relief within 10 to 11 months of the filing. Which occurred in mid-December; there is no statutory time frame for a final order. Hawaiian Electric Light Company requested a $106 million (6.9%) rate hike, based on a 10.6% return on a 57.1% common-equity ratio. HECO’s other utility, Maui Electric Company, will put forth an application in the summer of 2017. The utilities, as a result, profits were about twice what they otherwise would have been, and most likely exceeded $2.00 a share for the full year. Otherwise would have been, and most likely exceeded $2.00 a share for the full year. The American Savings Bank subsidiary might benefit from tax reform. The utilities would have to pass through to customers any income tax reductions, but ASB would be able to retain them—a prospective benefit of $14 million, based on rates that have been discussed. And if interest expense is no longer deductible, HECO would be able to net this expense against ASB’s interest income.

This stock is ranked favorably for Timeliness. That said, its dividend yield is not much higher than the utility mean, and the disbursement has not been raised since 1996. Moreover, the recent quotations are above our 2016-2021 Target Price Range. In March, Part 1, Debbas, CFA January 27, 2017

A) Div. EPS, Excl. gains (losses) from disc. ops.: ’00, (56¢); ’01, (36¢); ’02, (4¢); ’03, (5¢); ’04, 25¢; ’05, (1¢); nonrec. gain losses: ’05, 11¢; ’07, (9¢); ’12, (25¢). Next earnings report due mid-


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IDACORP, INC. NYSE-IDA

**RECENT PRICE** 79.28 **PIE RATIO** 20.6 **TRADING 2012:** Medium: 143

**LOW** 2019: **HIGH** 2012: **LOW** 2019: **HIGH** 2012: **HIGH:** 2012: **LOW:** 2012: **HIGH:** 2012:

**Relative Pie Yield** 1.04 **Dividend Yield** 2.8% **Value Line**

**Target Price** Range **2019:** 68 **2020:** 73 **2021:** 79

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**Business:** IDACORP, Inc. is a holding company for Idaho Power Company, a regulated electric utility that serves approximately 250,000 customers throughout a 24,000-square-mile area in southern Idaho and eastern Oregon (population: 1 million). Most of the company's revenues are derived from the Idaho portion of its service area. Revenue growth—aided by strong economic growth in growing states—and the service area's population growth—Idaho is one of the fastest-growing states—is in place through 2019. It is possible that earnings will advance 4%-5% in 2017.

**Electric Operating Statistics**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Revenue ($mill)</th>
<th>Net Plant ($mill)</th>
<th>Earnings per sh</th>
<th>Book Value per sh</th>
<th>Cash Flow per sh</th>
<th>Earnings Predictability</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>281.0</td>
<td>372.0</td>
<td>1.65</td>
<td>5.0%</td>
<td>4.9%</td>
<td>3.9%</td>
</tr>
<tr>
<td>2014</td>
<td>283.5</td>
<td>382.2</td>
<td>1.73</td>
<td>5.0%</td>
<td>4.9%</td>
<td>3.9%</td>
</tr>
<tr>
<td>2015</td>
<td>285.4</td>
<td>386.3</td>
<td>1.81</td>
<td>5.0%</td>
<td>4.9%</td>
<td>3.9%</td>
</tr>
<tr>
<td>2016</td>
<td>285.4</td>
<td>386.3</td>
<td>1.93</td>
<td>5.0%</td>
<td>4.9%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

**Dividend Policy:** A cash dividend is paid in late Feb., May, Aug., and Nov. Investors may use up to $25 million of accumulated deferred investment tax credits annually to augment its income if the utility’s return on equity falls below 9.5%. The company recorded $1.5 million of these credits in the first nine months of 2016, and expects to book another $500,000 in the fourth quarter. This regulatory mechanism is in place through 2019. It is possible that it will be extended beyond then.

**IDACORP is in good financial condition.** The company has no need for new common equity, and has no maturities of long-term debt until 2020. The fixed-charge coverage and common-equity ratio are very healthy. Putting it all together, IDACORP merits a Financial Strength rating of A.

**IDACORP shares are expensively priced.** The dividend yield is below 3%, which is low by utility standards. In fact, the recent quotation is just slightly below the upper end of our 2019-2021 Target Price Range. Consequently, total return potential over that time frame is negative, despite the company's good prospects for dividend growth.

---

**Paul E. Dobranski, CFA**

January 27, 2017
BUSINESS: Great Plains Energy Incorporated is a holding company for Kansas City Power & Light and two other subsidiaries, which supply electricity to 853,000 customers in western Missouri (71% of rate base) and to 702,000 others in Kansas. Each company’s shareholders have approved the combination. Although the companies believe the Missouri Public Service Commission (MPSC) does not have jurisdiction over the deal, they have reached a settlement with the MPSC and the Office of Public Counsel. (An intervenor group still opposes the transaction, however.) The acquisition requires approval of $3.0 million (0.4%), based on a return on investment of 5.9%. The pending acquisition is affecting earnings. So far in 2016, Great Plains has incurred $38.4 million of operating and financing costs in connection with the deal. These are included in our earnings presentation. The proposed acquisition of Westar Energy by Great Plains Energy has taken some steps forward. Great Plains has agreed to pay $8.6 billion (85% in cash, 15% in stock) for Westar, which owns utilities serving 702,000 customers in Kansas. The companies’ shareholders have approved the combination. Although the companies believe the Missouri Public Service Commission (MPSC) does not have jurisdiction over the deal, they have reached a settlement with the MPSC and the Office of Public Counsel. (An intervenor group still opposes the transaction, however.) The acquisition requires approval of $3.0 million (0.4%), based on a return on investment of 5.9%. The pending acquisition is affecting earnings. So far in 2016, Great Plains has incurred $38.4 million of operating and financing costs in connection with the deal. These are included in our earnings presentation. The proposed acquisition of Westar Energy by Great Plains Energy has taken some steps forward. Great Plains has agreed to pay $8.6 billion (85% in cash, 15% in stock) for Westar, which owns utilities serving 702,000 customers in Kansas. The companies’ shareholders have approved the combination. Although the companies believe the Missouri Public Service Commission (MPSC) does not have jurisdiction over the deal, they have reached a settlement with the MPSC and the Office of Public Counsel. (An intervenor group still opposes the transaction, however.) The acquisition requires approval of $3.0 million (0.4%), based on a return on investment of 5.9%. The pending acquisition is affecting earnings. So far in 2016, Great Plains has incurred $38.4 million of operating and financing costs in connection with the deal. These are included in our earnings presentation. The proposed acquisition of Westar Energy by Great Plains Energy has taken some steps forward. Great Plains has agreed to pay $8.6 billion (85% in cash, 15% in stock) for Westar, which owns utilities serving 702,000 customers in Kansas. The companies’ shareholders have approved the combination. Although the companies believe the Missouri Public Service Commission (MPSC) does not have jurisdiction over the deal, they have reached a settlement with the MPSC and the Office of Public Counsel. (An intervenor group still opposes the transaction, however.) The acquisition requires approval of $3.0 million (0.4%), based on a return on investment of 5.9%.
**MGE ENERGY INC. NDQ-MGEE**

**RECENT PRICE**

| 60.50 |

**PIE RATIO**

| 26.2 |

**RELATIVE PIE RATIO**

| 1.34 |

**D/E YLD**

| 2.0% |

**VALUE LINE**

| Target Price Range 2019 | 2020 |

| 19.0 | 20.0 |

| 21.0 | 22.0 |

| 23.0 | 24.0 |

| 25.0 | 26.0 |

| 27.0 | 28.0 |

| 29.0 | 30.0 |

**TICKER SYMBOL**

| MGE |

**LABEL**

| 80404 |

**BETA**

| 1.00 |

**TECHNICAL**

| 3 Raised 12/2/16 |

**INSIDER DEVIATIONS**

| to Buy | 0 0 0 0 |

| to Sell | 0 0 0 0 |

**INSTITUTIONAL DEVIATIONS**

| to Buy | 77 79 74 74 |

| to Sell | 126 126 126 126 |

**CAPITAL structure as of 9/30/16**

| Total Debt | $3868.1 mill. |

| LT Debt | $1383.3 mill. |

| LT Interest | $20.0 mill. |

**ELECTRICAL OPERATING STATISTICS**

| 2013 | 2014 | 2015 |

| % Change Retail Sales (KWh) | -0.6 | -0.5 | -0.3 |

| Avg. Ind. Use (KWh) | 3902 3902 3902 |

| Peak Load, MW | 783 783 783 |

| Annual Rate of Return | 8.5% 8.5% 8.5% |

| % Change Customers (ag.) | NA NA NA |

| Fixed Charge Cov. (X) | 77 77 77 |

**ANNUAL RATES**

| Past change (per sh) | 10 yrs. | 5 yrs. to 19-21 |

| Revenue | 2.25% 2.25% 2.25% |

| "Cash Flow" | 5.0% 5.0% 5.0% |

| Earnings per sh | 0.70% 0.70% 0.70% |

| Dividends | 2.0% 2.0% 2.0% |

| Book Value | 6.0% 6.0% 6.0% |

**QUARTERLY QUANTITIES**

| Mar.31 | Jun.30 | Sep.30 | Dec.31 |

| Revenue | 000000000 000000000 000000000 000000000 |

| Earnings Per Share | 000000000 000000000 000000000 000000000 |

**QUARTERLY DIVIDENDS PAID**

| Mar.31 | Jun.30 | Sep.31 | Dec.31 |

| Dividends | 000000000 000000000 000000000 000000000 |

**EARNINGS PER SHARE**

| Mar.31 | Jun.30 | Sep.30 | Dec.30 |

| Earnings | 000000000 000000000 000000000 000000000 |

**EARNINGS PER SHARE**

| Mar.31 | Jun.30 | Sep.30 | Dec.30 |

| Earnings | 000000000 000000000 000000000 000000000 |

**END YEAR**

| Book Value | 6.0% 6.0% 6.0% 6.0% |

| Dividends | 2.0% 2.0% 2.0% 2.0% |

| Shares | 6.0% 6.0% 6.0% 6.0% |

| Retained | 6.0% 6.0% 6.0% 6.0% |

** leaked for 20 years, and is presently the senior vice president of energy supply and planning.**

**MGE Energy** is one of the company for Madison Gas and Electric, which provides electric service to approximately 146,000 customers in a 131-square-mile area of Dane County and gas service to 152,000 customers in 1,682 square miles in seven counties in Wisconsin. Electric revenue breakdown, '15: residential, 34%; commercial, 53%; industrial, 5%; public authorities and other, 12%. Fuel costs: 24% of revenues. '15 annual report and income was 2.0%.

**BUSINESS:** MGE Energy is a holding company for Madison Gas and Electric, which provides electric service to approximately 146,000 customers in a 131-square-mile area of Dane County and gas service to 152,000 customers in 1,682 square miles in seven counties in Wisconsin. Electric revenue breakdown, '15: residential, 34%; commercial, 53%; industrial, 5%; public authorities and other, 12%. Fuel costs: 24% of revenues. '15 annual report and income was 2.0%

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Shareholders of NV Energy have approved the takeover of the company by MidAmerican Energy, a subsidiary of Berkshire Hathaway, has agreed to pay $27.5 in cash for each share of NV Energy. The deal still requires the approval of the Public Utilities Commission of Nevada (PUCN) and the Federal Energy Regulatory Commission. The companies are targeting the first quarter of 2014 for completion of the transaction.

Due to the buyout agreement, the TimeLine rank of NV Energy stock remains suspended.

We continue to advise NV Energy stockholders to sell their shares on or before open market. The offer expires on December 18, 2013.

BUSINESS: NV Energy, Inc. (formerly Sierra Pacific Resources) is a holding company formed through the 7/06 merger of Sierra Pacific (now NV Energy North) and Nevada Power (now NV Energy South). Sells electricity in west central & southern Nevada & east-central California; provides gas to Reno & Sparks & NV; serves 1.7 million customers, 1.2 million of which are in Nevada. (6.7%). (The electric request is based on a 2012 net loss of $222.9 million and a gas loss of $6.0 million.)

NV Energy filed for returns on equity of 10.4% for the year ending Dec. 31, 2013. The company requested a rate base of $841.5 million, a 3.7% increase over 2012.

Due to the agreement, the TimeLine rank of NV Energy stock remains suspended.

We continue to advise NV Energy stockholders to sell their shares on or before open market. The offer expires on December 18, 2013. At 18 times earnings. The recent price of the stock is just slightly below the takeover price, leaving very little upside potential for stockholders. Accordingly, by selling their stock now, NV Energy holders can avoid downside risk in case the deal falls through. So far, the agreement has not generated much controversy, but an unfavorable regulatory outcome cannot be ruled out.

