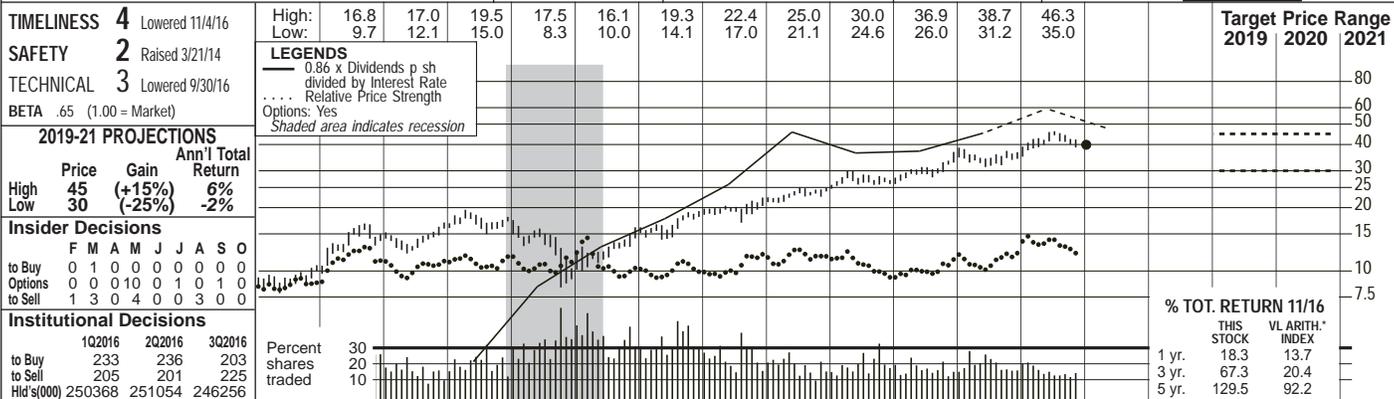






# CMS ENERGY CORP. NYSE-CMS

RECENT PRICE **39.92** P/E RATIO **19.4** (Trailing: 18.8) (Median: 16.0) RELATIVE P/E RATIO **0.99** DIV'D YLD **3.3%** VALUE LINE



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
74.24	72.16	60.28	34.21	28.06	28.52	30.57	28.95	30.13	27.23	25.77	25.59	23.90	24.68	26.09	23.29	<b>22.50</b>	<b>22.70</b>	Revenues per sh	24.75
7.61	5.24	d.09	2.39	2.87	3.43	3.22	3.08	3.88	3.47	3.70	3.65	3.82	4.06	4.22	4.59	<b>4.85</b>	<b>5.30</b>	"Cash Flow" per sh	6.50
2.53	1.27	d2.99	d.29	.74	1.10	.64	.64	1.23	.93	1.33	1.45	1.53	1.66	1.74	1.89	<b>2.00</b>	<b>2.15</b>	Earnings per sh <sup>A</sup>	2.50
1.46	1.46	1.09	--	--	--	--	.20	.36	.50	.66	.84	.96	1.02	1.08	1.16	<b>1.24</b>	<b>1.32</b>	Div'd Decl'd per sh <sup>B</sup>	1.60
8.51	9.49	5.18	3.32	2.69	2.69	3.01	5.61	3.50	3.59	3.29	3.47	4.65	4.98	5.73	5.64	<b>6.00</b>	<b>6.20</b>	Cap'l Spending per sh	5.75
19.48	14.21	7.86	9.84	10.63	10.53	10.03	9.46	10.88	11.42	11.19	11.92	12.09	12.98	13.34	14.21	<b>15.05</b>	<b>16.10</b>	Book Value per sh <sup>C</sup>	19.50
121.20	132.99	144.10	161.13	195.00	220.50	222.78	225.15	226.41	227.89	249.60	254.10	264.10	266.10	275.20	277.16	<b>280.00</b>	<b>282.00</b>	Common Shs Outst'g <sup>D</sup>	288.00
9.6	20.8	--	--	12.4	12.6	22.2	26.8	10.9	13.6	12.5	13.6	15.1	16.3	17.3	18.3	<b>18.3</b>	<b>18.3</b>	Avg Ann'l P/E Ratio	15.0
.62	1.07	--	--	.66	.67	1.20	1.42	.66	.91	.80	.85	.96	.92	.91	.93	<b>.91</b>	<b>.93</b>	Relative P/E Ratio	.95
6.0%	5.5%	7.5%	--	--	--	--	1.2%	2.7%	4.0%	4.0%	4.3%	4.2%	3.8%	3.6%	3.4%	<b>3.4%</b>	<b>3.4%</b>	Avg Ann'l Div'd Yield	4.2%

**CAPITAL STRUCTURE as of 9/30/16**  
 Total Debt \$9912 mill. Due in 5 Yrs \$4868 mill.  
 LT Debt \$8832 mill. LT Interest \$392 mill.  
 Incl. \$110 mill. capitalized leases.  
 (LT interest earned: 3.1x)  
**Leases, Uncapitalized** Annual rentals \$20 mill.  
**Pension Assets-12/15** \$2013 mill.  
**Oblig** \$2403 mill.

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Revenues (\$mill)	7150
6810.0	6519.0	6821.0	6205.0	6432.0	6503.0	6312.0	6566.0	7179.0	6456.0	<b>6300</b>	<b>6400</b>	Revenues (\$mill)	7150						
158.0	168.0	300.0	231.0	356.0	384.0	413.0	454.0	479.0	525.0	<b>550</b>	<b>625</b>	Net Profit (\$mill)	760						
--	37.6%	31.6%	34.6%	38.1%	36.8%	39.4%	39.9%	34.3%	34.0%	<b>34.0%</b>	<b>38.5%</b>	Income Tax Rate	38.5%						
6.3%	3.6%	1.3%	13.0%	2.2%	2.6%	2.9%	2.0%	2.3%	2.7%	<b>3.0%</b>	<b>2.0%</b>	AFUDC % to Net Profit	2.0%						
71.7%	70.5%	69.4%	67.9%	70.1%	66.9%	67.9%	67.5%	68.7%	68.3%	<b>67.5%</b>	<b>67.0%</b>	Long-Term Debt Ratio	65.5%						
24.9%	25.9%	27.4%	29.0%	29.5%	32.6%	31.6%	32.2%	31.0%	31.4%	<b>32.0%</b>	<b>33.0%</b>	Common Equity Ratio	34.5%						
8961.0	8212.0	8993.0	8977.0	9473.0	9279.0	10101	10730	11846	12534	<b>13125</b>	<b>13800</b>	Total Capital (\$mill)	16200						
7976.0	8728.0	9190.0	9682.0	10069	10633	11551	12246	13412	14705	<b>15575</b>	<b>16450</b>	Net Plant (\$mill)	18600						
4.5%	4.5%	5.4%	4.7%	5.8%	6.3%	5.9%	6.0%	5.7%	5.7%	<b>5.5%</b>	<b>6.0%</b>	Return on Total Cap'l	6.0%						
6.2%	6.9%	10.9%	8.0%	12.5%	12.5%	12.8%	13.0%	12.9%	13.2%	<b>13.0%</b>	<b>13.5%</b>	Return on Shr. Equity	13.5%						
6.4%	7.2%	11.7%	8.5%	12.5%	12.6%	12.9%	13.1%	13.0%	13.3%	<b>13.0%</b>	<b>13.5%</b>	Return on Com Equity <sup>E</sup>	13.5%						
6.4%	5.1%	8.4%	4.1%	6.9%	5.6%	5.0%	5.2%	5.0%	5.2%	<b>5.0%</b>	<b>5.5%</b>	Retained to Com Eq	5.5%						
10%	35%	31%	54%	46%	55%	61%	60%	62%	61%	<b>63%</b>	<b>60%</b>	All Div'ds to Net Prof	61%						

**BUSINESS:** CMS Energy Corporation is a holding company for Consumers Energy, which supplies electricity and gas to lower Michigan (excluding Detroit). Has 1.8 million electric, 1.7 million gas customers. Has 1,034 megawatts of nonregulated generating capacity. Sold Palisades nuclear plant in '07. Electric revenue breakdown: residential, 43%; commercial, 34%; industrial, 16%; other, 7%. Generating sources: coal, 44%; gas, 10%; other, 3%; purchased, 43%. Fuel costs: 47% of revenues. '15 reported deprec. rates: 3.5% electric, 2.8% gas, 8.7% other. Has 7,400 employees. Chairman: John G. Russell. President & CEO: Patti Poppe. Incorporated: Michigan. Address: One Energy Plaza, Jackson, Michigan 49201. Tel.: 517-788-0550. Internet: www.cmsenergy.com.

**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 \$170 million. The staff of the Michigan Public Service Commission (MPSC) is proposing a \$92 million raise, based on a 10% ROE. The MPSC's ruling is due by February 23rd.

**A gas rate application is pending.** The utility filed for a hike of \$90 million, based on a 10.6% ROE. Consumers will self-implement an increase on January 28th. The MPSC's decision is due in late July.

**We have raised our 2016 earnings estimate by \$0.05 a share.** Third-quarter profits rose sharply, due in part to a hotter-than-normal summer. This gave management headroom to manage earnings by prefunding debt, spending more to enhance service quality, and shifting some expenses from early 2017 to late 2016.

**We think CMS will attain its annual goal of 6%-8% earnings growth in 2017.** Rate relief should be a key factor. Another plus is effective expense-reduction measures. Our profit forecast is at the midpoint of the company's typically narrow guidance of \$2.13-\$2.17 a share.

**Consumers Energy has reached an agreement for early termination of a purchased-power contract with the owner of the Palisades nuclear unit.** The deal was scheduled to conclude in 2022, but will end in 2018 instead. The utility will make a payment to the plant's owner when the contract ends. It will ask the MPSC for permission to issue securitized bonds for the amount of the payment. The pact is expected to lower customer costs by as much as \$172 million.

**We expect a dividend boost in the first quarter of 2017.** We estimate a raise of two cents a share (6.5%) in the quarterly disbursement, the same increase as in each of the past two years.

**Untimely CMS stock has a dividend yield that is a cut below the utility average.** The company's consistency appeals to utility investors, and this is reflected in the equity's valuation. With the recent quotation well within our 2019-2021 Target Price Range, total return potential over that time frame is low.