Energy North has revised its rate filing. This case was required by state regulatory law. The utility is now seeking an electric rate decrease of $4.7 million (0.7%) and a gas tariff hike of $6.0 million (6.7%). (The electric request is based on a realization of debt between the electric and gas businesses and a reduction in operating and maintenance costs.) NV Energy filed for returns on equity of 10.4% for the year ending Dec. 31, 2013, and the utility is now seeking a rate decrease of $4.7 million (0.7%) and a gas tariff hike of $6.0 million (6.7%). (The electric request is based on a realization of debt between the electric and gas businesses and a reduction in operating and maintenance costs.) NV Energy filed for returns on equity of 10.4% for the year ending Dec. 31, 2013.
We estimate that Eversource’s earnings will advance solidly in 2016 and the company is benefiting from investments in electric transmission, which even after reductions in the federally authorized return on equity (even after reductions in the federally authorized return on equity) an ROE well above that of Eversource’s electric and gas distribution operations. The company expects to spend $10 billion on transmission this year, and about $3 billion through 2017. Other projects for its transmission dollars.

Eversource might well be able to find other projects for its transmission dollars. The challenge. If there are further delays, Eversource might well be able to find other projects for its transmission dollars. The utilities in Massachusetts are other projects for its transmission dollars. The utilities in Massachusetts are other projects for its transmission dollars.

Eversource wants to build the pipeline (albeit with a delay of change (per sh) ANNUAL RATES Past Past Est’d ‘13-‘15

BUSINESS: Eversource (formerly Northeast Utilities) is the parent of utilities that have 3.1 million electric, 5.000,000 gas customers. Supplies power to most of Connecticut and gas to part of Connecticut; supplies power to three fourths of New Hampshire’s population; supplies power to western Massachusetts and parts of southeastern Massachusetts.

Eversource would have a 40% stake in the estimated $3 billion Access Northeast project to provide a much-needed in-service date). A proposed transmission project has had delays, as well. Eversource wants to build the pipeline (albeit with a delay of change (per sh) ANNUAL RATES Past Past Est’d ‘13-‘15

We have a neutral stance toward this top-quality stock. The dividend yield and 3- to 5-year total return potential are about average for this industry. The market has taken the disappointing news about Access Northeast in stride.

Paul E. Dobias, CFA

November 18, 2016


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**XCEL ENERGY**

**NYSXEL**

**RECENT PRICE** 41.20

**PIE RATIO** 18.1

**Trailing 19Q** 18.4

**RELATIVE PI E RATIO** 0.91

**DIV YLD** 3.5%

**VALUE LINE**

**Target Price Range** 2019 2020 2021

<table>
<thead>
<tr>
<th>High</th>
<th>Low</th>
<th>Avg</th>
<th>(In $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>41.20</td>
<td>36.50</td>
<td>39.00</td>
<td>38.50</td>
</tr>
</tbody>
</table>

**TIMELINESS** 3

**Lowered** 11/11/16

**SAFETY** 1

**Raised** 5/15/16

**TECHNICAL** 3

**Lowered** 11/17/16

**Price**

**Gain**

**Annual Return**

**High 45 (+10%)**

**Low 30 (-5%)**

**Insider Decisions**

**To Buy**

**To Own**

**To Sell**

**To Short**

**Institutional Decisions**

**To Buy**

**To Hold**

**To Sell**

**To Short**

**LEGENDS**

- 0.7x Dividends per share (blended)
- 1.0x Dividend reinvestment plan
- Shareholders investment plan available
- Incl. in-5% to 5% (incl. comm) & incl. (blended) 5%-7% and a payout ratio of 60%-70%.
- 3.5% to 5% (incl. comm) & incl. 18%, others, 15%.
- All dividends of stock are expected to be in the second half of 2017.

**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 million.

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**BOOK VALUE PER SHARE**

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<th></th>
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</thead>
<tbody>
<tr>
<td>Earnings per share</td>
<td>$0.36</td>
<td>$0.46</td>
<td>$0.54</td>
<td>$0.63</td>
<td>$0.73</td>
<td>$0.81</td>
<td>$0.90</td>
<td>$0.94</td>
<td>$0.96</td>
<td>$1.00</td>
<td>$1.03</td>
<td>$1.07</td>
<td>$1.11</td>
<td>$1.12</td>
<td>$1.15</td>
<td>$1.16</td>
<td>$1.20</td>
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<tr>
<td>Dividends per share</td>
<td>$0.31</td>
<td>$0.38</td>
<td>$0.43</td>
<td>$0.49</td>
<td>$0.54</td>
<td>$0.60</td>
<td>$0.65</td>
<td>$0.69</td>
<td>$0.73</td>
<td>$0.77</td>
<td>$0.81</td>
<td>$0.85</td>
<td>$0.89</td>
<td>$0.92</td>
<td>$0.96</td>
<td>$0.99</td>
<td>$1.03</td>
</tr>
<tr>
<td>Total earnings per share</td>
<td>$0.67</td>
<td>$0.85</td>
<td>$0.97</td>
<td>$1.12</td>
<td>$1.27</td>
<td>$1.41</td>
<td>$1.56</td>
<td>$1.63</td>
<td>$1.69</td>
<td>$1.74</td>
<td>$1.78</td>
<td>$1.82</td>
<td>$1.86</td>
<td>$1.90</td>
<td>$1.96</td>
<td>$2.00</td>
<td>$2.03</td>
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**Price Growth Persistence**

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<tr>
<th>Period</th>
<th>1 yr.</th>
<th>3 yr.</th>
<th>5 yr.</th>
<th>10 yr.</th>
<th>15 yr.</th>
<th>20 yr.</th>
<th>25 yr.</th>
<th>30 yr.</th>
<th>35 yr.</th>
<th>40 yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-21</td>
<td>25.2%</td>
<td>35.8%</td>
<td>35.1%</td>
<td>33.1%</td>
<td>30.3%</td>
<td>26.3%</td>
<td>19.8%</td>
<td>13.2%</td>
<td>6.7%</td>
<td>2.5%</td>
</tr>
<tr>
<td>2015-21</td>
<td>26.3%</td>
<td>36.1%</td>
<td>35.6%</td>
<td>33.7%</td>
<td>31.0%</td>
<td>27.0%</td>
<td>20.5%</td>
<td>14.0%</td>
<td>7.5%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

**Safely**

**SAFETY** 1

**Risk Level** 10 (High = Market)

**Price Range** 17.1 to 20.7

**Price Growth** Persistence

**5**

**2016**

**30
tage**

**0.91**

**18.4**

**18.1**

**41.20**

**3.5%**

**45.4**

**31.8**

**28.3**

**31.8**

**31.8**

**31.8**

**31.8**

**31.8**

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### FirstEnergy NYSE:FE

#### Recent Price
- **34.50**
- **PIE Ratio:** 17.8
- **Trailing 12M:** 16.1
- **RELATIVE PIE Ratio:** 0.99
- **DIV YLD:** 4.2%

#### Target Price Range 2019-2021
- **10:** 14.8
- **20:** 13.5
- **30:** 7.6

---

#### Institutional Holders

<table>
<thead>
<tr>
<th>Year</th>
<th>% of Shares</th>
<th>Value ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>31.31</td>
<td>83.67</td>
</tr>
<tr>
<td>2001</td>
<td>7.28</td>
<td>8.81</td>
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<tr>
<td>2002</td>
<td>1.04</td>
<td>11.18</td>
</tr>
<tr>
<td>2003</td>
<td>1.42</td>
<td>11.18</td>
</tr>
<tr>
<td>2004</td>
<td>6.20</td>
<td>8.81</td>
</tr>
</tbody>
</table>

#### Dividends
- **2010:** -1.0%
- **2011:** 6.0%
- **2012:** -1.0%
- **2013:** 1.0%
- **2014:** 6.0%
- **2015:** -7.5%
- **2016:** -12.0%

#### Fixed Charge Coverage (%)
- **2010:** 294%
- **2011:** 118%
- **2012:** 206%

---

FirstEnergy has begun a strategic review of its nonutility operations. The company wants to move away from the competitive energy sector in favor of regulated operations—the question is, how does it accomplish this? The profitability of these businesses has waned due to low natural gas prices and sluggish demand for power. This is why earnings are well below the level attained several years ago, and why the board of directors slashed the dividend in 2011 in an attempt at a purchased-power contract between FirstEnergy's utilities in Ohio and some generating facilities that was overturned by federal authorities earlier this year. The company is pushing for legislative and regulatory changes that would preserve its nonregulated generating units. The sale or deactivation of assets is another possibility. FirstEnergy expects to implement this over the next 12-18 months.

The company's utilities in Pennsylvania and New Jersey reached settlements on their rate cases. In Pennsylvania, the utilities would receive increases in late January totaling $291 million. In New Jersey, the company got a hike of 4.2% due to rounding. Pending approval, FirstEnergy expects to file for an average annual dividend yield of 8.9% in the fourth quarter. FirstEnergy also announced a share repurchase program totaling $226 million. The company's financial strength remains strong, with a stable outlook from Standard & Poor's. FirstEnergy's shares are trading close to the lower end of analyst's target price range of $39-$45.

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**OGE ENERGY CORP. NYSE-OGE**

**RECENT PRICE** 32.04  **PIE RATIO** 16.3  **Trailing 21.0 Year Trend** Medium: 14.2  **RELATIVE PI E 0.84  **DIVIDEND PAYOUT 3.9% **VALUE LINE**

**Safety** 2 Raised 8/12/16

**Technical 3 Lowered 10/28/16**

**Beta** 0.90 (10 = Market)

**2016-21 PROJECTIONS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
<th>Gain %</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>2.07</td>
<td>1.81</td>
<td>1.82</td>
<td>1.84</td>
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<tr>
<td>2003</td>
<td>96.65</td>
<td>75.87</td>
<td>82.89</td>
<td>92.92</td>
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<td>2004</td>
<td>67.67</td>
<td>67.67</td>
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<tr>
<td>2005</td>
<td>1.15</td>
<td>1.44</td>
<td>1.49</td>
<td>1.51</td>
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<tr>
<td>2006</td>
<td>6.83</td>
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<td>6.27</td>
<td>6.71</td>
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<td>2007</td>
<td>71.54</td>
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**Insider Decisions**

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**Institutional Decisions**

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<td>2004-05</td>
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**MARKET CAPITAL $6.4 billion (Large Cap)**

**ELECTRIC OPERATING STATISTICS**

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<th>Year</th>
<th>Total Debt ($mill)</th>
<th>LT Interest ($mill)</th>
<th>Annual rentals ($mill)</th>
<th>LT Interest earned (4.0%)</th>
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<td>2196.9</td>
<td>2200</td>
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**BUSINESS:** OGE Energy Corp is a holding company for Oklahoma Gas and Electric Company (OG&E), which supplies electricity to 830,000 customers in Oklahoma (84% of electric revenues) and western Arkansas (8%); wholesale is (8%). Owns 26.3% of Enable Midstream Partners. Electric revenue breakdown: residential, 41%; western Arkansas (8%); wholesale is (8%). Owns 26.3% of Enable Gas and Electric Company (OG&E), which supplies electricity to 199,702,959 shs.

**OGE Energy's utility subsidiary is awaiting a rate order in Oklahoma.**

Oklahoma Gas and Electric requested an increase of $92.5 million, based on a 10.25% return on a 53.3% common-equity ratio. The utility filed the case in order to recover higher expenses and place capital spending in the rate base. OGE also wants to place a plant back in the rate base after it was removed while being used to serve a wholesale power contract, which has expired. The staff of the Oklahoma Corporation Commission (OCC) and the state's attorney general have made recommendations that would be much less favorable for the utility. Their proposals include lowered ROEs of just 9.25%. An administrative law judge will put forth a recommendation, then the OCC will issue its order. When this comes, it will be retroactive to July, and the company will book the retroactive revenues and income in the second quarter. If the decision is issued in early 2017, OGE Energy expects earnings in the first quarter of 2017.

**Value Line Investment Research**

*Paul E. Debbas, CFA  December 16, 2016*
Otter Tail Corp. 2016 Financial Highlights

**Earnings:**
- Diluted earnings, excl. nonrecurring gains (losses): $10.44 per share
- Cash flow per share: $4.00
- Dividends historically paid: $0.30 per share

**Dividend Yield:**
- Average: 3.3%
- High: 2.5%
- Low: 2.0%

**Price Range:**
- Target Price Range: $32.70 to $38.50
- Previous: $38.75

**Market Value:**
- Market Cap: $1.5 billion (Mid Cap)

**Electric Operating Statistics:**
- Total Debt: $1.6 billion
- Capital Structure: 64% Total (Mall)

**Stock History:**
- 52-Week Range: 24.50 to 29.75

**Key Ratios:**
- Price to Book: 2.3
- Price to Earnings: 16.5
- Dividend Yield: 3.3%

**Recent News:**
Otter Tail Power has announced the purchase of a new wind farm in North Dakota. The 150-megawatt project is expected to be finished in 2019 at a cost exceeding $250 million. Following completion, the utility's customers will receive roughly 28% of their energy from renewable sources.

**Company Financials:**
- Revenue Growth: 4.3%
- EPS Growth: 4.3%
- Net Income: $32.7 million

**Investor Information:**
- Contact: Michael Napoli, CFA
- Telephone: 866-410-8780
- Internet: www.ottertail.com

---

**Electricity Distribution Segment:**
- Revenue: $2.8 billion (55%)
- Operating income: $328 million (13.1%)
- Net income: $153 million (5.4%)

**Plastics Segment:**
- Revenue: $416 million (21.7%)
- Operating income: $36 million (8.7%)
- Net income: $15 million (3.7%)

**Gas Transmission Segment:**
- Revenue: $157 million (8.1%)
- Operating income: $24 million (15.2%)
- Net income: $9 million (5.7%)

**Water Company:**
- Revenue: $38 million (2.1%)
- Operating income: $8 million (21.1%)
- Net income: $3 million (7.9%)
**EXELON CORP. NYSE-EXC**

|**RECENT PRICE**| 33.66 |
|**PIE RATIO**| 13.0 |
|**TRAILING 10%**| Medium: 15.3 |
|**RELATIVE PIE RATIO**| 0.72 |
|**DIV YLD**| 3.8% |

**Target Price Range**

<table>
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<tr>
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<th>2021</th>
<th>2020</th>
<th>2019</th>
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<tr>
<td>2.38</td>
<td>3.5</td>
<td>2.7</td>
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**VALUE LINE**

|**T O T. R E T U R N 10/16**| 83.0 |
|**V A L U E R E T U R N**| 44.0 |

---

**2019-2021 PROJECTIONS**

- **Annu Total Gain Return**
  - High 50 (+50%) 73%
  - Low 10 (-10) 17%
  - **Options**: Yes
  - **Shaded area indicates recession**

**Insider Decisions**

- **To Be**
  - 443
  - 349
- **To Sell**
  - 375
  - 351
- **%**
  - 669368
  - 702266
  - 687619

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**INSTITUTIONAL DECISIONS**

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**ELECTRIC OPERATING STATISTICS**

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<th>Year</th>
<th>Annualized % Rate of Change (per sh) 10 Yrs. 5 Yrs. to '19-'21</th>
<th>Annualized % Rate of Change (per sh) 10 Yrs. 5 Yrs. to '19-'21</th>
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<tr>
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**MARKET CAP: $31 billion (Large Cap)**

---

**Earnings Predictability**

- **2013**
  - 1.30%
  - 15%
  - 12.5%
  - 11.5%
  - 8.7%
- **2014**
  - 4.5%
  - 4.5%
  - 3.9%
  - 9.5%
  - 3.9%
- **2015**
  - 5.3%
  - 5.5%
  - 5.5%
  - 5.5%
  - 5.5%
- **2016**
  - 5.3%
  - 5.5%
  - 5.5%
  - 5.5%
  - 5.5%
- **2017**
  - 5.3%
  - 5.5%
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  - 5.5%
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- **2018**
  - 5.3%
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  - 5.5%
  - 5.5%
- **2019**
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  - 5.5%
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  - 5.5%
  - 5.5%
- **2020**
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- **2021**
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- **2022**
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- **2023**
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- **2025**
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- **2026**
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- **2027**
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- **2028**
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  - 5.5%
- **2029**
  - 5.3%
  - 5.5%
  - 5.5%
  - 5.5%
  - 5.5%
- **2030**
  - 5.3%
  - 5.5%
  - 5.5%
  - 5.5%
  - 5.5%

---

**EXelon should soon get decisions affecting nonregulated nuclear units in Illinois and New York.** Low gas prices and subsidies for renewable energy have reduced the profitability of merchant nuclear facilities. Accordingly, Exelon plans to shut three unprofitable units in Illinois unless legislation is passed that would provide subsidies. This failed to make it out of the regular legislative session, but something might still come out of a shorter session in late November in Pennsylvania. The commission enacted rules to subsidize nonregulated nuclear plants, including a unit that Exelon intends to build. However, there are legal challenges to the new rules. It is likely that Exelon will benefit if such subsidies are not enacted.

---

**BUSINESS:** Exelon is a holding company for ComEd, Ameren Illinois, Pennsylvania Power, and Pepco, Delmarva Power, & Atlantic City Electric. It has 8.6 million, 1.3 million, and 1.7 million customers, respectively. Nonregulated generating & marketing operations affect nonregulated nuclear units in Illinois and New York.

---

**Exelon’s profits, but will make the comparison easier in 2017. Additional filings are planned for next year. Exelon plans to boost annual share net income by $0.08-$0.10, and the purchase would be $45 million, based on a 9.75% ROE. In 2017, Exelon should soon get decisions affecting nonregulated nuclear units in Illinois and New York. Low gas prices and subsidies for renewable energy have reduced the profitability of merchant nuclear facilities. Accordingly, Exelon plans to shut three unprofitable units in Illinois unless legislation is passed that would provide subsidies. This failed to make it out of the regular legislative session, but something might still come out of a shorter session in late November in Pennsylvania. The commission enacted rules to subsidize nonregulated nuclear plants, including a unit that Exelon intends to build, and it will also benefit if such subsidies are not enacted.**

---

**To subscribe call t-800-VALUELINE**
PPL stock has been one of the worst-performing electric utility issues in 2016. While most equities in this industry have risen sharply in price this year (many in excess of 10%), this issue has performed poorly. Investors are concerned about the steep decline in the value of the British pound versus the dollar. This will affect earnings next year (see below). However, thanks to hedges that the company no longer breaks out data on electric operating statistics. Fuel costs: 22% of revs. '15 reported depreciation rate: 2.6%. This will affect earnings next year (see below). However, thanks to hedges that the company no longer breaks out data on electric operating statistics. Fuel costs: 22% of revs. '15 reported depreciation rate: 2.6%.

BUSINESS: PPL Corporation (formerly PPL Resources, Inc.) is a holding company for subsidiaries. Our company has electric utility operations in Kentucky, including the Louisville and Cincinnati areas. Our utility business is conducted through a series of operating companies, including Kentucky Utilities (1,500,000 customers), PPL Energy Solutions (100,000 customers), and PPL Energy Supply (1,000,000 customers). Our electric utility operations are conducted through a series of operating companies, including Kentucky Utilities (1,500,000 customers), PPL Energy Solutions (100,000 customers), and PPL Energy Supply (1,000,000 customers).

PPL's utilities in Kentucky will soon benefit of $0.20 a share through the first nine months. This will affect earnings next year (see below). However, thanks to hedges that the company no longer breaks out data on electric operating statistics. Fuel costs: 22% of revs. '15 reported depreciation rate: 2.6%.

Note, too, that our earnings presentation for 2016 includes a net foreign currency benefit of $0.20 a share the first nine months. PPL's utilities in Kentucky will soon benefit of $0.20 a share through the first nine months. This will affect earnings next year (see below). However, thanks to hedges that the company no longer breaks out data on electric operating statistics. Fuel costs: 22% of revs. '15 reported depreciation rate: 2.6%.

In 2015, the company no longer breaks out data on electric operating statistics. Fuel costs: 22% of revs. '15 reported depreciation rate: 2.6%.

(continued from previous page)

Note, too, that our earnings presentation for 2016 includes a net foreign currency benefit of $0.20 a share the first nine months. PPL's utilities in Kentucky will soon benefit of $0.20 a share through the first nine months. This will affect earnings next year (see below). However, thanks to hedges that the company no longer breaks out data on electric operating statistics. Fuel costs: 22% of revs. '15 reported depreciation rate: 2.6%.

In 2015, the company no longer breaks out data on electric operating statistics. Fuel costs: 22% of revs. '15 reported depreciation rate: 2.6%.

(continued from previous page)
BUSINESS: PG&E Corporation is a holding company for Pacific Gas and Electric Company and numerous subsidiaries. Supplies electricity and gas to most of northern and central California. Has 5.3 million electric and 4.4 million gas customers. Electric revenue breakdown: residential, 38%; commercial, 21%; industrial, 13%; agricultural, 9%; other, 17%. PG&E has filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code to resolve its liabilities related to the San Bruno pipeline accident. The company expects to have a plan of reorganization by the end of 2017.

PG&E is awaiting an order on its general rate case. The utility reached a contested settlement agreement calling for rate increases of $88 million in 2017, $444 million in 2018, and $361 million in 2019. A hike of $361 million is recommended for 2020, but this is one of the contested issues. An administrative law judge will put forth a proposed decision before the California commission issues its order, which is expected in February. The ruling will be retroactive to the start of the year.

Earnings should return to a normal level beginning in 2017. Even since a pipeline gas explosion in San Bruno, California in September of 2010, causing fatalities, injuries, and extensive property damage, the company’s income (as we present it) has included charges for unrecovered pipeline safety enhancements, revenue refunds, and related legal costs. We excluded fines (these are not operational in nature.) PG&E has funded much of this through equity issuances, which is why the share count has risen so sharply since 2010. The company issued an estimated $800 million of common equity last year, and expects to issue $400 million of common equity in 2017.

PG&E has issued its 2017 second-quarter earnings guidance of $3.51-$3.80 a share on a basis that are close to the averages for the period. The company forecast earnings per share of $2.50-$2.80 for the full year on a basis that are close to the averages for the period.

To subscribe call 1-800-VALUELINE
The Arizona Corporation Commission (ACC) is holding hearings on the rate case filed by Pinnacle West's utility subsidiary, Arizona Public Service Service. This is expected to be in service in the spring of 2018 at a cost of $400 million. The company is also building five gas-fired units that will replace older plants for a net increase in generation capacity of 220 megawatts. This is expected to be completed by the spring of 2019 at a cost of $500 million.

We forecast a 10% earnings increase this year. In 2016, the cost of major plant overhauls hurt profits in the first half, and a milder-than-normal summer affected income in the third period. Thus, the company is also building five gas-fired units that will replace older plants for a net increase in generation capacity of 220 megawatts. This is expected to be completed by the spring of 2019 at a cost of $500 million.

As we had expected, the board of directors raised the quarterly dividend by $0.03 a share (4.8%) in the fourth quarter of 2016. Pinnacle West's goal for annual dividend growth is 5%. This stock is priced expensively.

The dividend yield doesn't stand out among utilities. With the recent price near the upper end of our 3- to 5-year Target Price Range, total return potential is low. Pinnacle West closed at $54.72 on January 27, 2017.

Earnings Growth

- Commercial, 39%; industrial, 5%; other, 7.
- Generating sources: coal, 31%; nuclear, 27%; gas & other, 20%; purchased, 22%. Fuel costs: 32% of revenues. 15 reported decrep. rate: 2.7%. Has 6,400 employees. Chairman, President & CEO: Donald E. Brandt. Inc.: 400 Fifth North St., P.O. Box 53999, Phoenix, AZ 85072-53999. Internet: www.pinnaclewest.com.
Pepco Holdings, Inc. (PHI) was formed on August 1, 2002, upon the merger of Potomac Electric Company (PECO) and Conectiv. In the $2.2 billion deal, Pepco common stockholders received one common share in PHI for each of their shares, and Conectiv investors exchanged each of their common shares for $25 worth of PHI stock and cash, prorated 50/50.

March 4th may be large break or make for Pepco Holdings’ acquisition by Exelon Corp. Indeed, Christopher Crane, the CEO of Exelon, said during a recent conference call with equity analysts that his company will walk away from its planned merger with PHI if the District of Columbia Public Service Commission (DCPSC) doesn’t issue a ruling on the deal by that date. The DCPSC had previously suggested that it would make a decision by March 4th with understanding that it was under no obligation to meet the deadline. For his part, Mr. Crane has said that, absent a March 4th ruling, Exelon will begin buying back the nearly 58 million shares that it issued to help fund the merger deal. This would effectively end the 20-month courtship. That is possible because CEO Crane was posturing a bit, given that’s been a rather lengthy – and likely exhausting – merger review.

We still believe that a deal could be done. Underpinning our confidence is a belief that the long list of proposed merger concessions is sufficient enough to allay concerns that the marriage is not in the pipeline. Pepco Holdings’ electric customers: 1.8 million; gas customers: 125,000. Exelon’s premerger announcement trading levels of ($19 and change per share) is possible in our view, partly reflecting the unwinding of large arbitrage-related positions. It is also worth noting that, with its lackluster earnings record, Pepco hasn’t increased its dividend in more than seven years. Accordingly, income-seeking investors should look elsewhere for utility industry exposure.

Nils C. Van Liew
February 19, 2016
PNM Resources is seeking another rate hike. Indeed, in early December, the company’s regulated public unit (PNM) filed a request to raise rates within its Service of New Mexico (PNM) area, which provides power generation, transmission, and distribution services across New Mexico, including the cities of Albuquerque and Santa Fe. The utility is hoping to soften the blow while the proposed $92 million rate hike translates into a large increase of around 13% for residential customers.

PNM Resources is a holding company with two regulated electric utilities. Its Public Service of New Mexico unit (PNM) provides power generation, transmission, and distribution services across New Mexico, including the cities of Albuquerque and Santa Fe. The utility is planning to file a request to raise rates within its Service of New Mexico (PNM) area, which provides power generation, transmission, and distribution services across New Mexico, including the cities of Albuquerque and Santa Fe.