*Paul E. Debbas, CFA December 16, 2016*

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	1979	1406	1445	1736	6566.0
2014	2523	1468	1430	1758	7179.0
2015	2111	1350	1486	1509	6456.0
2016	1801	1371	1587	1541	6300
2017	<b>1950</b>	<b>1350</b>	<b>1500</b>	<b>1600</b>	<b>6400</b>

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.53	.29	.46	.37	1.66
2014	.75	.30	.34	.35	1.74
2015	.73	.25	.53	.38	1.89
2016	.59	.45	.67	.29	2.00
2017	<b>.75</b>	<b>.35</b>	<b>.60</b>	<b>.45</b>	<b>2.15</b>

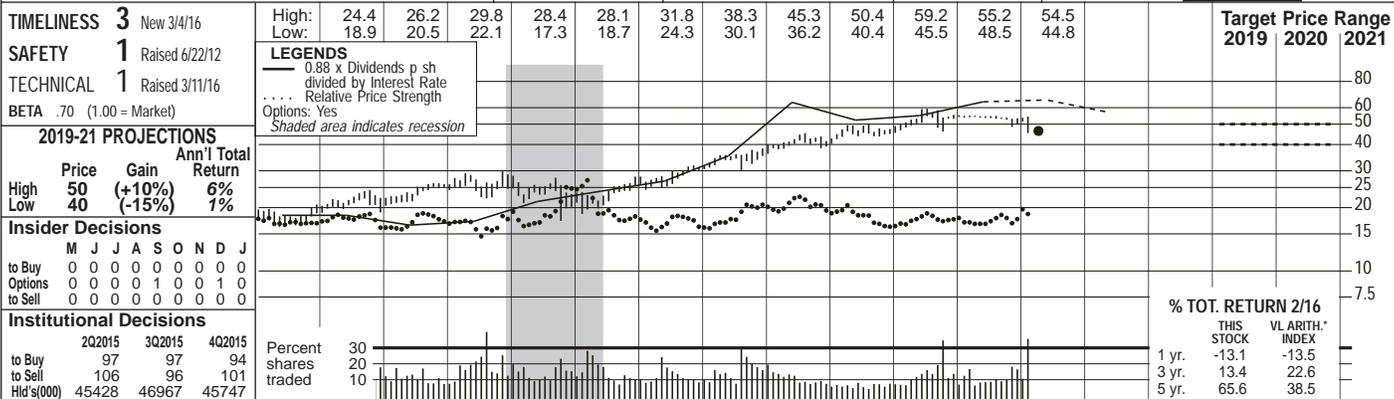
  

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.24	.24	.24	.24	.96
2013	.255	.255	.255	.255	1.02
2014	.27	.27	.27	.27	1.08
2015	.29	.29	.29	.29	1.16
2016	.31	.31	.31	.31	1.24

(A) Diluted EPS. Excl. nonrec. gains (losses): '05, (\$1.61); '06, (\$1.08); '07, (\$1.26); '09, (7c); '10, 3c; '11, 12c; '12, (14c); gains (losses) on disc. ops.: '05, 7c; '06, 3c; '07, (40c); '09, 8c; '10, (8c); '11, 1c; '12, 3c. '13 EPS don't add due to rounding. Next earnings report due late Jan. (B) Div'ds historically paid late Feb., May, Aug., & Nov. ■ Div'd reinvestment plan avail. (C) Incl. intang. In '15: \$6.64/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '15: 10.3%; earned on avg. com. eq., '15: 13.7%. Regulatory Climate: Average.

# CLECO CORPORATION NYSE-CNL

RECENT PRICE **46.42** P/E RATIO **20.5** (Trailing: 21.1; Median: 15.0) RELATIVE P/E RATIO **1.16** DIV'D YLD **3.6%** VALUE LINE



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	19-21
18.23	23.55	15.33	18.54	15.03	18.41	17.38	17.19	17.99	14.17	18.98	18.53	16.46	18.14	21.01	20.00	21.05	22.15	25.25
2.77	2.94	3.05	2.98	2.56	2.76	2.63	2.69	3.71	3.78	5.12	5.28	5.40	5.32	5.15	4.85	5.10	5.35	6.50
1.46	1.51	1.52	1.26	1.32	1.42	1.36	1.32	1.70	1.76	2.29	2.59	2.70	2.65	2.55	2.20	2.25	2.35	2.75
.85	.87	.90	.90	.90	.90	.90	.90	.90	.90	.98	1.12	1.30	1.43	1.56	1.60	1.63	1.68	1.80
2.52	1.10	1.91	1.58	1.61	3.19	4.11	8.51	5.59	4.15	4.68	3.25	4.06	3.12	3.44	2.60	4.30	3.05	3.25
10.04	10.69	11.77	10.09	10.83	13.69	15.22	16.85	17.65	18.50	21.76	23.55	24.84	26.24	26.93	27.70	28.35	29.05	31.50
44.99	44.96	47.04	47.18	49.62	49.99	57.57	59.94	60.04	60.26	60.53	60.29	60.36	60.45	60.42	60.50	60.50	60.50	60.50
13.2	14.6	12.2	12.4	13.8	15.0	17.3	19.6	14.1	13.2	12.3	13.3	15.0	17.3	20.5	24.4	27.0	29.0	31.5
.86	.75	.67	.71	.73	.80	.93	1.04	.85	.88	.78	.83	.95	.97	1.08	1.24	1.40	1.50	1.60
4.4%	3.9%	4.8%	5.8%	5.0%	4.2%	3.8%	3.5%	3.8%	3.9%	3.5%	3.3%	3.2%	3.1%	3.0%	3.0%	3.0%	3.0%	3.0%

**2019-21 PROJECTIONS**  
 Price: High 50, Low 40  
 Gain: +10%  
 Return: 6%  
**Insider Decisions**  
 to Buy: 0, to Sell: 0, Options: 0, to Sell: 0  
**Institutional Decisions**  
 to Buy: 97, to Sell: 106, Hlds(000): 45428  
 3Q2015: 97, 96, 46967  
 4Q2015: 94, 101, 45747  
 Percent shares traded: 30, 20, 10

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	19-21
1000.7	1030.6	1080.2	853.8	1148.7	1117.3	993.7	1096.7	1269.5	1209.4	1275	1340	1525	165					
74.7	79.6	102.1	106.3	139.5	157.8	163.6	160.7	154.7	133.7	140	145	165	165					
36.0%	24.3%	15.3%	8.3%	44.1%	30.6%	28.5%	33.1%	30.3%	36.8%	38.5%	38.5%	38.5%	38.5%					
14.2%	57.9%	82.8%	93.5%	12.2%	4.3%	5.5%	3.4%	4.5%	3.0%	3.0%	3.0%	3.0%	3.0%					
40.9%	43.2%	51.1%	54.2%	51.5%	48.5%	45.6%	45.3%	45.3%	46.0%	45.5%	45.5%	45.5%	45.5%					
57.8%	56.7%	48.9%	45.8%	48.5%	51.5%	54.4%	54.7%	54.7%	54.0%	54.5%	54.5%	54.5%	54.5%					
1515.6	1780.5	2167.7	2436.4	2717.9	2756.9	2756.5	2901.7	2976.9	3100	3140	2930	3325	3250					
1304.9	1725.9	2045.3	2247.0	2784.2	2893.9	3009.5	3083.1	3165.5	3191.6	3280	3285	3250	3250					
6.3%	5.6%	6.1%	5.9%	6.6%	7.0%	7.3%	6.8%	6.4%	5.5%	5.5%	5.5%	5.5%	5.5%					
8.3%	7.9%	9.6%	9.5%	10.6%	11.1%	10.9%	10.1%	9.5%	8.0%	8.0%	8.0%	8.0%	8.0%					
8.3%	7.8%	9.6%	9.5%	10.6%	11.1%	10.9%	10.1%	9.5%	8.0%	8.0%	8.0%	8.0%	8.0%					
3.0%	2.6%	4.5%	4.7%	6.1%	6.3%	5.7%	4.7%	3.7%	2.0%	2.5%	2.5%	2.5%	2.5%					
65%	68%	53%	51%	42%	43%	48%	54%	61%	72%	71%	71%	71%	71%					

**CAPITAL STRUCTURE as of 9/30/15**  
 Total Debt \$1226.6 mill. Due in 5 Yrs \$466.2 mill.  
 LT Debt \$1207.2 mill. LT Interest \$69.4 mill.  
 Incl. \$4.4 million capitalized leases.  
 (LT interest earned: 3.5x)  
**Leases, Uncapitalized** Annual rentals \$10.3 mill.  
**Pension Assets-12/14** \$412.8 mill.  
**Pfd Stock** None  
**Common Stock** 60,482,051 shs.  
 as of 10/21/15  
**MARKET CAP: \$2.8 billion (Mid Cap)**  
**ELECTRIC OPERATING STATISTICS**  
 % Change Retail Sales (KWH) -3.4, +1.4, -3  
 Avg. Indust. Use (MWH) 3814, 3870, 3756  
 Avg. Indust. Revs. per KWH (c) 6.83, 7.50, 7.49  
 Capacity at Peak (Mw) 3315, 3315, 3360  
 Peak Load, Summer (Mw) 2282, 2278, 2612  
 Annual Load Factor (%) 55.1, 57.0, 57.1  
 % Change Customers (avg.) +6, +6, +5  
 Fixed Charge Cov. (%) 326, 360, 380  
**ANNUAL RATES** Past 10 Yrs, Past 5 Yrs, Est'd '12-'14  
 Revenues 1.5%, 2.5%, 4.5%  
 "Cash Flow" 6.5%, 9.5%, 3.0%  
 Earnings 7.0%, 10.5%, .5%  
 Dividends 5.0%, 9.5%, 3.5%  
 Book Value 9.0%, 8.0%, 3.0%

**BUSINESS:** Cleco Corporation is a holding company for Cleco Power LLC, which supplies electricity to about 286,000 customers in central Louisiana. Electric revenue breakdown: residential, 46%; commercial, 30%; industrial, 14%; other, 10%. Largest industrial customers are paper mills and other wood-product industries. Generating sources: gas & oil, 26%; petroleum coke, 26%; coal & lignite, 23%; purchased, 25%. Fuel costs: 44% of revenues. '14 reported depreciation rate (utility): 2.7%. Has 1,200 employees. Chairman: J. Patrick Garrett. President & CEO: Bruce A. Williamson. Incorporated: Louisiana. Address: 2030 Donahue Ferry Road, P.O. Box 5000, Pineville, Louisiana 71361-5000. Telephone: 318-484-7400. Internet: www.cleco.com.

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

**The companies have not given up.** They asked the LPSC for an immediate rehearing, and requested placement on the LPSC's Supplemental Agenda for its meeting on March 16th (in between the time this report went to press and the time it came out in print). If the companies' request proves unsuccessful, they can seek relief in the courts. However...

**The stock is trading as though the deal is already dead.** Due to the LPSC's rejection of 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 no longer trading on takeover considerations, we restored its Timeliness rank.

**We estimate that earnings will advance this year and next.** In 2015, costs associated with the proposed acquisition (included in our earnings presentation) reduced profits by \$0.08 a share. We figure that these expenses will be lower this year, and nonexistent in 2017. In addition, the utility benefits from a formula rate-making plan that provides some additional revenues every year without having to file a general rate case. Note that Cleco has not provided earnings guidance for 2016, nor has it stated any expectation for the dividend.

**If the deal is terminated, we think there is a chance of a dividend increase in the second quarter.** The board of directors has not raised the disbursement while the attempted 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.

(A) Diluted earnings. Excl. nonrec. gains (losses): '00, 5c; '02, (5c); '03, (\$2.05); '05, \$2.11; '07, \$1.22; '10, \$1.91; '11, 63c; losses from discontinued operations: '00, 14c; '01, 4c.	'13 EPS don't add due to rounding. Next earnings report due early May. (B) Div'ds historically paid in mid-Feb., May, Aug. and Nov. Div'd reinvestment plan avail. (C) Incl. deferred charges. In '14: \$10.89/sh. (D) In mill. (E) Rate base: Net original cost. Rate allowed on com. eq. in '14: 11.24%; earned on avg. com. eq., '14: 9.6%. Regulatory Climate: Average.	Company's Financial Strength A Stock's Price Stability 100 Price Growth Persistence 85 Earnings Predictability 80
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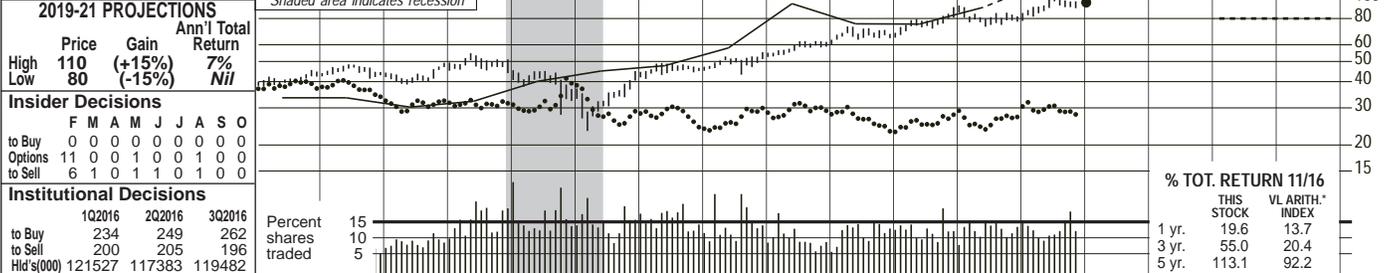


# DTE ENERGY CO. NYSE-DTE

RECENT PRICE **95.19** P/E RATIO **18.2** (Trailing: 19.3; Median: 16.0) RELATIVE P/E RATIO **0.93** DIV'D YLD **3.5%** VALUE LINE

TIMELINESS <b>3</b> Lowered 11/4/16	High: 48.3 49.2 54.7 45.3 45.0 49.1 55.3 62.6 73.3 90.8 92.3 100.4	Target Price Range 2019 2020 2021
SAFETY <b>2</b> Raised 12/21/12	Low: 41.4 38.8 44.0 27.8 23.3 41.3 43.2 52.5 60.3 64.8 73.2 78.0	
TECHNICAL <b>2</b> Raised 12/16/16		
BETA .65 (1.00 = Market)		

LEGENDS  
 0.70 x Dividends p sh divided by Interest Rate  
 Relative Price Strength  
 Options: Yes  
 Shaded area indicates recession



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
39.24	48.71	40.30	41.76	40.84	50.74	50.93	54.28	57.23	48.45	50.51	52.57	51.01	54.56	69.50	57.60	<b>57.95</b>	<b>63.50</b>	Revenues per sh	70.75
8.59	6.98	8.31	6.95	6.81	8.14	8.19	8.48	8.26	9.38	9.78	9.57	9.77	10.13	11.85	9.44	<b>10.35</b>	<b>11.35</b>	"Cash Flow" per sh	13.50
3.27	2.15	3.83	2.85	2.55	3.27	2.45	2.66	2.73	3.24	3.74	3.67	3.88	3.76	5.10	4.45	<b>4.85</b>	<b>5.35</b>	Earnings per sh <sup>A</sup>	6.25
2.06	2.06	2.06	2.06	2.06	2.06	2.08	2.12	2.12	2.12	2.18	2.32	2.42	2.59	2.69	2.84	<b>3.07</b>	<b>3.36</b>	Div'd Decl'd per sh <sup>B</sup>	4.00
5.25	6.80	5.88	4.45	5.19	5.99	7.92	7.96	8.42	6.26	6.49	8.77	10.56	10.59	11.58	11.26	<b>13.80</b>	<b>14.75</b>	Cap'l Spending per sh	13.25
28.15	28.48	27.26	31.36	31.85	32.44	33.02	35.86	36.77	37.96	39.67	41.41	42.78	44.73	47.05	48.88	<b>50.65</b>	<b>52.65</b>	Book Value per sh <sup>C</sup>	60.50
142.65	161.13	167.46	168.61	174.21	177.81	177.14	163.23	163.02	165.40	169.43	169.25	172.35	177.09	176.99	179.47	<b>179.50</b>	<b>179.50</b>	Common Shs Outst'g <sup>D</sup>	187.00
10.3	19.3	11.3	13.7	16.0	13.8	17.4	18.3	14.8	10.4	12.3	13.5	14.9	17.9	14.9	18.1	<b>18.1</b>	<b>18.1</b>	Avg Ann'l P/E Ratio	15.0
.67	.99	.62	.78	.85	.73	.94	.97	.89	.69	.78	.85	.95	1.01	.78	.91	<b>.91</b>	<b>.91</b>	Relative P/E Ratio	.95
6.1%	5.0%	4.8%	5.3%	5.0%	4.6%	4.9%	4.4%	5.2%	6.3%	4.8%	4.7%	4.2%	3.8%	3.5%	3.5%	<b>3.5%</b>	<b>3.5%</b>	Avg Ann'l Div'd Yield	4.2%

CAPITAL STRUCTURE as of 9/30/16		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Debt \$9903 mill. Due in 5 Yrs \$2439 mill.		9022.0	8861.0	9329.0	8014.0	8557.0	8897.0	8791.0	9661.0	12301	10337	10400	11400	10337	10400	11400	10337	10400	11400
LT Debt \$9478 mill. LT Interest \$434 mill.		437.0	453.0	445.0	532.0	630.0	624.0	666.0	661.0	905.0	796.0	880	970	796.0	880	970	796.0	880	970
Incl. \$7 mill. capitalized leases and \$780 mill. Trust Preferred Securities. (LT interest earned: 3.7x)		23.9%	25.1%	34.9%	31.6%	32.7%	35.9%	29.8%	27.5%	28.5%	25.6%	26.0%	26.0%	28.5%	25.6%	26.0%	26.0%	26.0%	26.0%
Leases, Uncapitalized Annual rentals \$37 mill. Pension Assets-12/15 \$3832 mill. Oblig \$4971 mill.		5.0%	7.1%	11.2%	2.6%	1.6%	1.6%	3.0%	3.5%	4.1%	4.3%	4.0%	4.0%	4.1%	4.3%	4.0%	4.0%	4.0%	4.0%
Prd Stock None		56.1%	54.4%	56.4%	54.0%	51.3%	50.6%	48.8%	47.7%	50.0%	50.2%	55.0%	56.0%	50.0%	50.2%	55.0%	56.0%	55.5%	55.5%
Common Stock 179,434,907 shs.		43.9%	45.6%	43.6%	46.0%	48.7%	49.4%	51.2%	52.3%	50.0%	49.8%	45.0%	44.0%	49.8%	45.0%	44.0%	44.0%	44.5%	44.5%
MARKET CAP: \$17 billion (Large Cap)		13323	12824	13736	13648	13811	14196	14387	15135	16670	17607	20300	21425	16670	17607	20300	21425	25400	25400
ELECTRIC OPERATING STATISTICS		11451	11408	12231	12431	12992	13746	14684	15800	16820	18034	20825	22400	16820	18034	20825	22400	26200	26200
% Change Retail Sales (KWH)	2013	2014	2015	5.1%	5.3%	5.0%	5.7%	6.3%	5.9%	6.1%	5.7%	6.6%	5.7%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Avg. Indust. Use (MWH)	NA	NA	NA	7.5%	7.7%	7.4%	8.5%	9.4%	8.9%	9.0%	8.3%	10.9%	9.1%	9.5%	10.0%	9.5%	10.0%	10.5%	10.5%
Avg. Indust. Revs. per KWH (c)	NMF	NMF	NMF	7.5%	7.7%	7.4%	8.5%	9.4%	8.9%	9.0%	8.3%	10.9%	9.1%	9.5%	10.0%	9.5%	10.0%	10.5%	10.5%
Capacity at Peak (Mw)	NA	NA	NA	1.2%	1.5%	1.7%	2.9%	4.0%	3.4%	3.5%	2.7%	5.2%	3.4%	3.5%	4.0%	3.5%	4.0%	4.0%	4.0%
Peak Load, Summer (Mw)	NA	NA	NA	84%	80%	77%	65%	57%	62%	61%	67%	52%	63%	63%	62%	62%	62%	62%	62%
Annual Load Factor (%)	NA	NA	NA	<p><b>BUSINESS:</b> DTE Energy Company is a holding company for DTE Electric (formerly Detroit Edison), which supplies electricity in Detroit and a 7,600-square-mile area in southeastern Michigan, and DTE Gas (formerly Michigan Consolidated Gas). Customers: 2.1 mill. electric, 1.3 mill. gas. Has various nonutility operations. Electric revenue breakdown: residential, 45%; commercial, 35%; industrial, 13%; other, 7%. Generating sources: coal, 67%; nuclear, 17%; gas, 1%; purchased, 15%. Fuel costs: 54% of revenues. '15 reported deprec. rates: 3.5% electric, 2.6% gas. Has 10,000 employees. Chairman &amp; CEO: Gerard M. Anderson. President &amp; COO: Jerry Norcia. Inc.: MI. Address: One Energy Plaza, Detroit, MI 48226-1279. Tel.: 313-235-4000. Internet: www.dteenergy.com.</p>															
% Change Customers (yr-end)	NA	NA	NA	<p><b>DTE Energy has completed a significant acquisition.</b> 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 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.</p>															