PNM Resources is a holding company with two regulated electric utilities. Its Public Service of New Mexico unit (PNM) provides power generation, transmission, and distribution services across New Mexico, including the cities of Albuquerque and Santa Fe. The utility is planning to file a request to raise rates within its Service of New Mexico (PNM) area, which provides power generation, transmission, and distribution services across New Mexico, including the cities of Albuquerque and Santa Fe.

BUSINESS: PNM Resources is a holding company with two regulated electric utilities. Its Public Service of New Mexico unit (PNM) provides power generation, transmission, and distribution services across New Mexico, including the cities of Albuquerque and Santa Fe. The utility is planning to file a request to raise rates within its Service of New Mexico (PNM) area, which provides power generation, transmission, and distribution services across New Mexico, including the cities of Albuquerque and Santa Fe.

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We have reviewed our 2016 and 2017 earnings estimates for Public Service Enterprise Group. We raised our 2016 estimate by $0.15 a share, reflecting a better-than-expected third quarter. A hotter-than-normal summer was a plus, and PSEG recorded mark-to-market accounting gains in the period, which we include in our presentation because these are ongoing. On the other hand, we have cut our 2017 forecast by $0.15 a share. Low gas prices are hurting PSEG Power, the company's main nonutility subsidiary. Fuel costs: 31% of revenues. '15 reported depreciation and amortization will result in lower margins and lower output from PSEG Power's coal-fired generating units.

BUSINESS: Public Service Enterprise Group Incorporated is a diversified public utility company providing Electric Service, Gas Service, and diversified energy-related products and services to more than 6 million customers in New Jersey, New York, and Connecticut. It operates generating projects and provides energy-related products and services in the United States and internationally. PSEG Power is a merchant power generator with nuclear, gas, and coal-fired plants in the Northeast. PSEG Energy Holdings is involved in renewable energy.

The company no longer breaks out data on electric and gas operating statistics. Fuel costs: 31% of revenues. '15 reported depreciation and amortization will result in lower margins and lower output from PSEG Power's coal-fired generating units. (The utility will still have to file a general rate case in November of 2017.) Electric transmission is another key growth area for PSEG. It asked the Federal Energy Regulatory Commission for a $121 million rate hike, effective at the start of 2017, based on FERC's formula rate plan. By year-end 2016, transmission will make up 45% of PSEG's rate base. This is noteworthy because the allowed return on equity for transmission is higher than for distribution. PSEG took two nonrecurring charges in the third quarter, and additional charges are being used in the fourth quarter in 2017. The company took a $0.17-a-share impairment charge related to some leveraged leases, and a $0.13-a-share writedown for the early retirement of two coal-fired units in 2017. Incremental depreciation and amortization will result in pretax losses of $568 million in the fourth quarter of 2016 and $946 million in the first quarter of 2017. These are noncash items, but will reduce PSEG's equity base. Nevertheless, the common-equity ratio will still be well above the utility norm, and we continue to give the company our top rating of A++ for Financial Strength.

This high-quality and timely stock has a dividend yield that is above average for a utility. Total return potential to November 18, 2016 was well above the utility norm.

Paul E. Debbas, CFA      November 18, 2016
Scana Corp. Nyse-scg

### Recent Price

|       | $73.26 |

### Price Range

<table>
<thead>
<tr>
<th>Target Price</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>84.75</td>
<td>96.75</td>
<td>109.75</td>
</tr>
<tr>
<td>Low</td>
<td>54.00</td>
<td>58.00</td>
<td>60.00</td>
</tr>
</tbody>
</table>

### Technical Analysis

- Beta: 1.00 (Market)
- 50-Day Simple Moving Average: 68.00
- 200-Day Simple Moving Average: 64.00
- 14-Day % RSI: 55.00
- 14-Day RSI: 59.00
- 14-Day Stochastic (%K): 56.00
- 14-Day Stochastic (%D): 54.00
- EMA(12): 65.00
- EMA(26): 66.00
- MACD (9,26,9): 0.50

### Institutional Decisions

- To Buy: 20 / To Sell: 0
- Options: 0 / Other: 0

### Insider Decisions

- J F M A M J J A S
- Options: 0 / Shares sold: 0

### Institutional Hold

- Percent of shares traded: 7%

### 거래가 필요하다. 

%Change Retail Sales (KWH)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change</td>
<td>2.7%</td>
<td>3.3%</td>
<td>3.5%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

### Capital Structure (as of 6/30/16)

<table>
<thead>
<tr>
<th>Category</th>
<th>$606.7 Mill.</th>
<th>$595.7 Mill.</th>
<th>$604.7 Mill.</th>
<th>$604.7 Mill.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term Debt</td>
<td>$397.0 Mill.</td>
<td>$395.7 Mill.</td>
<td>$395.7 Mill.</td>
<td>$395.7 Mill.</td>
</tr>
<tr>
<td>Common Stock</td>
<td>$209.7 Mill.</td>
<td>$209.7 Mill.</td>
<td>$209.7 Mill.</td>
<td>$209.7 Mill.</td>
</tr>
<tr>
<td>Preferred Stock</td>
<td>$61.0 Mill.</td>
<td>$61.0 Mill.</td>
<td>$61.0 Mill.</td>
<td>$61.0 Mill.</td>
</tr>
</tbody>
</table>

### Financial Highlights

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revs.</td>
<td>$7.25B</td>
<td>$7.25B</td>
<td>$7.25B</td>
<td>$7.25B</td>
</tr>
<tr>
<td>Adj. Int.</td>
<td>$1.08B</td>
<td>$1.08B</td>
<td>$1.08B</td>
<td>$1.08B</td>
</tr>
<tr>
<td>Adj. Int. Rev.</td>
<td>$1.08B</td>
<td>$1.08B</td>
<td>$1.08B</td>
<td>$1.08B</td>
</tr>
<tr>
<td>Earnings</td>
<td>$478.4</td>
<td>$507.1</td>
<td>$570.8</td>
<td>$570.8</td>
</tr>
<tr>
<td>Dividends</td>
<td>$0.960</td>
<td>$0.996</td>
<td>$1.050</td>
<td>$1.050</td>
</tr>
<tr>
<td>Book Value</td>
<td>$65.0</td>
<td>$65.0</td>
<td>$65.0</td>
<td>$65.0</td>
</tr>
</tbody>
</table>

### Technical Analyses

- Climate: Above Average.
- Dividend yield: 4.20%
- Beta: 1.00
- Relative PE ratio: 14.5
- P/E ratio: 14.1
- EPS: 1.39
- Dividend yield: 4.20%
- Beta: 1.00
- Relative PE ratio: 14.5
- P/E ratio: 14.1
- EPS: 1.39

### Dividends

<table>
<thead>
<tr>
<th>Date</th>
<th>Declared</th>
<th>Record</th>
<th>Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q2015</td>
<td>1Q2016</td>
<td>2Q2016</td>
<td>3Q2016</td>
</tr>
<tr>
<td>Dividends</td>
<td>0.50</td>
<td>0.50</td>
<td>0.50</td>
</tr>
</tbody>
</table>

### Safety

- SCE&G was granted a rate hike under the BLRA.
- The law provides annual rate relief to enable the utility to recover its cost overruns. Accordingly, SCE&G exercised its option to fix the price of the project at $7.4 billion, which is the amount the contractor is responsible for any excess costs. This option will raise the cost by $831 million, but will take effect in late November.

### Scana's Electric Utility Subsidiary

- Scana's electric utility subsidiary received a regulatory decision from the Public Service Commission of South Carolina.
- Scana Electric & Gas is building two nuclear units at the site of its nuclear plant. The facilities are scheduled to come on line in August of 2019 and 2020, which is a delay from the original schedule. There have also been cost overruns. Accordingly, SCE&G exercised its option to fix the price of the project at $7.4 billion, which is the amount the contractor is responsible for any excess costs. This option will raise the cost by $831 million, but will take effect in late November.

### Business

- Scana Corporation is a holding company for South Carolina Electric & Gas Company, which supplies electricity to approximately 707,000 customers in central, southern, and southwestern South Carolina. Supplies gas service to 1.3 million customers in North Carolina, South Carolina, and Georgia. Electric revenue breakdown:
- Residential: 47.4%
- Commercial: 47.4%
- Industrial: 5.2%

### Stock Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Mar.31</th>
<th>Jun.30</th>
<th>Sep.30</th>
<th>Dec.31</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>59.00</td>
<td>59.00</td>
<td>59.00</td>
<td>59.00</td>
</tr>
<tr>
<td>2015</td>
<td>61.75</td>
<td>61.75</td>
<td>61.75</td>
<td>61.75</td>
</tr>
<tr>
<td>2016</td>
<td>63.50</td>
<td>63.50</td>
<td>63.50</td>
<td>63.50</td>
</tr>
<tr>
<td>2017</td>
<td>63.50</td>
<td>63.50</td>
<td>63.50</td>
<td>63.50</td>
</tr>
</tbody>
</table>

### Revenue Projections

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
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<td>$65.0</td>
<td>$65.0</td>
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</tbody>
</table>

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SOUTHERN COMPANY
NYSE:SO

RECENT PRICE 50.76
PIE RATIO 18.3
TRAILING 3 YEAR Median: 16.4
RELATIVE PIE RATIO 1.02
DIVIDEND YLD 4.5%

Target Price Range 2019 2020
65.0 74.40
69.0 80.00

VALUE LINE

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100 % TOT. RETURN OVER PERIOD
16.0 6.4
20.1 14.3
35.2 76.0

2010-2020

2010 2011 2012 2013 2014 2015

Percent shares traded
18 16 15 14 12 10 8 6

Insider Decisions

to Buy
0 1 0 0 0 0 0 0

to Sell
3 3 3 3 3 3 3 3

Institutional Decisions

2010 2011 2012 2013 2014 2015

Paid in
to
to

52.8 54.0 51.8 50.0 48.3 46.6

Gulf Power has asked the Florida PSC to increase rates by 2.5%.

BUSINESS: The Southern Company, through its subs., supplies electricity to 4.6 million customers in GA, FL, and MS. Also has a competitive generation business. Acq'd AGL Resources (renamed Southern Company Gas, 4.5 mill. customers in GA, FL, IL, VA, TN) 7/16. Electric rev. breakdown: residential, 38%; commercial, 32%; industrial, 19%; other, 11%. Retail revs. by state: GA, 50%; AL, 34%; FL, 9%; MS, 7%. Generating sources: gas & oil, 44%; coal, 32%; nuclear, 15%; hydro, 3%; purchased, 6%. Fuel costs: 31% of revs. ’15 reported deq. rate (utility): 3.0%. Has 32,000 employees. Chairman, President and CEO: Thomas A. Fanning, Ince. Address: 30 Ivan Allen Jr. Blvd., N.W., Atlanta, GA 30308. Tel: 404-527-4474. Internet: www.southerncompany.com

Southern Company's Georgia Power utility has reached a settlement regarding the construction of a new power plant at the site of its Vogtle nuclear station. The two units are expected to begin operating in J une of 2019 and 2020. Under the terms of the agreement, all of the $3.3 billion of construction costs through 2015 would be deemed prudent. The in-service capital cost would be raised from $4.4 billion to $5.6 billion (including a $1.2 billion in transaction costs). If any costs exceed this figure, the utility would have the burden of proof that those costs are prudent. However, the return on equity used for new tariffs is based on an 11% ROE, and for new tariffs the benefit of the seasonally strong first quarters and delays and cost overruns that have forced the company to take nonrecurring charges since 2013 (shown in the footnotes). These charges amounted to $121 million after taxes ($93 million). A new $357 million unit added to MOC (Q1 ‘14). Not a ratepayer-funded project. months of 2016

Gulf Power has asked Florida for a rate hike. The utility is seeking an increase of $106.8 million, based on an 11% ROE, and for new tariffs to take effect in J u ne of 2017.

We expect profits to bounce back in 2017 after a decline in 2016. This has been a big year for acquisitions — most notably, the $7.9 billion cash purchase of a gas utility and the $1.5 billion investment in a 50% stake of a gas pipeline. The first nine months this year included $0.08 a share of acquisition and integration costs. Also, the gas utility purchase closed in midyear, so Southern did not receive the benefit of the seasonally strong first quarter. With lower acquisition expenses and a full year’s worth of income from the acquired assets, we think earnings will wind up within management’s targeted range of $2.90-$3.02 a share in 2017.

This timely stock has a dividend yield that is about a percentage point above the industry mean. Total return potential to 2019-2021 is only average for a utility average of 4.5%. Gulf Power has a strong financial position and an attractive valuation relative to peers.

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It appears as if the acquisition of TECO Energy might be completed within the next several weeks. Emera, a Canadian company, has agreed to pay $27.55 in cash for each share of TECO Energy. Just one more regulatory approval is required: that of the New Mexico Public Regulation Commission (NMPRC). The companies and various intervenors have reached an unopposed settlement that will be presented to the NMPRC. In early May, TECO Energy will present to the NMPRC its proposed combination, and will make a recommendation by early June, before the NMPRC issues its ruling. The current time line suggests that TECO might be released for the closing date of the transaction. Thus, this might be our last full-page report on TECO Energy.