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
Revenues	3.0%	3.0%	2.5%
"Cash Flow"	3.5%	3.0%	4.5%
Earnings	4.5%	6.5%	6.0%
Dividends	3.0%	5.0%	6.5%
Book Value	4.0%	4.0%	4.5%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	2516	2225	2387	2533	9661.0
2014	3930	2698	2595	3078	12301
2015	2984	2268	2598	2487	10337
2016	2566	2262	2928	2644	10400
2017	3050	2450	2950	2950	11400

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	1.34	.60	1.13	.69	3.76
2014	1.84	.70	.88	1.68	5.10
2015	1.53	.61	1.47	.84	4.45
2016	1.37	.84	1.88	.76	4.85
2017	1.60	1.00	1.60	1.15	5.35

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.62	.62	.655	.655	2.55
2014	.655	.655	.655	.69	2.66
2015	.69	.69	.69	.73	2.80
2016	.73	.73	.73	.77	
2017	.825				

(A) Diluted EPS. Excl. nonrec. gains (losses): '03, (16c); '05, (2c); '06, 1c; '07, \$1.96; '08, 50c; '11, 51c; '15, (39c); gains (losses) on disc. ops.: '03, 40c; '04, (6c); '05, (20c); '06, (2c); '07, \$1.20; '08, 13c; '12, (33c). Next earnings report due mid-Feb. (B) Div'ds historically paid in mid-Jan., Apr., July and Oct. Div'd reinvestment plan avail. (C) Incl. intang. In '15: \$32.31/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '15: 10.3% elec.; in '13: 10.5% gas; earned on avg. com. eq., '15: 9.2%. Regulatory Climate: Average.

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Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	85
Earnings Predictability	90

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self-implemented a \$109 million increase on November 1st. The MPSC's staff recommended a \$123 million hike, based on a 10% 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.** The utility filed for \$344 million, based on a 10.5% return on a 50% common-equity ratio. It self-implemented a \$245 million increase on August 1st. The MPSC's staff recommended a \$189 million hike, based on a 10% ROE, and the ALJ's recommendation was similar. An order is due by January 31st.

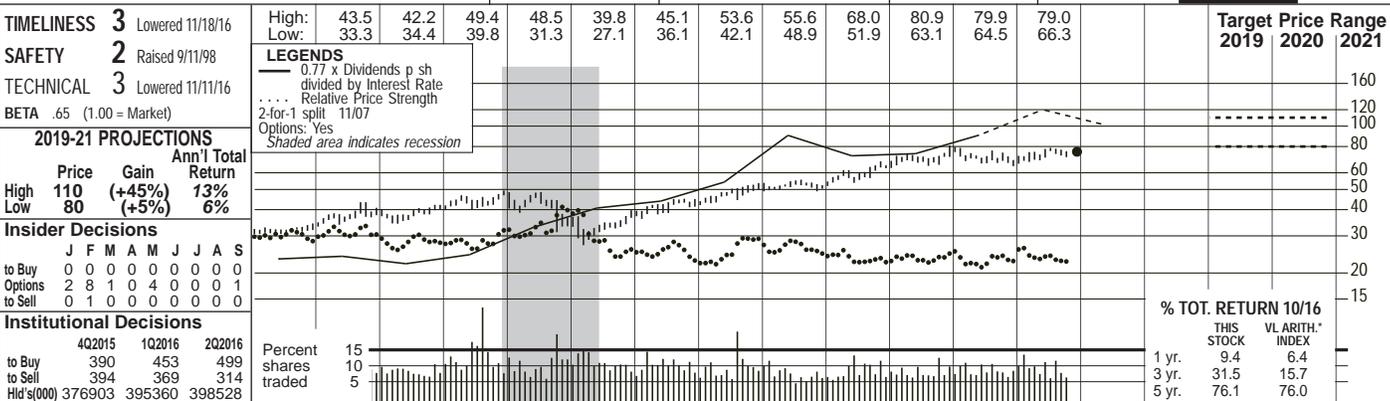
**Rate relief and higher nonutility income should boost the bottom line in 2017.** Note that the comparison with the 2016 figure will probably be easy, as mark-to-market accounting charges reduced share net by \$0.33 in the first nine months of 2016.

**DTE stock has a dividend yield that is about average for a utility.** Like many utility stocks, the recent price is within our 2019-2021 Target Price Range. Thus, total return potential is unspectacular.

Paul E. Debbas, CFA December 16, 2016

# DOMINION RES. NYSE-D

RECENT PRICE **75.50** P/E RATIO **19.2** (Trailing: 22.8; Median: 18.0) RELATIVE P/E RATIO **1.07** DIV'D YLD **4.0%** VALUE LINE



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
18.84	19.94	16.58	18.57	20.54	25.96	23.61	27.17	27.93	25.24	26.17	25.24	22.73	22.56	21.25	19.59	18.50	19.15	Revenues per sh	21.50
3.71	3.92	4.45	3.97	4.18	3.70	4.91	5.08	5.07	4.82	5.11	5.04	5.24	5.47	5.71	5.98	6.60	7.30	"Cash Flow" per sh	9.75
1.25	1.49	2.41	1.96	2.13	1.50	2.40	2.13	3.04	2.64	2.89	2.76	2.75	3.09	3.05	3.20	3.65	4.00	Earnings per sh <sup>A</sup>	5.50
1.29	1.29	1.29	1.29	1.30	1.34	1.38	1.46	1.58	1.75	1.83	1.97	2.11	2.25	2.40	2.59	2.80	3.02	Div'd Decl'd per sh <sup>B</sup>	3.80
2.82	2.31	2.17	5.20	3.88	4.83	5.81	6.89	6.09	6.40	5.89	6.41	7.20	7.06	9.13	9.35	11.15	8.05	Cap'l Spending per sh	8.25
14.22	15.81	16.57	16.20	16.79	14.96	18.50	16.31	17.28	18.66	20.66	20.09	18.34	20.02	19.74	21.24	24.20	26.30	Book Value per sh <sup>C</sup>	29.00
491.60	529.40	616.20	650.40	680.40	695.00	698.00	576.80	583.20	599.40	580.80	569.70	576.10	581.50	585.30	596.30	621.00	645.00	Common Shs Outst'g <sup>D</sup>	625.00
19.4	20.9	12.0	15.2	15.1	24.9	16.0	20.6	13.8	12.7	14.3	17.3	18.9	19.2	23.0	22.1	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	17.5
1.26	1.07	.66	.87	.80	1.33	.86	1.09	.83	.85	.91	1.09	1.20	1.08	1.21	1.11			Relative P/E Ratio	1.10
5.3%	4.1%	4.4%	4.3%	4.0%	3.6%	3.6%	3.3%	3.8%	5.2%	4.4%	4.1%	4.1%	3.8%	3.4%	3.7%			Avg Ann'l Div'd Yield	4.0%

CAPITAL STRUCTURE as of 6/30/16				2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC		19-21
Total Debt \$29572 mill. Due in 5 Yrs \$12383 mill.				16482	15674	16290	15131	15197	14379	13093	13120	12436	11683	11500	12350	12350	12350	12350	Revenues (\$mill)	13400
LT Debt \$24787 mill. LT Interest \$1046 mill. (LT interest earned: 3.8x)				1704.0	1414.0	1781.0	1585.0	1724.0	1603.0	1594.0	1806.0	1793.0	1899.0	2330	2655	2655	2655	2655	Net Profit (\$mill)	3580
Leases, Uncapitalized Annual rentals \$67 mill.				35.5%	33.4%	37.1%	33.2%	38.6%	34.6%	36.2%	33.0%	28.1%	32.0%	24.5%	25.0%	24.5%	25.0%	25.0%	Income Tax Rate	25.0%
Pension Assets-12/15 \$6166 mill. Pfd Stock None				7.9%	7.3%	4.9%	4.8%	5.9%	5.3%	5.7%	3.7%	4.5%	5.3%	4.0%	3.0%	4.0%	3.0%	3.0%	AFUDC % to Net Profit	2.0%
Oblig \$6391 mill.				52.9%	57.8%	59.1%	57.5%	56.3%	59.8%	60.9%	61.9%	65.4%	65.1%	64.0%	61.5%	61.5%	64.0%	61.5%	Long-Term Debt Ratio	61.5%
Common Stock 625,763,030 shs. as of 7/15/16				46.2%	41.1%	39.8%	41.5%	42.8%	39.3%	38.2%	37.3%	34.6%	34.9%	36.0%	38.5%	36.0%	38.5%	38.5%	Common Equity Ratio	38.5%
MARKET CAP: \$47 billion (Large Cap)				27961	22898	25290	26923	28012	29097	27676	31229	33360	36280	41750	43975	43975	43975	43975	Total Capital (\$mill)	47000
ELECTRIC OPERATING STATISTICS				29382	21352	23274	25592	26713	29670	30773	32628	36270	41554	49300	52325	52325	52325	52325	Net Plant (\$mill)	59500
% Change Retail Sales (KWH)				7.9%	8.0%	8.7%	7.5%	7.7%	7.0%	7.5%	7.3%	6.6%	6.5%	7.0%	7.0%	7.0%	7.0%	7.0%	Return on Total Cap'l	9.0%
Avg. Indust. Use (MWH)				12.9%	14.6%	17.2%	13.9%	14.1%	13.7%	14.7%	15.2%	15.5%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	Return on Shr. Equity	19.0%
Avg. Indust. Revs. per KWH (c)				13.1%	14.9%	17.5%	14.0%	14.2%	13.9%	14.9%	15.4%	15.4%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	Return on Com Equity <sup>E</sup>	19.0%
Capacity at Peak (Mw)				5.6%	5.0%	8.4%	4.7%	5.3%	4.0%	3.5%	4.2%	3.3%	2.9%	3.5%	3.5%	3.5%	3.5%	3.5%	Retained to Com Eq	6.0%
Peak Load, Summer (Mw)				58%	67%	52%	67%	63%	71%	77%	73%	79%	81%	73%	72%	72%	72%	72%	All Div'ds to Net Prof	67%
Annual Load Factor (%)																				
% Change Customers (yr-end)																				
Fixed Charge Cov. (%)				339	266	352														

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15 of change (per sh)
Revenues	-5%	-4.5%	.5%
"Cash Flow"	4.0%	2.5%	9.5%
Earnings	5.5%	1.5%	10.0%
Dividends	6.5%	7.0%	8.0%
Book Value	2.5%	1.5%	6.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	3523	2980	3432	3185	13120
2014	3630	2813	3050	2943	12436
2015	3409	2747	2971	2556	11683
2016	2921	2598	3132	2849	11500
2017	3450	2850	3150	2900	12350

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.86	.47	1.02	.74	3.09
2014	1.03	.60	.95	.46	3.05
2015	.91	.70	1.00	.60	3.20
2016	.88	.73	1.10	.94	3.65
2017	1.10	.80	1.15	.95	4.00

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.5275	.5275	.5275	.5275	2.11
2013	.5625	.5625	.5625	.5625	2.25
2014	.60	.60	.60	.60	2.40
2015	.6475	.6475	.6475	.6475	2.59
2016	.70	.70	.70	.70	

**BUSINESS:** Dominion Resources, Inc. is a holding company for Virginia Power & North Carolina Power, which serve 2.6 mill. customers in Virginia & northeastern North Carolina. Serves 2.3 mill. gas customers in Ohio, West Virginia, & Utah. Nonutility ops. incl. independent power production. Owns 70.9% of Dominion Midstream Partners. Acq'd Questar 9/16. Elec. rev. breakdown: residential, 46%; commercial, 32%; industrial, 7%; other, 15%. Generating sources: nuclear, 30%; coal, 26%; gas, 23%; other, 6%; purch., 15%. Fuel costs: 31% of revs. '15 reported depr. rates: 2.3%-3.7%. Has 14,700 employees. Chairman, Pres. & CEO: Thomas F. Farrell II. Inc.: VA. Address: 120 Tredegar St., P.O. Box 26532, Richmond, VA 23261-6532. Tel.: 804-819-2000. Internet: www.dom.com.

**Dominion Resources completed the acquisition of Questar in September.** Dominion paid \$4.4 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. The company's financing moves included the issuance of \$1.3 billion of long-term debt and \$1.4 billion of mandatorily convertible debt. The dropdown of the gas pipeline will help support Dominion Midstream's goal of 22% distribution growth without additional asset acquisitions or equity contributions through mid-2018. Our estimates and projections now include Questar.

**Virginia Power continues to add generating capacity.** In April, a 1,358-megawatt gas-fired plant went on line at a cost of \$1.2 billion. The utility is building a 1,588-mw gas-fired facility at an expected cost of \$1.3 billion. This is expected to enter commercial operation in late 2018. The company also plans to add more than 200 mw of solar capacity in Virginia and North Carolina in the fourth quarter and in

2017. All of this helps boost Dominion's earning power.

**Some nonutility 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 \$34.7 million, based on a 9.9% return on equity. A ruling from the state commission 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.

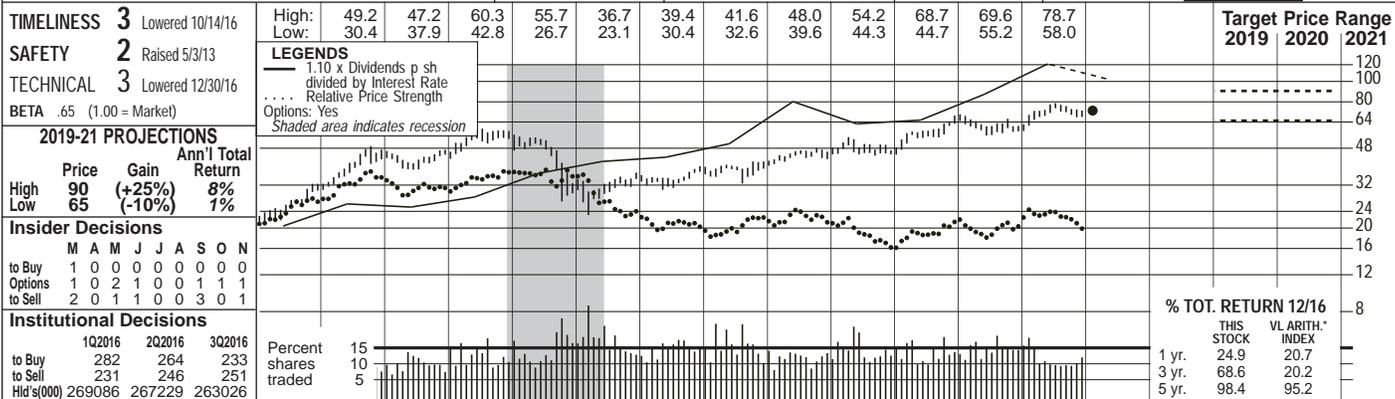
**This stock offers a good dividend yield and respectable 3- to 5-year total return potential.**

*Paul E. Debbas, CFA November 18, 2016*

(A) Dil. egs. Excl. nonrec. gains (losses): '01, (42c); '03, (\$1.46); '04, (22c); '06, (18c); '07, \$1.67; '08, 12c; '09, (47c); '10, \$2.18; '11, (7c); '12, (\$1.70); '14, (76c); losses from disc. ops.: '06, 26c; '07, 1c; '10, 26c; '12, 4c; '13, 16c. '14 & '15 EPS don't add due to rounding. Next egs. due early Feb. (B) Div'ds histor. paid in mid-Mar., June, Sept., & Dec. ■ Div'd reinvest. plan avail. (C) Incl. intang. In '15: \$9.61/sh. (D) In mill., adj. for split. (E) Rate base: Net orig. cost, adj. Rate all'd on com. eq. In '11: 10.9%; earn. on avg. com. eq., '15: 15.6%. Reg. Clim.: Avg.	Company's Financial Strength B++
	Stock's Price Stability 100
	Price Growth Persistence 85
	Earnings Predictability 80

# EDISON INTERNAT'L NYSE-EIX

RECENT PRICE **72.51** P/E RATIO **18.5** (Trailing: 18.7; Median: 12.0) RELATIVE P/E RATIO **0.93** DIV'D YLD **3.0%** VALUE LINE



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21	
35.96	35.10	35.26	37.25	31.30	36.38	38.74	40.25	43.31	37.98	38.09	39.16	36.41	38.61	41.17	35.37	35.00	36.50	Revenues per sh	41.75	
d.52	1.30	1.82	2.38	.69	3.34	3.28	3.32	3.68	3.24	3.35	3.23	4.55	3.78	4.33	4.15	3.90	4.15	"Cash Flow" per sh	13.00	
.83	--	--	--	.80	1.02	1.10	1.18	1.23	1.25	1.27	1.29	1.31	1.37	1.48	1.73	1.98	2.21	Earnings per sh <sup>A</sup>	5.00	
4.57	2.86	4.88	3.95	5.32	5.73	7.78	8.67	8.67	10.07	13.94	14.76	12.73	11.05	11.99	12.97	11.55	13.75	Cap'l Spending per sh	15.00	
7.43	10.04	13.62	16.52	18.57	20.30	23.66	25.92	29.21	30.20	32.44	30.86	28.95	30.50	33.64	34.89	36.70	38.50	Book Value per sh <sup>C</sup>	44.50	
325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	Common Shs Outst'g <sup>D</sup>	325.81
--	10.0	7.8	7.0	NMF	11.7	13.0	16.0	12.4	9.7	10.3	11.8	9.7	12.7	13.0	14.8	18.1	18.1	Avg Ann'l P/E Ratio	15.0	
--	.51	.43	.40	NMF	.62	.70	.85	.75	.65	.66	.74	.62	.71	.68	.75	.95	.95	Relative P/E Ratio	.95	
3.9%	--	--	--	3.1%	2.6%	2.6%	2.2%	2.7%	4.0%	3.7%	3.4%	3.0%	2.8%	2.6%	2.8%	2.8%	2.8%	Avg Ann'l Div'd Yield	3.5%	

CAPITAL STRUCTURE as of 9/30/16		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Revenues (\$mill)	13600
Total Debt \$12045 mill. Due in 5 Yrs \$2360 mill.		12622	13113	14112	12374	12409	12760	11862	12581	13413	11524	11400	11900	11900	11900	11900	11900	11900	11900	11900	13600
LT Debt \$10407 mill. LT Interest \$468 mill.		1134.0	1151.0	1266.0	1115.0	1153.0	1112.0	1594.0	1344.0	1539.0	1480.0	1415	1495	1495	1495	1495	1495	1495	1495	1495	1780
(LT interest earned: 3.7x)		31.4%	27.3%	30.7%	33.0%	32.1%	25.7%	14.3%	25.2%	22.4%	6.6%	8.0%	25.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	25.0%	25.0%
Leases, Uncapitalized Annual rentals \$442 mill.		5.1%	8.2%	8.9%	10.5%	16.9%	14.8%	8.5%	7.8%	5.8%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	6.0%	6.0%
Pens. Assets-12/15 \$3298 mill. Oblig. \$4374 mill.		51.3%	49.1%	51.2%	49.3%	51.8%	55.3%	45.2%	45.7%	44.1%	45.0%	44.0%	45.0%	44.1%	45.0%	44.0%	45.0%	44.0%	45.0%	45.0%	45.0%
Prd Stock \$2191 mill. Prd Div'd \$113 mill.		43.5%	46.0%	44.5%	46.5%	44.3%	40.6%	46.2%	46.2%	47.2%	46.7%	47.5%	46.5%	46.7%	47.5%	46.5%	46.5%	46.5%	46.5%	48.0%	48.0%
4,800,198 sh. 4.08%-4.78%, \$25 par, call. \$25.50-\$28.75/sh.; 3,250,000 sh. variable, noncum., call. \$100; 1,250,000 sh. 6.5%, cum., \$100 liq. value; 350,000 sh. 6.25%, \$100 liq. value; 460,012 sh. 5.1%-5.75%, \$2500 liq. value.		17725	18375	21374	21185	23861	24773	20422	21516	23216	24352	25225	26900	26900	26900	26900	26900	26900	26900	26900	30400
Common Stock 325,811,206 sh. as of 10/28/16		15913	17403	18969	21966	24778	32116	30273	30455	32981	35085	36750	39025	39025	39025	39025	39025	39025	39025	39025	46800
MARKET CAP: \$24 billion (Large Cap)		8.6%	8.3%	7.4%	6.9%	6.3%	6.0%	8.9%	7.3%	7.7%	7.1%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	7.0%	7.0%
ELECTRIC OPERATING STATISTICS		13.1%	12.3%	12.1%	10.4%	10.0%	10.0%	14.2%	11.5%	11.9%	11.1%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.5%	10.5%
% Change Retail Sales (KWH)		14.0%	13.0%	12.8%	10.8%	10.4%	10.5%	15.9%	12.5%	13.0%	12.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.5%	11.5%
Avg. Indust. Use (MWH)		10.1%	9.2%	8.6%	6.7%	6.5%	6.3%	11.4%	8.1%	8.8%	7.2%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.5%	5.5%
Avg. Indust. Revs. per KWH (c)		31%	33%	35%	41%	40%	43%	32%	40%	37%	44%	54%	56%	56%	56%	56%	56%	56%	56%	56%	56%
Capacity at Peak (Mw)		BUSINESS: Edison International (formerly SCECorp) is a holding company for Southern California Edison Company (SCE), which supplies electricity to 4.9 mill. customers in a 50,000-sq.-mi. area in central, coastal, & southern CA (excl. Los Angeles & San Diego). Edison Energy is an energy svcs. co. Disc. Edison Mission Energy (independent power producer) in '12. Elec. rev. breakdown: residential, 37%; commercial, 44%; industrial, 6%; other, 13%. Generating sources: gas, 7%; nuclear, 7%; hydro, 1%; purchased, 85%. Fuel costs: 37% of revs. '15 reported depr. rate: 3.9%. Has 13,700 emp. Chairman: William P. Sullivan. Pres. & CEO: Pedro J. Pizarro. Inc.: CA. Address: 2244 Walnut Grove Ave., P.O. Box 976, Rosemead, CA 91770. Tel.: 626-302-2222. Web: www.edison.com.																			
Peak Load, Summer (Mw)		Edison International's utility subsidiary 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 \$570 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—the kind 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 orders, but because the grid modernization proposal is new, this might not happen in the current case. The utility would like a ruling by yearend, but even if this does not occur, new rates will be retroactive to the start of 2018.																			
Annual Load Factor (%)		The board of directors raised the annual dividend by \$0.25 a share (13%). This was greater than we had estimated. The dividend will be paid on January 31st. The CPUC has ordered the utility to meet with parties that want to reopen																			
% Change Customers (yr-end)		a regulatory settlement about a closed nuclear station. The CPUC's Office of Ratepayer Advocates and an intervenor group have complained about ex parte communications between SCE and former CPUC commissioners. Customers have been granted refunds and credits totaling almost \$1.6 billion, but an additional refund 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.																			