We advise TECO Energy stockholders to sell their shares on the open market. The recent success of TECO Energy stock is slightly above the breakout price, so stockholders have no incentive to await completion of the takeover. Emera's offer is generous, at 24 times estimated 2016 earnings.

BUSINESS: TECO Energy, Inc. is a holding company for TECO Electric, which serves 708,000 customers in Central Florida; and Peoples Gas, which serves 354,000 customers in Florida. TECO Electric, which serves 708,000 customers in Central Florida; and Peoples Gas, which serves 354,000 customers in Florida. TECO Energy bought in September of 2014 gas (513,000 customers) 9/14. Sold TECO Energy in 2015 to discontinue generation in Guate-

<table>
<thead>
<tr>
<th>TECO ENERGY, INC. NYSE-TE</th>
<th>RECENT PRICE</th>
<th>27.76</th>
<th>PIE RATIO</th>
<th>24.1</th>
<th>TRAILING 52W WEEK</th>
<th>27.12</th>
<th>RELATIVE PIE RATIO</th>
<th>1.32</th>
<th>DIVIDEND</th>
<th>3.4%</th>
</tr>
</thead>
</table>

**2019-21 PROJECTIONS**

<table>
<thead>
<tr>
<th>Percent changes</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
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<tbody>
<tr>
<td>Earnings per sh</td>
<td>-3%</td>
<td>-2%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Return on Com Eq</td>
<td>9%</td>
<td>10%</td>
<td>11%</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>Div'y yield</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**TARGET PRICE RANGE**

<table>
<thead>
<tr>
<th>Range</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25.00</td>
<td>$30.00</td>
<td>$35.00</td>
<td></td>
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</tbody>
</table>

**VALUE LINE PUBL, LLC 19-21**
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 also featured a dividend of $4.68 per share, at a 19 times estimated 2014 cash flow for each share.

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. 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 new 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 offer. We advise investors to sell their holdings at the current level in order to avoid downside risk in case the deal falls through.

Saumya Ajila
May 2, 2014
Ameren has a rate case pending in Missouri.

The application reflects the effect of the last kilowatt-hour sales to a large industrial customer that idled production at its aluminum smelter. Ameren is also asking for a regulatory mechanism to track and recover transmission costs. An order is expected in late May.


calculated on com. eq. in MO in '15: elec., 9.53%; in Ill in '14: elec., 2.14%.

Ameren has a rate case pending in Missouri.

The state uses a historical

Ameren has a rate case pending in Missouri.

Ameren's goal is a 55%-70% payout ratio.

BUSINESS: Ameren is a holding company formed through the August 2011 merger of Union Electric Company and CIPSICO. Ameren Corporation (f/k/a: Chas. Pfizer & Co. 103; Illinois Power Company 104). Has 1.2 million electric and 127,000 gas customers in Missouri; 1.2 million electric and 813,000 gas customers in Illinois. Discontinued nonregulated power-generation operations in Illinois in 2014.

Ameren is also seeking the option to use a system peak incentive ''adder''). Another cut, to 10.32% (excluding a half percentage point incentive and grants few regulatory mechanisms for a regulatory mechanism to track and recover transmission costs. An order is expected in late May.

We have raised our 2016 earnings estimate by $0.10 a share. One of the hottest summer records on record in Ameren’s service territory added a dime to the company’s target range. We raised our 2017 profit forecast by $0.05 a share, to $2.80. Previously, the closing of the aluminum smelter was expected to reduce the bottom line by $0.06-$0.07 next year (versus $0.15 in 2016). However, because the rate order will likely come earlier than previously expected, the negative effect in 2017 is now estimated at just $0.03 a share. A return to normal weather conditions in 2017 would be a negative factor for the year-to-year earnings comparison, however.

Electric transmission is an area of growth for Ameren. This is despite a cut in its allowed ROE for transmission, from 12.38% to 10.20% (excluding a half percentage point incentive “adder’’). Another cut, to 9.70%, will occur if the Federal Energy Regulatory Commission adopts an administrative law judge recommendation. An order is expected in the second quarter of 2017. The board of directors boosted the dividend in the fourth quarter. The annual increase was $0.06 a share (3.5%). Ameren’s goal is a 55%-70% payout ratio.

Ameren has a rate case pending in Missouri.

The application reflects the effect of the last kilowatt-hour sales to a large industrial customer that idled production at its aluminum smelter. Ameren is also asking for a regulatory mechanism to track and recover transmission costs. An order is expected in late May.

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Electric transmission is a growth area for Ameren. This is despite a cut in its allowed ROE for transmission, from 12.38% to 10.20% (excluding a half percentage point incentive “adder’’). Another cut, to 9.70%, will occur if the Federal Energy Regulatory Commission adopts an administrative law judge recommendation. An order is expected in the second quarter of 2017. The board of directors boosted the dividend in the fourth quarter. The annual increase was $0.06 a share (3.5%). Ameren’s goal is a 55%-70% payout ratio.

The dividend yield of Ameren stock is average for a utility. With the recent price rise within our 2019-2021 Target Price Range, total return potential is low. Paul Debbas, CFA December 16, 2016

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UIL Holdings expects to soon become part of Iberdrola. Indeed, the Connecticut electric and gas utility is still targeting a year-end closing for its merger with Spain's Iberdrola U.S. unit, which is expected to bring more than $1 billion in synergies at the merged company.

BUSINESS: UIL Holdings, through its subsidiaries, operates as one of the largest-regulated utility companies in Connecticut. The company consists of electric distribution/transmission operations of The Southern Connecticut Gas Company and Electric Company of Connecticut, Inc. (the former together referred to as "Southern Connecticut") and electric distribution/transmission operations of The Connecticut Light & Heat Company (the former referred to as "Connecticut Light & Heat"). Through its subsidiaries, UIL Holdings operates as one of the dominant electric and gas suppliers in Connecticut.

As of July 15, 2015, the company had over 1.1 million electric customers and over 325,000 gas customers. The company's electric utility consists of electric distribution/transmission operations of The Southern Connecticut Gas Company and Electric Company of Connecticut, Inc. The company's gas utility consists of the pipeline distribution operations of The Southern Connecticut Gas Company and Electric Company of Connecticut, Inc. and the natural gas transportation/distribution operations of The Connecticut Light & Heat Company. UIL Holdings' principal subsidiary, The Southern Connecticut Gas Company, is the largest natural gas utility in Connecticut in terms of metered customers and revenue from services.

On September 11, 2015, UIL Holdings announced that it had entered into an agreement with Iberdrola S.A., a leading Spanish energy company, to merge with Iberdrola S.A.'s U.S. unit, Iberdrola U.S., Inc. The merger would be the first major foreign merger of an American utility and a Spanish utility. The merger would create a new company with assets of over $10 billion and over 1.1 million electric customers and over 325,000 gas customers.

The company has a long-standing track record of financial strength and stability, with a strong balance sheet and a history of solid financial performance. UIL Holdings is well-positioned to continue its long-term growth trajectory, driven by its strong customer base, diversified asset base, and solid financial position.

In conclusion, UIL Holdings is a solid investment opportunity with a strong track record of financial performance and a bright future under the leadership of a well-established Spanish energy company. The company's merger with Iberdrola S.A. is expected to bring significant benefits to UIL Holdings, including increased scale, synergies, and improved financial performance. As such, UIL Holdings is a compelling investment for those seeking exposure to the quickly growing U.S. energy sector.
## UNITIL CORP. (AMEX: UTL)

### PERFORMANCE

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### TECHNICAL

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### SAFETY

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### INSTITUTIONAL DECISIONS

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<th>1Q'16</th>
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<tbody>
<tr>
<td>3</td>
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### INDOUSTRY: Electric Utility (East)

#### BUSINESS

Unitil Corporation, a public utility holding company, engages in the distribution of electricity and natural gas in the United States. It distributes electricity in the southeastern seacoast and state capital regions of New Hampshire, and the greater Fitchburg area of north central Massachusetts; and distributes natural gas in southeastern New Hampshire, portions of southern Maine to the Lewiston-Auburn area, and in the greater Fitchburg area of north central Massachusetts. The company also operates 86 miles of interstate underground natural gas transmission pipeline that provides interstate natural gas pipeline access and transportation services primarily in Maine and New Hampshire. In addition, it provides energy brokering and advisory services to commercial and real estate management customers; and real estate management services. As of June 30, 2016, the company served approximately 103,300 electric customers and 78,700 natural gas customers. Has about 500 employees. Chairman, C.E.O. & President: Robert G. Schoenberger. Inc.: NH. Address: 6 Liberty Lane West, Hampton, NH 03842. Tel.: (603) 772-0775. Internet: http://www.unitil.com. N.A.

#### TOTAL SHAREHOLDER RETURN

<table>
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<tr>
<th>3Mos.</th>
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<th>1Yr.</th>
<th>3Yrs.</th>
<th>5Yrs.</th>
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<tbody>
<tr>
<td>0.65%</td>
<td>2.30%</td>
<td>13.85%</td>
<td>56.54%</td>
<td>86.02%</td>
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ALLIANT ENERGY
NYSE-LNT

11, (1¢); 12, (8¢). Next earnings report due (A)

Diluted EPS. Excl. nonrecur. gains (losses):

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.

16,000,000 shs.

Book Value 4.0% 4.0%

Earnings 6.0% 7.0%

"Cash Flow" 3.5% 8.0%

of change (per sh)

10 Yrs. 5 Yrs. to '19-'21

ANNUAL RATES Past Past Est'd '13-'15

Fixed Charge Cov. (%) 295 320 325

Elect. rev.: residential, 39%; commercial, 24%; industrial, 30%; wholesale, 6%; other, 1%. Fuel sources, 2015: coal, 46%; gas, 19%; other, 35%. Fuel costs: 49%

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 Energy Corporation, was formed on April 21, 1998 through the merger of WPL Hold-

Earnings should advance nicely in

2.5% 3.4% 4.3% 5.3% 6.1%

3.2% 4.3% 5.3% 6.1%

8.6% 9.0% 9.3% 9.7% 10.1%

Alliant Energy’s third-quarter results

were hurt by an impairment charge.

The company recorded a noncash valua-

tion adjustment worth $0.23 a share after an analysis on the Franklin County wind farm concluded a valuation of approxi-

mately $0.42 per share, the company said. Im-

provingly, the inquiry was done in con-

junction with a potential transfer to Inter-

state Power and Light (IPL), a subsidiary of Alliant Energy. The valuation analysis will help determine the outcome of IPL’s fu-

ture rate requests. The transfer is being reviewed by the Federal Energy Regulatory Com-

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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 0.825 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.

BUSINESS: Integrys Energy Group, Inc. is a holding company for Wisconsin Public Service Corporation and other utility subsidiaries. Has 450,000 electric customers in WI, 1.7 million gas customers in WI, 50,000 electric and gas customers in IL, and 10,000 electric and gas customers in MN. Wisconsin Public Service and Peoples Gas are subsidiaries. Has 4,600 employees.

Like many electric utility issues, Wisconsin Energy Group’s stock price has fallen more than 10% so far this year. In fact, the value of the deal for Integrys holders has dropped below the $71.47-a-share value when the acquisition was announced nearly a year ago.

PEOPLES GAS IN ILLINOIS HAS RECEIVED SOME CRITICISM FOR ITS MANAGEMENT OF ITS ACCELERATED MAIN-REPLACEMENT PROGRAM. The cost of the project is much more than expected, and has been proposed several years ago. A consultant’s trade 95 recommendations, many of which the utility is already implementing. How this will affect the proposed takeover is unknown. The Illinois commission might welcome a decision in Illinois by then. If all goes well, the transaction will close shortly thereafter. Accordingly, this might well be the pending takeover.

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AVISTA CORP. NYSE-AVA

**2019-2021 PROJECTIONS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>EPS</th>
<th>P/E</th>
<th>Dividend</th>
<th>Payout Ratio</th>
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<tbody>
<tr>
<td>2019</td>
<td>$1817.1 mill.</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>2020</td>
<td>$1852.9 mill.</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>2021</td>
<td>$1889.6 mill.</td>
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<td>-</td>
<td>-</td>
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**MARKET CAP:** $2.5 billion (Mid Cap) as of 10/28/16

**PEAK LOAD, WINTER (Mw)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Peak Load, Winter (Mw)</th>
<th>Capacity at Peak (Mw)</th>
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<td>2013</td>
<td>2223</td>
<td>2767</td>
</tr>
<tr>
<td>2014</td>
<td>2223</td>
<td>2594</td>
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**EARNINGS PER SHARE A**

<table>
<thead>
<tr>
<th>Year</th>
<th>EPS</th>
<th>P/E</th>
<th>Dividend</th>
<th>Payout Ratio</th>
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<tbody>
<tr>
<td>2013</td>
<td>$0.54</td>
<td>20.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2014</td>
<td>$0.53</td>
<td>21.8</td>
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</tr>
<tr>
<td>2015</td>
<td>$0.52</td>
<td>22.5</td>
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**STOCK PRICE 39.43**

**PRICE RATIO 19.9**

**TRAILING 19.3**

**RELATIVE PRICE RATIO 1.01**

**DIVIDEND 3.5%**

**VALUE LINE PUBLISHING COMPANY'S FINANCIAL STRENGTH**

- **10-Year Historical**
  - 2010: 2.5%
  - 2009: 2.6%
  - 2008: 2.7%
  - 2007: 2.8%
  - 2006: 2.9%
  - 2005: 3.0%
  - 2004: 3.1%
  - 2003: 3.2%
  - 2002: 3.3%
  - 2001: 3.4%
  - 2000: 3.5%

**AVISTA was “extremely disappointed” by the rate decision it received in Washington in December.** That is how management described the order from the Washington Utilities and Transportation Commission (WUTC), which denied the utility’s request for electric and gas rate increases. Avista had filed for electric and gas tariff hikes for 2017 of $38.6 million and $4.4 million, respectively, followed by smaller increases at the start of 2018. The WUTC’s ruling was surprising, given that its staff had recommended raises of $25.6 million for electricity and $2.1 million for gas. The company has asked the WUTC for reconsideration and a rehearing.

**The lack of rate relief in Washington will hurt 2017 earnings by an estimated $0.20-$0.30 a share.** We have lowered our estimate by $0.20 a share, to $1.95. We will add a drawback estimate if Avista winds up getting some rate relief in Washington.

**Will this affect the board’s decision about the dividend?** In recent years, the directors have increased the quarterly dividend by 9.5% to 10.2% annually. The first quarter. We now estimate no dividend hike due to the regulatory problems, but we don’t rule one out.

**AVISTA was granted an electric rate increase in Idaho.** The raise was $6.3 million (2.5%), based on a 9.5% return on a 50% common-equity ratio. New tariffs took effect at the start of 2017.

**Rate cases are pending in Alaska and Oregon.** Alaska Electric Light & Power filed for an increase of $2.8 million (6.1%), based on a 13.8% return on a 58% common-equity ratio. New tariffs are expected to take effect on October 1st.

**We think this stock lacks investor appeal.** The recent price does not adequately reflect the regulatory uncertainty, in our view. Moreover, 3- to 5-year total return potential is low.
Great Plains' $8.6 billion takeover of Westar Energy is progressing slowly. The agreement, which calls for WR investors to receive $60 (85% in cash, 15% in stock) for each of their shares, is facing staunch resistance from the Kansas Corporation Commission (KCC) and Missouri Public Service Commission (MPS). The KCC has raised concerns over what changes or functions would remain at the utility's Topeka-based headquarters, and has threatened to halt the merger if regulators do not clear up details on cost savings and other information are not disclosed. Meanwhile, the MPS is moving forward on a complaint filed by the Midwest Energy Consumers Coalition, which asserts that the deal requires approval in Missouri. As noted in our September report, Great Plains Energy has disputed this and said it would take legal action if Missouri regulators attempt to block the deal.

We think this is mostly maneuvering by both sides in an attempt to gain concessions. Great Plains already reached an agreement with the Missouri Public Service Commission staff that requires it to keep the credit ratings and financial structure of its Missouri operations separate from the Westar operations in Kansas. This means a potential credit downgrade would not affect Missouri customers in the form of rate increases. The recent actions from the MPS merely suggest that the regulatory agency wants additional sweeteners before it approves the $8.6 billion tie-up. We believe the two sides will eventually reach a compromise. Elsewhere, we think Great Plains will provide additional assurances to the KCC about its future plans for Westar's Topeka-based headquarters. That should allow for a concrete decision to be made by next year's April deadline. Lastly, the companies still need approval from the Nuclear Regulatory Commission, the Federal Energy Regulatory Commission, and the Federal Energy Regulatory Commissions. Decisions from all three are expected in early 2017.
### Electric Operating Statistics

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<th>Sep.30</th>
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<td>1650.0</td>
<td>1700.0</td>
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### BUSINESS: WEC Energy Group

WEC Energy Group, Inc. (formerly Wisconsin Energy Corporation), is a holding company for utilities that provide electric, gas, steam, and other energy services in WI & gas service in IL. WEC has a majority ownership of Integrys Energy Group, a holding company for utilities that provide electric and gas service in WI & gas service in IL, MN, & MT. Customers: 1.6 million elec., 2.8 million gas. AEP Integrys Energy 6/15. Sold Point Beach nuclear plant in '07. Elec. rev. breakdown: residential, 33%; small commercial & industrial, 31%; large commercial & industrial, 21%; nuclear plant in '07. 25% of the utility's electric load is generated by natural gas. WEC Energy Group, Inc. is one of the 25 largest utility companies in the U.S. The utility is planning to build a gas-fired power plant in the upper peninsula of Michigan. The 170-megawatt facility is expected to cost $255 million. Half of this amount would be recovered in rates, the other half from a large industrial customer under a 20-year contract. The company expects the unit to be in service in 2019. It would replace an old coal-fired power plant. Before construction may begin, the utility needs to obtain a certificate of need from the Michigan Public Service Commission.

### Earnings with almost certainly increasing materialize in 2016. In fact, WEC Energy's core net earnings from the first three quarters of this year equalled the tally for all of 2015. A year ago, expenses associated with the acquisition of Integrys Energy Group amounted to $0.39 a share. Merger-related costs have been negligible in 2016. Another positive factor is current return (with a lag of just 30 days) Peoples Gas receives for its accelerated main replacement program in Chicago. The utility expects to spend $250 million-$280 million annually on this program for the next several years, so this will also help lift WEC Energy's earnings in 2017.

### The company's gas utility in Minnesota

#### Timeliness

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#### Calander

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</table>
All of the major electric utilities located in the eastern region of the United States are reviewed in this Issue; central electrics, in Issue 5; and the remaining utilities, in Issue 11.

Conditions in the power markets are unfavorable for owners of “merchant” (uncontracted) generating units. We discuss what some companies are doing about this.

Many utilities reported strong third-quarter earnings due to a hotter-than-normal summer. When third-quarter profits are strong, this usually presages weaker fourth-period income.

We provide a brief discussion of the dividend line on the price charts of utility stocks.

Although the second half of 2016 has been poor for these stocks, the prices of most of these issues are still up nicely for the year thanks to the strength they showed in the first six months of the year.

Tough Conditions For Merchant Generation

Ever since the price of natural gas began declining in 2009, market conditions for owners of “merchant” (uncontracted) power generation have worsened. That’s because gas-fired generating units typically determine market prices for power in a competitive environment. In response to unfavorable market conditions, owners of merchant generation have closed some units (or announced plans to shut them); sold plants (often after taking a writedown); or written down facilities. One company, PPL Corporation, had a corporate separation in 2015 of regulated and nonregulated operations. Another problem has been sluggish demand for power, a result of energy-efficiency measures and the weak economic recovery since the recession of 2007-2009. And more-stringent environmental regulations have hurt owners of coal-fired plants. Many owners of merchant generation have increased their focus on the traditional regulated utility business, with an eye toward becoming entirely (or mostly) regulated, as electric utilities were before some states deregulated the power-generating function in the 1990s.

Exelon and FirstEnergy have been hit the hardest by the problems in the deregulated power sector. Each company’s board of directors has cut the dividend in recent years due to a worsening of the company’s earning power. Exelon has made utility acquisitions in order to increase its presence in the regulated sector. FirstEnergy, based in Akron, has made an unsuccessful attempt toward reregulation in Ohio. The company is still deciding what to do with its nonutility assets.

Some companies have closed nuclear units, or announced plans to close them absent state legislation that would provide subsidies to keep the plants open. Dominion Resources shut the Kewaunee facility in Wisconsin in 2013. Entergy (covered in Issue 5) closed Vermont Yankee in 2014, and has announced plans to shut other plants. One of these might be sold to Exelon, thanks to subsidies that are planned for nuclear facilities in upstate New York (provided the new rules survive court challenges). On the other hand, Exelon has been unsuccessful in getting the Illinois legislature to institute similar subsidies, and plans to close three units there if no such law is enacted.

The Effects Of A Hot Summer On Earnings

Most electric utilities are summer peaking, so the third quarter is the seasonally strongest. Throughout much of the United States, the summer of 2016 was much hotter than usual. For example, Public Service Enterprise Group reported that weather conditions in the service area of its utility, Public Service Electric & Gas, were 30% hotter than normal. Naturally, this helps lift third-quarter profits. However, a hot summer often means that utilities give up some of that extra income in the fourth quarter. Plants that ran more than usual in the summer need additional maintenance spending in the fall. Also, some utilities use a better-than-budgeted third period to manage their earnings in the fourth quarter. Sometimes, they shift expenses from the first quarter of the next year to the final one of the current year. Or else they might take small charges (just a few cents a share) to “clean up” their balance sheet.

The Dividend Line

For most companies covered in The Value Line Investment Survey, the “Value Line” shown on the price chart is based on a multiple of “cash flow.” For utilities, this line is based on dividends divided by the interest rate multiplied by a coefficient that is computed to get the best fit of the line to the stock’s historical price action. The interest rate we use is the average for the year (actual or projected) of the 10-year U.S. Treasury note.

Conclusion

This has been a good, if uneven, year for electric utility stocks. The first half was spectacular, with most issues rising over 10%—and many surging more than 20%. The second half has been a different story, with equities giving back some (but not all) of their first-half gains. Investors are concerned about the possibility of rising interest rates, which are normally not good for utility issues. Even after the pullback, many stocks are still expensively priced, and most are still trading within their 2019-2021 Target Price Range. The average dividend yield for the group is 3.5%

Paul E. Debbas, CFA
All of the major electric utilities located in the central region of the United States are reviewed in this Issue; eastern electrics, in Issue 1; and the remaining utilities, in Issue 11.

The Illinois government has passed a law that will allow three nuclear units to remain open. Utility-related legislation is also under consideration in Michigan.

Merger and acquisition activity continues to result in changes in the composition of the Electric Utility Industry.

Despite a weak showing since mid-2016, this has still been a good year for most electric utility equities thanks to their stellar performance in the first half of the year.

A New Law In Illinois, And Perhaps Elsewhere

Weak conditions in the power markets have hurt owners of nonregulated “merchant” (i.e., noncontracted) generating assets such as Exelon (reviewed in Issue 1) and Entergy. Some coal and nuclear generating assets have been closed due to the effects of low power prices, sluggish demand for electricity, and subsidies for renewable energy, while other units are on the chopping block.

Nuclear power has no carbon emissions, and unlike renewable energy, can be dispatched and provides support to the electric grid. The jobs and property taxes also support the local area of the plant. Hence, there is willingness among some parties to subsidize nuclear facilities.

Exelon had threatened to shut the Clinton plant and the two-unit Quad Cities station in Illinois if legislation was not passed that would provide subsidies until market conditions improve sufficiently. However, such a law was enacted last week (taking effect on June 1, 2017) that would subsidize the facilities for up to 10 years. This will keep Clinton and Quad Cities open. There are other aspects of the new law, such as the ability of utilities to capitalize (and earn a return on) their energy-efficiency spending instead of merely passing this through to customers.

Nuclear plants in upstate New York are also feeling the effects of unfavorable market conditions. Entergy had intended to shut the FitzPatrick unit, but will instead sell it to Exelon for $110 million after the state agreed to subsidize nuclear power. However, there are legal challenges to the new rules in New York, so this is by no means a done deal.

Legislators in Michigan are evaluating a bill (already passed by the Senate) that would change regulation in the state. Among other things, rate cases would be decided within 10 months (versus 12 currently) and the renewable-energy requirement would rise from 10% to 15%. The provisions of the proposed law would likely have a neutral or positive effect on the utilities in the state. Most of Michigan’s population is served by the utility subsidiaries of DTE Energy and CMS Energy.

Not every legislative effort is successful. Utilities in Missouri have been trying to get laws enacted that would address the problems of regulatory lag (unrecovered costs) that they are facing. To date, these attempts have failed. If new laws are passed, this would benefit Ameren, Great Plains Energy, and Empire District Electric Company. Meanwhile, the Missouri Public Service Commission is considering ways to improve regulation in the state, and the legislature is expected to take up this issue again in the coming weeks.

Merger And Acquisition Update

There has been a good deal of merger and acquisition activity in the Electric Utility Industry in recent years. Cleco Corporation and ITC Holdings, formerly covered in this Issue, are no longer independent entities. It looks as if the stock of Empire District Electric will only be trading for several more weeks as a buyout of the company nears closing. Westar Energy will be departing this Issue in 2017 if the takeover of the company by Great Plains Energy is approved by regulators. Note that M&A activity isn’t limited to the central states. TECO Energy, based in Tampa, left Issue 1 after the company was purchased this summer.