Cal-endar	QUARTERLY REVENUES (\$ mill.)	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2013	2632 3046 3960 2943	12581
2014	2926 3016 4356 3115	13413
2015	2512 2908 3763 2341	11524
2016	2440 2777 3767 2416	11400
2017	2600 2850 3900 2550	11900

Cal-endar	EARNINGS PER SHARE <sup>A</sup>	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2013	.78 .78 1.41 .81	3.78
2014	.61 1.07 1.51 1.15	4.33
2015	.91 1.15 1.15 .94	4.15
2016	.82 .85 1.27 .96	3.90
2017	.85 .85 1.60 .85	4.15

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2013	.337 .337 .337 .337	1.35
2014	.355 .355 .355 .355	1.42
2015	.418 .418 .418 .418	1.67
2016	.48 .48 .48 .48	1.92
2017	.5425	

**Edison International's utility subsidiary 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 \$570 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—the kind 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 orders, but because the grid modernization proposal is new, this might not happen in the current case. The utility would like a ruling by yearend, but even if this does not occur, new rates will be retroactive to the start of 2018.

**The board of directors raised the annual dividend by \$0.25 a share (13%).** This was greater than we had estimated. The dividend will be paid on January 31st. **The CPUC has ordered the utility to meet with parties that want to reopen**

**a regulatory settlement about a closed nuclear station.** The CPUC's Office of Ratepayer Advocates and an intervenor group have complained about *ex parte* communications between SCE and former CPUC commissioners. Customers have been granted refunds and credits totaling almost \$1.6 billion, but an additional refund 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.

**Earnings probably declined in 2016, but should recover this year.** The company probably didn't book as many tax credits as in 2015. In addition, Edison's nonutility operations are experiencing start-up losses, estimated at \$0.12 a share in 2016. In 2017, the utility's earning power will benefit from rate relief granted in SCE's previous general rate case as its rate base rises.

**The dividend yield of this stock is below average for a utility.** This reflects the company's above-average dividend growth potential. However, 3- to 5-year total return prospects are un spectacular.

Paul E. Debbas, CFA January 27, 2017

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	65

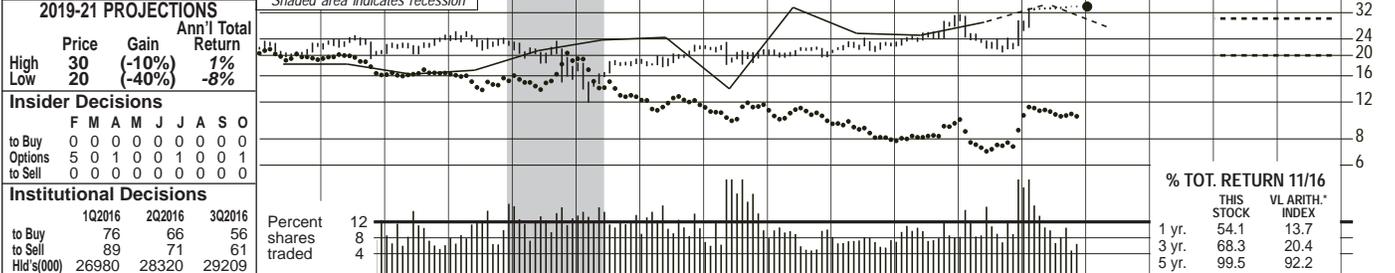
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# EMPIRE DISTRICT NYSE-EDE

RECENT PRICE **34.20** P/E RATIO **23.8** (Trailing: 24.8 Median: 16.0) RELATIVE P/E RATIO **1.22** DIV'D YLD **3.1%** VALUE LINE

TIMELINESS — Suspended 2/19/16	High: 25.0	25.1	26.1	23.5	19.4	22.5	23.3	22.0	24.3	31.2	31.5	34.5	Target Price Range								
SAFETY <b>2</b> Raised 3/23/12	Low: 19.3	20.3	21.1	14.9	11.9	17.6	18.0	19.5	20.6	22.0	20.7	26.2	2019 2020 2021								
TECHNICAL — Suspended 2/19/16	<b>LEGENDS</b> 0.61 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession																				
BETA .70 (1.00 = Market)	<b>2019-21 PROJECTIONS</b> <table border="1"> <tr> <th>Price</th> <th>Gain</th> <th>Ann'l Total Return</th> </tr> <tr> <td>High 30</td> <td>(-10%)</td> <td>1%</td> </tr> <tr> <td>Low 20</td> <td>(-40%)</td> <td>-8%</td> </tr> </table>												Price	Gain	Ann'l Total Return	High 30	(-10%)	1%	Low 20	(-40%)	-8%
Price	Gain	Ann'l Total Return																			
High 30	(-10%)	1%																			
Low 20	(-40%)	-8%																			



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
14.78	13.37	13.56	13.03	12.67	14.80	13.67	14.59	15.25	13.04	13.02	13.74	13.11	13.81	15.00	13.82	13.50	13.55	Revenues per sh	14.75
3.12	2.19	2.43	2.48	2.22	2.45	2.75	2.69	2.91	2.72	2.85	3.21	2.99	3.14	3.45	3.32	3.60	3.80	"Cash Flow" per sh	4.50
1.35	.59	1.19	1.29	.86	.92	1.41	1.09	1.17	1.18	1.17	1.31	1.32	1.48	1.55	1.29	1.40	1.45	Earnings per sh <sup>A</sup>	1.75
1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	.64	1.00	1.01	1.03	1.04	1.04	1.06	Div'd Decl'd per sh <sup>B</sup> = †	1.20
7.61	4.02	3.43	2.65	1.64	2.83	3.97	5.46	6.28	4.07	2.63	2.44	3.22	3.60	4.91	4.23	2.70	2.40	Cap'l Spending per sh	3.50
13.65	13.58	14.59	15.17	14.76	15.08	15.49	16.04	15.56	15.75	15.82	16.53	16.90	17.43	18.02	18.32	18.55	18.85	Book Value per sh <sup>C</sup>	20.25
17.60	19.76	22.57	24.98	25.70	26.08	30.25	33.61	33.98	38.11	41.58	41.98	42.48	43.04	43.48	43.82	44.50	45.00	Common Shs Outst'g <sup>D</sup>	46.50
17.7	33.9	16.2	15.8	24.8	24.5	15.9	21.7	17.3	14.3	16.8	15.8	15.8	15.0	16.2	18.6	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	14.5
1.15	1.74	.88	.90	1.31	1.30	.86	1.15	1.04	.95	1.07	.99	1.01	.84	.85	.93			Relative P/E Ratio	.90
5.4%	6.4%	6.6%	6.3%	6.0%	5.7%	5.7%	5.4%	6.3%	7.6%	6.5%	3.1%	4.8%	4.5%	4.1%	4.3%			Avg Ann'l Div'd Yield	4.7%

CAPITAL STRUCTURE as of 9/30/16				2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Revenues (\$mill)	685
Total Debt \$854.9 mill. Due in 5 Yrs \$216.8 mill.				413.5	490.2	518.2	497.2	541.3	576.9	557.1	594.3	652.3	605.6	600	610	Revenues (\$mill)	685						
LT Debt \$829.6 mill. LT Interest \$42.3 mill.				39.9	33.2	39.7	41.3	47.4	55.0	55.7	63.4	67.1	56.6	60.0	65.0	Net Profit (\$mill)	80.0						
Incl. \$3.3 mill. capitalized leases. (LT interest earned: 3.0x)				35.4%	30.3%	32.5%	32.5%	39.2%	38.4%	38.0%	37.1%	36.9%	37.4%	37.5%	38.0%	Income Tax Rate	38.0%						
Pension Assets-12/15 \$186.9 mill. Oblig \$243.7 mill.				10.7%	23.1%	31.5%	34.2%	21.5%	.9%	3.5%	9.4%	14.8%	13.6%	8.0%	3.0%	AFUDC % to Net Profit	5.0%						
Pfd Stock None				49.7%	50.1%	53.6%	51.6%	51.3%	49.9%	49.1%	49.8%	50.6%	51.1%	53.0%	50.0%	Long-Term Debt Ratio	50.5%						
Common Stock 44,094,312 shs. as of 10/31/16				50.3%	49.9%	46.4%	48.4%	48.7%	50.1%	50.9%	50.2%	49.4%	48.9%	47.0%	50.0%	Common Equity Ratio	49.5%						
MARKET CAP: \$1.5 billion (Mid Cap)				931.0	1081.1	1140.4	1240.3	1350.7	1386.2	1409.4	1493.6	1586.5	1640.7	1765	1695	Total Capital (\$mill)	1900						
ELECTRIC OPERATING STATISTICS				1031.0	1178.9	1342.8	1459.0	1519.1	1563.7	1657.6	1751.9	1910.3	2020.4	2040	2045	Net Plant (\$mill)	2175						
% Change Retail Sales (KWH)				5.9%	4.7%	5.2%	5.2%	5.1%	5.5%	5.4%	5.6%	5.5%	4.8%	5.0%	5.0%	Return on Total Cap'l	5.5%						
Avg. Industrial Use (MWH)				8.5%	6.2%	7.5%	6.9%	7.2%	7.9%	7.8%	8.5%	8.6%	7.1%	7.5%	7.5%	Return on Shr. Equity	8.5%						
Avg. Industrial Rev/KWH (¢)				8.5%	6.2%	7.5%	6.9%	7.2%	7.9%	7.8%	8.5%	8.6%	7.1%	7.5%	7.5%	Return on Com Equity <sup>E</sup>	8.5%						
Capacity at Peak (Mw)				.8%	NMF	NMF	NMF	NMF	4.1%	1.9%	2.7%	2.9%	1.4%	2.0%	2.0%	Retained to Com Eq	2.5%						
Peak Load, Summer (Mw)				90%	117%	109%	109%	110%	49%	76%	68%	66%	80%	74%	7.0%	All Div'ds to Net Prof	69%						
Annual Load Factor (%)				<b>BUSINESS:</b> The Empire District Electric Company supplies electricity to 170,000 customers in a 10,000 sq. mi. area in southwestern Missouri (89% of retail elec. revs.), Kansas (5%), Oklahoma (3%), & Arkansas (3%). Acquired Missouri Gas (44,000 customers) 6/06. Supplies water service (4,000 customers) and has a small fiber-optics operation. Elec. rev. breakdown: residential, 42%; commercial, 31%; industrial, 16%; other, 11%. Generating sources: coal, 50%; gas, 27%; hydro, 1%; purch., 22%. Fuel costs: 31% of revenues. '15 reported depr. rate: 3.2%. Has about 750 employees. Chairman: D. Randy Laney. President & CEO: Bradley P. Beecher. Inc.: KS. Address: 602 S. Joplin Ave., P.O. Box 127, Joplin, MO 64802-0127. Tel.: 417-625-5100. Internet: www.empiredistrict.com.																			
% Change Customers (avg.)				<b>It appears as if the acquisition of Empire District Electric Company will be completed soon.</b> 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 in cash 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 agreement, Empire District Electric would withdraw its pending request for a \$6.4 million (25.7%) rate increase. Instead, the company would file for recovery of certain environmental costs through a rider on customers' bills. This would raise rates by \$1.2 million. A ruling from the KCC is due by January 10, 2017. If the regulators approve the settlement—and there has been no significant opposition—the transaction is likely to be completed shortly thereafter. Accordingly, this might well be our last full-page report on Empire District Electric. <b>We advise stockholders to sell their shares on the open market.</b> 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. <b>Empire District Electric received a rate increase in Missouri.</b> The Missouri Public Service Commission approved a settlement calling for a hike of \$20.4 million (4.5%), based on a return on equity in a range of 9.5%-9.9%. New tariffs took effect in mid-September. <b>We expect higher earnings this year and next, despite the inclusion of merger-related expenses.</b> Merger-related costs are expected to reduce the bottom line by \$0.10-\$0.12 a share in 2016. Even so, we think profits will wind up higher for the year because the effects of regulatory lag hurt earnings in 2015. In addition, Empire District Electric should benefit from rate relief in 2016 and 2017. Note that we have raised our 2016 earnings estimate by \$0.05 a share, to \$1.40, because a hotter-than-normal summer helped boost the bottom line in the third quarter.																			

Fixed Charge Cov. (%)	2013	2014	2015
	331	334	291

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)			
Revenues	.5%	.5%	.5%
"Cash Flow"	3.5%	3.0%	5.5%
Earnings	3.5%	4.0%	3.5%
Dividends	-2.0%	-4.5%	2.5%
Book Value	2.0%	2.5%	2.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	151.1	136.6	157.5	149.1	594.3
2014	179.7	149.8	171.5	151.3	652.3
2015	164.5	134.6	169.7	136.8	605.6
2016	151.3	139.3	175.4	134	600
2017	160	140	175	135	610

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.30	.27	.56	.35	1.48
2014	.48	.26	.55	.26	1.55
2015	.34	.15	.58	.23	1.29
2016	.32	.21	.62	.25	1.40
2017	.31	.26	.60	.28	1.45

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup> = †				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.25	.25	.25	.25	1.00
2013	.25	.25	.25	.255	1.01
2014	.255	.255	.255	.26	1.03
2015	.26	.26	.26	.26	1.04
2016	.26	.26	.26	.26	

(A) Diluted earnings. Excl. loss from discontinued operations: '06, 2¢. '15 EPS don't add due to rounding. Next earnings report due early Feb. (B) Div'ds historically paid in mid-Mar., June, Sept. and Dec. Div'ds suspended 3Q '11, reinstated 1Q '12. ■ Div'd reinvestment plan avail. (3% discount). † Shareholder investment plan avail. (C) Incl. intangibles. In '15: \$5.88/sh. (D) In mill. (E) Rate base: Deprec. orig. cost. Rate allowed on com. eq. in MO in '16: 9.5%-9.9%; earned on avg. com. eq., '15: 7.2%. Regulatory Climate: Below Average.

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

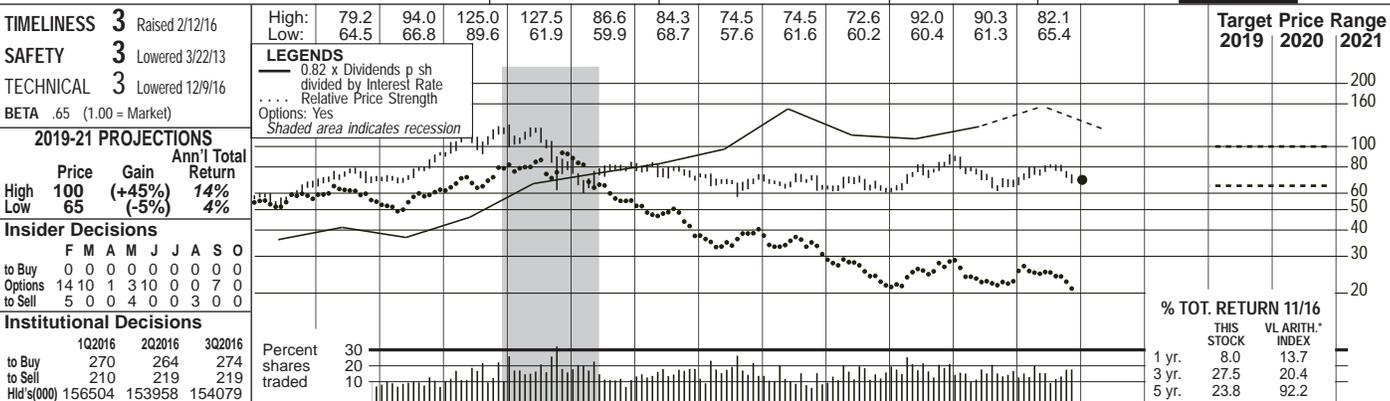
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Paul E. Debbas, CFA December 16, 2016



# ENTERGY CORP. NYSE-ETR

RECENT PRICE **69.26** P/E RATIO **15.7** (Trailing: 8.6 Median: 13.0) RELATIVE P/E RATIO **0.81** DIV'D YLD **5.1%** VALUE LINE



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	19-21
45.61	43.59	37.34	40.17	46.69	46.61	53.94	59.47	69.15	56.82	64.27	63.67	57.94	63.86	69.71	64.54	59.20	59.50	65.00
6.49	6.41	7.62	7.43	8.33	8.18	10.69	11.73	12.89	13.29	16.54	17.53	15.98	16.25	17.68	17.71	17.95	16.40	18.50
2.97	3.08	3.68	3.69	3.93	4.40	5.36	5.60	6.20	6.30	6.66	7.55	6.02	4.96	5.77	5.81	6.65	4.80	5.75
1.22	1.28	1.34	1.60	1.89	2.16	2.16	2.58	3.00	3.00	3.24	3.32	3.32	3.32	3.32	3.34	3.42	3.50	3.90
6.80	6.25	6.88	6.85	6.51	6.72	9.44	10.29	13.92	12.99	13.33	15.21	18.18	15.73	14.82	16.79	16.00	19.25	16.25
31.89	33.78	35.24	38.02	38.26	35.71	40.45	40.71	42.07	45.54	47.53	50.81	51.73	54.00	55.83	51.89	53.75	55.10	60.50
219.60	220.73	222.42	228.90	216.83	216.83	202.67	193.12	189.36	189.12	178.75	176.36	177.81	178.37	179.24	178.39	179.00	179.00	179.00
10.1	12.5	11.5	13.8	15.1	16.3	14.3	19.3	16.6	12.0	11.6	9.1	11.2	13.2	12.9	12.5	12.5	12.5	14.5
.66	.64	.63	.79	.80	.87	.77	1.02	1.00	.80	.74	.57	.71	.74	.68	.63	.63	.63	.90
4.1%	3.3%	3.2%	3.1%	3.2%	3.0%	2.8%	2.4%	2.9%	4.0%	4.2%	4.9%	4.9%	5.1%	4.5%	4.6%	4.6%	4.6%	4.7%

**2019-21 PROJECTIONS**

Price	Gain	Ann'l Total Return
High 100	(+45%)	14%
Low 65	(-5%)	4%

**Insider Decisions**

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	14	10	1	3	10	0	0	7	0
to Sell	5	0	0	4	0	0	0	3	0

**Institutional Decisions**

	1Q2016	2Q2016	3Q2016
to Buy	270	264	274
to Sell	210	219	219
Hlds(000)	156504	153958	154079