Thanks to a utility combination, there is an addition to the Electric Utility (Central) Industry that is covered in this Issue. Fortis, a Canadian company formerly covered as a Diversified stock in Issue 9, is now covered with the Electric Utility Industry in recent years. Meanwhile, the Missouri Public Service Commission is considering ways to improve regulation in the state, and the legislature is expected to take up this issue again in the coming weeks.

Conclusion

Electric utility stocks have underperformed the broader market averages in the second half of 2016 as investors have become concerned about a possible hike in interest rates by the Federal Reserve. Even after this pullback, many issues have risen more than 10% this year. A few have climbed more than 20%. With interest rates so low and the return on cash close to zero, income-oriented accounts have looked to stocks with generous dividends, such as utilities. Most of the stocks in this industry remain expensively priced, and are trading within their 2019-2021 Target Price Range. The average dividend yield of electric utility stocks is just 3.7%—low by historical standards—and the group’s average 3- to 5-year total return potential is 5%.

Paul E. Debbas, CFA
All of the major electric utilities located in the western region of the United States are reviewed in this Issue; eastern electrics, in Issue 1; and the remaining utilities, in Issue 5.

We take a look back at 2016 and a look ahead to 2017. Appointments made by the Trump Administration, and tax reform provisions that have been suggested, might well have a significant effect on the Electric Utility Industry.

We continue to believe most stocks in this group are priced expensively.

A Look Back At 2016

The year that just ended was an excellent one for most electric utility equities. In the first half, most stocks performed tremendously as interest rates declined from an already-low level and many investors sought a (relatively) safe haven in an increasingly volatile market. These issues gavc back some of their first-half gains in the final six months of 2016, but the industry posted a total return of 17.4%. This topped the total return of the Standard and Poor's 500, which was 12.0%. There was a wide variance in performance among the stocks we cover in the Electric Utility Industry. Otter Tail (reviewed in Issue 5) posted a 50.5% total return. On the other hand, FirstEnergy (covered in Issue 1) was the laggard of the industry, posting a total return of just 1.9%.

Merger and acquisition activity remained vibrant last year. Among the electric utility stocks that left our coverage due to takeovers were those of Cleco, Pepco Holdings, TECO Energy, and ITC Holdings. Duke Energy, Southern Company, and Dominion Resources (all reviewed in Issue 1) completed the purchase of gas utilities. The acquisition of Empire District Electric (completed in early 2017) was announced, as was the pending merger of Great Plains Energy and Westar Energy (covered in Issue 5). Not all such activity was successful. The proposed takeover of Hawaiian Electric Industries by NextEra Energy was rejected by regulators in the Aloha State amidst heavy criticism.

A significant legal development happened in February of 2016 when the U.S. Supreme Court issued a stay on the Environmental Protection Agency’s Clean Power Plan. The EPA’s plan, designed to reduce carbon emissions and promote the use of renewable energy, is controversial due to its aggressive targets and the lack of significant support for nuclear energy, which does not emit greenhouse gases. There is also skepticism about the EPA’s belief that customers’ bills will decline thanks to the plan.

A Look Ahead To 2017

This month, Donald Trump was inaugurated as President of the United States. Investors should note that much regulation of the electric utility industry is conducted at the state level, and this will not change under the Trump Administration. However, changes at the federal level are likely to be significant. Mr. Trump will be able to fill two vacancies at the five-man Federal Energy Regulatory Commission, and a current commissioner’s term expires in mid-2017. Even more noteworthy is a change in leadership at the EPA. The proposed new administrator, Scott Pruitt, was the attorney general in Oklahoma. In that position, Mr. Pruitt sued the EPA (unsuccessfully) about the requirements imposed on Oklahoma Gas and Electric under the Regional Haze Rule. Thus, the EPA is widely expected to take a lighter hand to regulation than it did under the Obama Administration.

Tax reform is possible. If corporate tax rates are cut, this would not provide a windfall for the regulated utility business because companies would pass the savings through to customers. But any utility holding company with nonregulated operations would likely benefit from a reduction in tax rates. Hawaiian Electric, with its American Savings Bank subsidiary, is one example. On the other hand, if interest expense is no longer deductible, this would hurt this capital-intensive industry. This might well lead to a decline in merger and acquisition activity, since most deals are financed at least in part with debt.

The actions of the Federal Reserve also bear watching. In late 2016, the Fed raised interest rates. We expect further tightening this year, perhaps two or three more increases. In general, rising interest rates are bad for utility stocks that are seen as a proxy for bonds, thanks to their generous dividends. We note, though, that even after the late-2016 hike, rates are still low, and returns on cash are still negligible. This suggests that there will still be strong investor demand for stocks of dividend-paying companies such as electric utilities.

Conclusion

In early 2017, most electric utility stocks have not moved significantly. Thus, they retain their high valuation. In 2016, most traded at a price-earnings ratio in the high teens—about the same as the overall market—and the dividend yields of most issues were below 4%. These measures indicate a high valuation, by historical standards. The industry’s current average dividend yield is 3.5%. Investors should note, too, that the recent quotations of some electric utility issues are near the upper end or even above their 2019-2021 Target Price Range. Among the utilities in this Issue that fit this description are Hawaiian Electric, IDACORP, Avista, PinnacleWest, and Portland General. Most other utility stocks are trading within this range. All told, we continue to advise caution with this group due to the high valuation of most of these equities.

Paul E. Debbas, CFA
EL PASO ELECTRIC
NYSE-EE

RECENT PRICE 46.30
PIE RATIO 17.9
Trailing: 20.4
Medium: 15.4
RELATIVE PIE RATIO 0.90
DIV YLD 2.8%

Target Price Range 2019 2020 2021
80 90 100

VALUE LINE

TIMELINESS 3 Lowered 11/11/16
SAFETY 2 Raised 5/11/07
TECHNICAL 2 Raised 12/21/17
BETA 0.70 (1.00 = Market)

2019-21 PROJECTIONS

Percent Shares Traded 24% 21% 17% 14%

Institutional Holders 2001 2002 2003 2004

El Paso Electric Company (EPE) provides electric service to a population of approximately 100,000 customers in an area of approximately 10,000 square miles in the Rio Grande Valley of the Texas Panhandle from its two coal-fired generating stations in the base. In 2016, EPE was granted targeted rate hikes in each state so that it can earn a return on Units 1 and 2, but the rate order in New Mexico was disappointing. (Since the new EPE order in El Paso Electric was vacated by the Public Utility Commission, EPE’s revenues are restricted to the Texas Commission on Environmental Quality’s regulations in Texas in the fourth quarter of 2017 and in New Mexico in the second quarter of 2018.)

EPE has refinanced its dividend policy. Previously, EPE targeted a payout ratio of 70% of its ranges, which is to be expected. However, in recent years this ratio has been below the utility’s target. EPE has paid its dividend to its shareholders in the 55%-65% range (without having depressed earnings), as indicated in the past. The company stated that it expects its annual dividend to remain at the 55%-65% range. (EPE’s shares are trading at the past four years (subject to the board’s review of EPE’s performance). We now estimate an $0.08-$0.15 share (6%) hike in the annual earnings.

Earnings will likely increase in 2017. The orders from the upcoming rate case won’t boost profits until 2018, but EPE will benefit from a full year’s worth of the increases that was granted in 2016. Another positive factor is strong customer growth, exceeding 1% annually. The company is benefiting from the market’s expectation of superior dividend growth. With the recent indication near the midpoint of our 2019-2021 Target Price Range, total return potential is exceeding the EL PASO ELECTRIC.

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VECTREN CORP. NYSE-VWC

2019-21 PROJECTIONS

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Book Value 3.0% 2.5% 5.0%
Earnings 2.5% 3.5%
''Cash Flow'' 4.5% 4.5%
Revenues 2.5% 2.0%
Annual Load Factor (%) NA NA NA
Peak Load, Summer (Mw) 1102 1095 1088
Avg. Indust. Revs. per KWH (¢) NA NA NA

Common Stock 82,868,119 shs.

Common Equity Ratio 51.0% 50.5% 50.0%
Long-Term Debt Ratio 3.5% 3.0% 2.5%
Capital Structure as of 9/30/16
Total Debt: $13.6B, Due in 5 yrs $350.0 mill.
LT Debt $17.13B mill., LT Interest $84.0 mill.
(LT interest earned: 6.6%)

© 2014 2015 2016 2017

```
   PRICE
   83.50 84.00 82.60 82.80
   RELATIVE P/E Ratio
   2.45 2.65 2.70 2.70
   6.00 6.45 6.50 6.70
   Value Line estimates
   1.62 1.70 1.75 1.75
   1.46 1.54 1.60 1.60
   Cap't Spending per sh 3.5% 3.5% 3.5% 3.5%
   Div's on Avg 1.9% 1.9% 1.9% 1.9%
   Div'd reinvest 2.1% 2.1% 2.1% 2.1%
   Market Cap: $4.1 billion (Mid Cap)
   All Div's to Net Prof 56% 54% 52% 50%
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Pfd Stock None

Earnings Predictability. Also, volatility is

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Incl. intang. In '15, $6.66/sh.

Commercial, 23%, other, 10%. Nonutility operations include infra-
structure and the Infrastructure Services distribution unit. 
Looking further out, we expect healthy growth in revenues and earnings per share for the company over the pull to 2019-2021. However, this appears to be largely

BUSINESS: Vectren is a holding company formed through the merger of Indiana Energy and SIGCORP. The merger was consummated

The company's utility businesses remain well positioned in their service territories, and we expect continued good performance here going forward. The Energy Services line and the Infrastructure Services distribution unit should continue to generate healthy growth. Moreover, we anticipate improvement for the Infrastructure Serv-
ices' transmission operation. New pipeline projects scheduled to get under way in the coming quarters are expected to result in a reduction in competition for maintenance work.

The board of directors has increased the dividend by 5% Beginning with the December payout, the quarterly dividend is now $0.42 per share. Healthy dividend growth will probably continue.

This equity is ranked to perform in line with the Value Line Average for the coming six to 12 months. Looking further out, we expect healthy growth in revenues and earnings per share for the company over the pull to 2019-2021. However, this appears to be largely

Shares of Vectren have come off an all-time high over the past six months. The company's revenues and share earnings increased considerably for the third quarter, on a year-to-year basis. Performance at the Utility group was driven large-

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CenterPoint Energy is deciding what to do with its 55.4% interest in Enable Midstream Partners. The value of the company’s investment in this natural gas master limited partnership is volatile, depending on fluctuations in commodity prices. This is unsatisfactory for CenterPoint, which gets most of its income from regulated utilities. Among the company’s options are selling its stake, which would result in a large tax bill; spinning it off into a separate company; or working with Enable to achieve a change in management. The company’s strategy this year is to increase customer growth, energy efficiency performance incentives and energy demand. This has been the strategy in recent years, as the company expects its expected dividend yield more than $100 million of rate relief in 2016, and will recognize another $23.3 million of energy efficiency performance incentives this year. As for customer growth, Houston Electric’s is 2% annually, and the gas division is seeing 1% growth, which is related to the company’s strategy of a healthy earnings increase in 2017, assuming no more mark-to-market charges. We tentatively look for a dividend hike in early 2017. This has been the pattern in recent years. We think the board will hike the quarterly payout by a cent a share (3.9%), the same increase as in each of the past two years. We do not know whether the outcome of the aforementioned strategy review will affect CenterPoint’s dividend policy. The price of CenterPoint’s stock has risen nearly 30% in 2016. This is far better than for most utility equities, and reflects the recovery in the price of Enable. The stock is trading at $0.75 a share, which is way below the $1.25 mark it was trading for in early 2015. The company has a significant dividend yield that is almost one percentage point above the industry mean. Total return potential to 2019-2021 is only about average for the group, though.
AVANGRID, Inc. was formed through a merger between Iberdrola USA, Inc. and UIL Holdings Corporation in 2015. Iberdrola S.A., a worldwide leader in the energy industry, industry average, as well. The stock could appeal to income-oriented investors, given its dividend yield is higher than the utility norm. Total return potential to 2019-2021 is above the industry average, as well.

We are initiating coverage of AVANGRID, Inc. in The Value Line Investment Survey. The company serves as an energy services holding company in the United States. It engages in the generation, transmission, distribution, transportation, and sale of natural gas. AGR operates regulated utilities and electricity generation through two primary lines of business: Avangrid Networks and Avangrid Renewables. The former group includes eight electric and natural gas utilities, serving customers in New York and New England. The latter operates 6.3 gigawatts of electricity capacity, primarily through wind power, in the U.S. Fuel costs: 22% of '15 rev. Has 2.2 million elect., 1 million gas customers. It also anticipated the timely extension of leases for some of its wind farms, which did not come to fruition.

AVANGRID is unranked at the current juncture due to its short trading history. The stock could appeal to income-oriented investors, given its dividend yield is higher than the utility norm. Total return potential to 2019-2021 is above the industry average, as well.

Jason Dalavagas
November 18, 2016

(1) Diluted EPS. 2015 EPS based on shares outstanding at yearend. Company is in the electric utility format. Next earnings report due early February. (B) Dividends paid in early April. © 2016 Value Line. Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranty 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.
### ALLETE - NYSE: ALE

**TIMELINESS** 2 (Lowered 9/16)

**SAFETY** 2 (New 10/14)

**TECHNICAL** 3 (Lowered 11/16)

**BETA** .75 (1.00 = Market)

**2019 PROJECTIONS**

<table>
<thead>
<tr>
<th><strong>Endar Year</strong></th>
<th><strong>Price</strong></th>
<th><strong>PIE</strong></th>
<th><strong>Rel.</strong></th>
<th><strong>Div. YLD</strong></th>
<th><strong>VALUE LINE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>62.9</td>
<td>59.1</td>
<td>21.4</td>
<td>1.10</td>
<td>3.4%</td>
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**ANNUAL RATES Past 5 Yrs**

<table>
<thead>
<tr>
<th></th>
<th>Past</th>
<th>Past Est'd</th>
<th>'13-'15</th>
<th>'14-'15</th>
<th>'15-'16</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change Ret. KWh</td>
<td>-1.1</td>
<td>+.5</td>
<td>-8.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg. Int. Rate</td>
<td>NA .70</td>
<td>.65</td>
<td>.64</td>
<td>.63</td>
<td>.62</td>
</tr>
<tr>
<td>Cap. Exp. Rate</td>
<td>5.45</td>
<td>6.09</td>
<td>6.40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity (MW)</td>
<td>1793</td>
<td>1965</td>
<td>1942</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reg. Clim.: Avg.</td>
<td>5185</td>
<td>5645</td>
<td>5112</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Allowd %</td>
<td>51%</td>
<td>50%</td>
<td>50%</td>
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</tr>
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</table>

**MARKET CAP:** $3.1 billion (Mid Cap)

**ELECTRIC OPERATING STATISTICS 2013**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<td>% Change KWh</td>
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<td>50%</td>
<td>50%</td>
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</tbody>
</table>

**BUSINESS:** ALLETE, Inc. is the parent of Minnesota Power, which serves approximately 146,000 customers in northeastern Minnesota. ALLETE owns Superior Water, Light & Power in northwestern Wisconsin. Electric rev. breakdown: taconite mining/processing, 26%; paper/wood products, 9%; other industrial, 8%; residential, 12%; commercial, 13%; wholesale, 7%; wholesale other, 2%; and utilities, 8%. ALLETE Clean Energy owns renewable energy projects. Acqd U.S. Water Services 2/15. Has real estate operation to taconite (used in steel producers).

**ALLETE is taking steps to exit its real estate operation in Florida.** During the third quarter, the company received $21 million for two parcels of property, and recorded an aftertax gain of $3 million. The book value of the remaining assets is $32 million.

We expect a dividend increase at the board meeting in J anuary. We estimate a boost of $0.06 a share (2.9%) in the annual dividend, continuing a pattern that has occurred in recent years. The company's payout ratio goal is 60%-65%.

We expect much higher profits in 2017. An easy comparison is part of this. Rate relief should benefit the company. Finally, there are some signs of improvement in the service area's economy. Minnesota Power has significant industrial customers to taconite (used in steel producers). ALLETE is taking steps to exit its real estate operation in Florida. During the third quarter, the company received $21 million for two parcels of property, and recorded an aftertax gain of $3 million. The book value of the remaining assets is $32 million.

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The acquisition of ITC Holdings is progressing. Fortis, a Canadian company with utilities in the U.S., would pay US$22.57 in cash plus .752 of a Fortis share for each ITC share. The Fortis shares trade on a Canadian exchange, so the value of the deal will fluctuate based not only on the price of Fortis stock, but on the exchange rate between the U.S. and Canadian dollars. The transaction is now valued at almost US$47.00 a share. Each ITC holder has 3-for-1 stock split, which will be approved by the shareholders at the annual meeting, tentatively scheduled for Oct. 9, 3-for-1 split in December, and the HLD’s are expected to be completed by year-end.

We advise ITC holders to sell their shares on the open market. The recent price is just 2% below the value of the buyout, so there isn’t much upside potential for ITC holders. There is 15 downside risk if the deal fails to win regulatory approval, however. The Timeliness rank of ITC stock is suspended due to pending acquisition.

ITC is taking charges associated with the Fortis deal and for the possible refund of previously collected revenues. Merger-related costs reduced earnings by $0.14 a share in the first half of 2016. Furthermore, over the past several quarters, the company has been taking reserves for the probable refund of previously collected revenues. This lowered profits by $0.11 a share in the first quarter of 2016. Transmission users have filed two complaints with FERC against ITC’s stock dividend. Each percentage point reduction in ITC’s allowed ROE would reduce the company’s earning power by $30 million after taxes. The board of directors has raised the dividend. The increase was $0.11 a share (14.9%) annually. However, unlike most utilities, ITC’s dividend yield is still below the market median. Of course, ITC is not a true utility, being the sole publicly traded transmission-only company.

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, including in its own system or in conjunction with neighboring transmission systems. Acquired Michigan Electric Transmission Company in 2013, a subsidiary of FirstEnergy Corp., and Interstate Power & Light’s transmission assets Company 10/06; Interstate Power & Light’s transmission assets and the value of the deal will fluctuate based not only on the price of Fortis stock, but on the exchange rate between the U.S. and Canadian dollars. The transaction is now valued at almost US$47.00 a share. Each ITC holder has 3-for-1 stock split, which will be approved by the shareholders at the annual meeting, tentatively scheduled for Oct. 9, 3-for-1 split in December, and the HLD’s are expected to be completed by year-end.

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**PORTLAND GENERAL NYSE-POR**

**RECENT PRICE** 43.95

**PIE RATIO** 20.0

**Trailing 24% Medium: 15.4**

**RELATIVE PI RATIO** 1.01

**DIV YLD** 3.0%

**VALUE LINE**

<table>
<thead>
<tr>
<th>Target Price Range</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
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<tbody>
<tr>
<td>20.70</td>
<td>23.50</td>
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<td>22.70</td>
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<td>16.70</td>
<td>19.70</td>
<td>20.70</td>
<td>21.70</td>
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<td><strong>TOL. RETURN 12/16</strong></td>
<td><strong>THIS VAL</strong></td>
<td><strong>VAL RANGE</strong></td>
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<tr>
<td><strong>%</strong></td>
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<tr>
<td>6.70</td>
<td>25.00</td>
<td>26.00</td>
<td>27.00</td>
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<td>6.20</td>
<td>21.00</td>
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<tr>
<td>4.70</td>
<td>9.00</td>
<td>10.00</td>
<td>11.00</td>
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**PORTLAND GENERAL**

**Trend line:**

- **Revenue:** $2,030.2 million.
- **Net Income:** $112 million.
- **Earnings per Share:** $4.31.

**Recent Events:**

- **Dividend:** Paid $0.34 per share.
- **Shareholder Investment Plan:** Available for purchase.
- **Price Range:** 20.70 to 23.50.

**Key Ratios:**

- **Price Earnings Ratio:** 20.0.
- **Price Sales Ratio:** 4.31.
- **Book Value:** $6.63.

**Insider Transactions:**

- **Shareholders:** 3,000.
- **Market Cap:** $3.9 billion.

**Electric Operating Statistics:**

- **Total Sales:** $2,325 million.
- **LT Debt:** $2325 million.
- **LTE Interest:** $112 million.

**Recent News:**

- Portland General Electric (PGE) has declared a cash dividend of $0.34 per share, payable on May 1, 2017, to shareholders of record as of April 19, 2017.

**Business Outlook:**

- **Revenue:** Forecasted to increase by 3.5%.
- **Earnings:** Expected to grow by 4.6%.

**Institutional Holdings:**

- **Pension Funds:** 101.9% of assets.
- **Other Institutional Investors:** 35% of assets.

**Ratings:**

- **Morningstar:** 3 stars.
- **Value Line:** 3 stars.

**Valuation:**

- **Price to Earnings Ratio:** 20.0.
- **Price to Book Ratio:** 4.31.

**Investor Relations:**

- **Website:** www.portlandgeneral.com.

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**To subscribe call 1-800-VALUELINE**
DUKE ENERGY
NYSE:DUK

TIMELINE
1 Raised 11/18/16
2 Safety
3 Technical

SAFETY
Nov 6/07

TECHNICAL
Lowered 11/16

BETA .60 (10-0 Market)

2019-21 PROJECTIONS

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<thead>
<tr>
<th>Year</th>
<th>Price</th>
<th>Gain</th>
<th>Valuation</th>
<th>P/E RATIO</th>
<th>EPS</th>
<th>Relative P/E RATIO</th>
<th>DIVIDENDS</th>
<th>DIV ID YLD</th>
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<tbody>
<tr>
<td>2018</td>
<td>30.50</td>
<td>21.05</td>
<td>32.30</td>
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<td>17.92</td>
<td>2.25</td>
<td>20.65</td>
<td>2.45</td>
<td>4.00</td>
</tr>
</tbody>
</table>

Target Price Range 2019 - 2021

- 1 yr. 16.9 6.4
- 2 yr. 26.5 12.9
- 5 yr. 52.9 76.0

Inside decisions

J F M A M J J A S

To buy: 0 0 0 0 0 0 0 0
Options: 0 0 0 0 0 0 0 0
To sell: 0 4 0 1 0 0 0 0

Institutional Decisions

32001001000100010010010

To buy: 525 582 569
To sell: 40 423

Incl. $1336 mill. capitalized leases.

Incl. intang. In '15: $40.35/sh.

To subscribe call 1-800-VALUELINE

Duke Energy Corporation, in its current configuration, began trading on January 3, 2007, the day after it spun off its midstream 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 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.

Duke will take a pretax charge estimated at $1.7 billion—$1.8 billion in the fourth quarter of 2016—$1.8 billion to $1.9 billion in the first quarter of 2017 and $1.0 billion to $1.1 billion in the second quarter of 2017. The sales are on track to be completed by the end of 2016. The sales will be taxable as a sale of capital assets in the amount of $1.7 billion, and will be used to retire debt. Duke will not be out of the international business completely, as it retains its 25% share net by $0.28 in the first nine months of 2016 in order to finance the restructuring. As a result of the pending sales, Duke will take a pretax charge estimated at $325 million—$375 million in the fourth quarter. We will exclude this as a loss from discontinued operations, and the international segment will be reported as discontinued operations beginning in the current quarter.

Duke Energy has completed its acquisition of Piedmont Natural Gas. The acquisition paid about $5.0 billion in cash for Piedmont, which serves about 1.5 million customers in the Carolinas and Tennessee. Duke financed the purchase with debt, and investing in gas pipelines.

Duke is building generating plants and investing in gas pipelines. The utility is building a $600 million gas-fired plant in South Carolina and a $1.5 billion gas-fired facility in Florida. A pipeline to transport gas to Florida is under construction, and two other pipelines are in various stages of development. The three pipelines would represent a $2.85 billion investment for Duke.

Duke Energy's common shares trade on the New York Stock Exchange under the symbol DUK. Duke Energy is a defendant in a put class action in the United States District Court for the Northern District of California, in which the class is defined as all persons who purchased Duke Energy's shares at inflated prices between October 18, 2012 and October 17, 2013.

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**Northwestern Corporation**

The utility is seeking a return on the capital expenditures and gas reserves it has made since 2012 (the year of its last rate case). Northwestern filed for a rate of $10.9 million ($3.80 per share) based on a 10.35% return on a 46.8% common equity ratio. A ruling from the Montana Public Service Commission (MPSC) is expected in mid-2017. The utility is also seeking an interim tariff increase of $5.6 million ($1.79 per share), which the MPSC will rule on the interim request is unknown.

**BUSINESS:** Northwestern Energy supplies electricity and gas to residential, commercial, and industrial customers in Montana, South Dakota, and Nebraska. The company has some legal matters pending in Montana. This resulted in a $12.0 million (4%) return on equity in the quarter ended March 31, 2017. The company expects to increase its dividend by two cents a share (4%) in the quarterly payout. We estimate that earnings will increase slightly in 2017. Northwestern should benefit from rate relief and customer growth. Our $3.45-a-share profit estimate is about equal to the utility average.

**Value Line Recommendations:**

- **Recommendation:** Hold
- **Share Value:** $37.5
- **Price Target:** $40.0
- **Price Range:** $37.5 to $40.0
- **Price Range Persistence:** 4.0%

**Northwestern has a gas rate case pending in Montana.** The utility is seeking a return on the capital expenditures and gas reserves it has made since 2012 (the year of its last rate case). Northwestern filed for a rate of $10.9 million ($3.80 per share) based on a 10.35% return on a 46.8% common equity ratio. A ruling from the Montana Public Service Commission (MPSC) is expected in mid-2017. The utility is also seeking an interim tariff increase of $5.6 million ($1.79 per share), which the MPSC will rule on the interim request is unknown.

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