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

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	19-21
10932	11484	13094	10746	11488	11229	10302	11391	12495	11513	10600	1061.2	1220	885	10600	1061.2	1220	885	11650
1160.9	1160.0	1240.5	1251.1	1270.3	1367.4	1091.9	904.5	1060.0	1061.2	1220	885	10600	1061.2	1220	885	10600	1061.2	1220
27.6%	30.7%	32.7%	33.6%	32.7%	17.3%	13.0%	26.7%	37.8%	2.2%	12.5%	38.5%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	38.5%
5.5%	5.8%	5.6%	7.4%	7.4%	8.9%	11.9%	10.1%	9.3%	7.4%	7.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	8.0%
51.2%	54.3%	58.2%	55.3%	56.3%	52.2%	55.8%	55.1%	54.9%	57.8%	56.5%	55.5%	54.9%	57.8%	56.5%	55.5%	54.9%	57.8%	55.5%
46.7%	43.9%	40.2%	43.1%	42.1%	46.4%	42.9%	43.6%	43.8%	40.8%	42.5%	43.5%	42.5%	43.5%	42.5%	43.5%	42.5%	43.5%	44.0%
17539	17902	19795	19985	20166	19324	21432	22109	22842	22714	22700	22600	22700	22600	22700	22600	22700	22600	24700
19438	20974	22429	23389	23848	25609	27299	27882	28723	27824	29425	30850	30850	30850	30850	30850	30850	30850	33600
8.0%	7.9%	7.5%	7.6%	7.7%	8.5%	6.4%	5.4%	6.0%	6.0%	6.5%	5.0%	6.0%	6.0%	6.5%	5.0%	6.0%	6.0%	5.5%
13.6%	14.2%	15.0%	14.0%	14.4%	14.8%	11.5%	9.1%	10.3%	11.1%	12.5%	9.0%	12.5%	9.0%	12.5%	9.0%	12.5%	9.0%	9.5%
13.8%	14.4%	15.3%	14.3%	14.7%	15.0%	11.6%	9.2%	10.4%	11.2%	12.5%	9.0%	12.5%	9.0%	12.5%	9.0%	12.5%	9.0%	9.5%
8.3%	8.0%	8.1%	7.6%	7.6%	8.4%	5.2%	3.0%	4.4%	4.8%	6.0%	2.5%	7.2%	2.5%	7.2%	2.5%	7.2%	2.5%	3.0%
41%	46%	48%	48%	49%	45%	56%	68%	58%	58%	52%	2.5%	7.2%	2.5%	7.2%	2.5%	7.2%	2.5%	6.7%

**ELECTRIC OPERATING STATISTICS**

	2013	2014	2015
% Change Retail Sales (KWH)	+7	+2.9	+1.3
Avg. Indust. Use (MWH)	910	951	957
Avg. Indust. Revs. per KWH(c)	5.77	6.00	5.55
Capacity at Peak (Mw)	23802	24367	24504
Peak Load, Summer (Mw)	21581	20472	20472
Annual Load Factor (%)	62	65	61
% Change Customers (yr-end)	+8	+6	+1.0

**BUSINESS:** Entergy Corporation supplies electricity to 2.9 million customers through subsidiaries in Arkansas, Louisiana, Mississippi, Texas, and New Orleans (regulated separately from Louisiana). Distributes gas to 200,000 customers in Louisiana. Has a nonutility subsidiary that owns six nuclear units (one no longer operating). Electric revenue breakdown: residential, 38%; commercial, 27%; industrial, 26%; other, 9%. Generating sources: gas, 35%; nuclear, 31%; coal, 7%; purchased, 27%. Fuel costs: 33% of revenues. '15 reported depreciation rate: 2.9%. Has 13,600 employees. Chairman & CEO: Leo Denault. Incorporated: Delaware. Address: 639 Loyola Avenue, P.O. Box 61000, New Orleans, Louisiana 70161. Telephone: 504-576-4000. Internet: www.entergy.com.

slashed our 2017 profit forecast by \$0.55 a share, to \$4.80. Earnings were headed down next year anyway because a favorable income tax resolution helped in 2016. **Entergy wants to sell one nonutility nuclear plant in New York and keep another open.** The state agreed to a plan to subsidize the units in upstate New York. This would allow Entergy to sell the FitzPatrick facility for \$110 million, although the plan is facing legal challenges. New York wants to force the company to shut its Indian Point station, and a ruling from the state Court of Appeals was unfavorable for Entergy. The battle over Indian Point is far from over, however. **Entergy's share 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 more than a percentage point above the utility mean, and has appeal for income-oriented investors who can accept the market risks inherent in Entergy's nonutility activities. Total return potential to 2019-2021 is also above the utility average. *Paul E. Debbas, CFA December 16, 2016*

**ANNUAL RATES**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)			'19-'21
Revenues	4.0%	1.0%	-5%
"Cash Flow"	8.0%	4.0%	1.0%
Earnings	3.0%	-3.0%	-5%
Dividends	6.0%	1.5%	2.5%
Book Value	3.5%	3.5%	2.0%

**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 nuclear operating expenses. **The company plans to shut the Palisades nuclear unit in 2018.** Accordingly, Entergy will take a \$252 million aftertax 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 be higher, too. And residential and commercial kilowatt-hour sales have been disappointing. On the non-utility side, declining market power prices suggest that this operation's margins will be squeezed. This unit is feeling the effects of higher expenses, as well. We have

slashed our 2017 profit forecast by \$0.55 a share, to \$4.80. Earnings were headed down next year anyway because a favorable income tax resolution helped in 2016. **Entergy wants to sell one nonutility nuclear plant in New York and keep another open.** The state agreed to a plan to subsidize the units in upstate New York. This would allow Entergy to sell the FitzPatrick facility for \$110 million, although the plan is facing legal challenges. New York wants to force the company to shut its Indian Point station, and a ruling from the state Court of Appeals was unfavorable for Entergy. The battle over Indian Point is far from over, however. **Entergy's share 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 more than a percentage point above the utility mean, and has appeal for income-oriented investors who can accept the market risks inherent in Entergy's nonutility activities. Total return potential to 2019-2021 is also above the utility average. *Paul E. Debbas, CFA December 16, 2016*

**QUARTERLY REVENUES (\$ mil.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	2609	2738	3352	2692	11391
2014	3209	2997	3458	2831	12495
2015	2920	2713	3371	2509	11513
2016	2610	2463	3125	2402	10600
2017	2650	2500	3050	2450	10650

**QUARTERLY DIVIDENDS PAID (\$ mil.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.83	.83	.83	.83	3.32
2013	.83	.83	.83	.83	3.32
2014	.83	.83	.83	.83	3.32
2015	.83	.83	.83	.85	3.34
2016	.85	.85	.85	.87	3.42

**QUARTERLY DIVIDENDS PAID (\$ mil.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.83	.83	.83	.83	3.32
2013	.83	.83	.83	.83	3.32
2014	.83	.83	.83	.83	3.32
2015	.83	.83	.83	.85	3.34
2016	.85	.85	.85	.87	3.42

**EARNINGS PER SHARE**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.90	.92	2.31	.83	4.96
2014	2.27	1.09	1.68	.74	5.77
2015	1.65	.83	1.90	1.43	5.81
2016	1.28	3.16	2.16	.05	6.65
2017	1.20	1.00	1.50	1.10	4.80

**QUARTERLY DIVIDENDS PAID (\$ mil.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.83	.83	.83	.83	3.32
2013	.83	.83	.83	.83	3.32
2014	.83	.83	.83	.83	3.32
2015	.83	.83	.83	.85	3.34
2016	.85	.85	.85	.87	3.42

**QUARTERLY DIVIDENDS PAID (\$ mil.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.83	.83	.83	.83	3.32
2013	.83	.83	.83	.83	3.32
2014	.83	.83	.83	.83	3.32
2015	.83	.83	.83	.85	3.34
2016	.85	.85	.85	.87	3.42

**Company's Financial Strength** B++

**Stock's Price Stability** 95

**Price Growth Persistence** 15

**Earnings Predictability** 65

**Company's Financial Strength** B++

**Stock's Price Stability** 95

**Price Growth Persistence** 15

**Earnings Predictability** 65

**Company's Financial Strength** B++

**Stock's Price Stability** 95

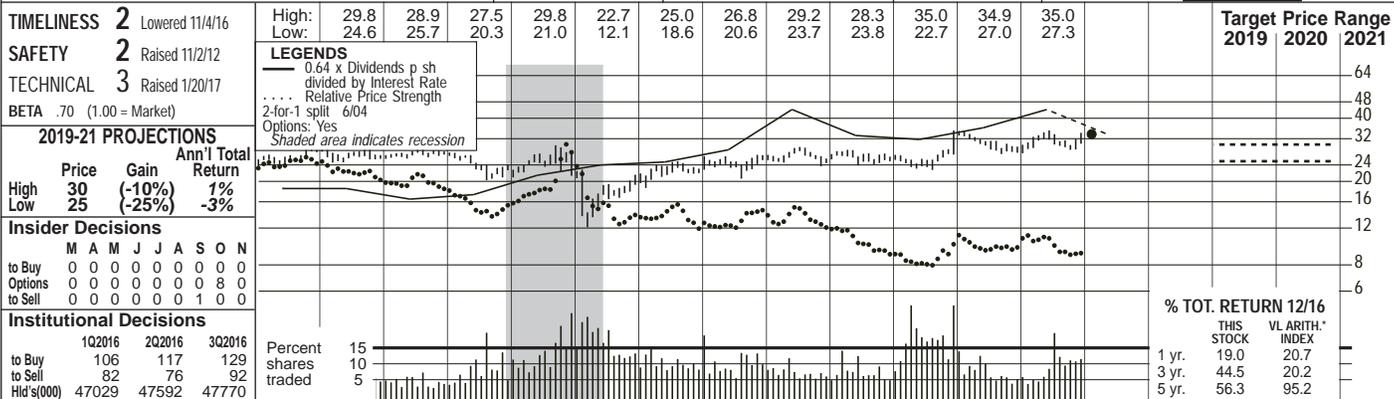
**Price Growth Persistence** 15

**Earnings Predictability** 65



# HAWAIIAN ELECTRIC NYSE:HE

RECENT PRICE **33.60** P/E RATIO **14.7** (Trailing: 14.8 Median: 19.0) RELATIVE P/E RATIO **0.74** DIV'D YLD **3.7%** VALUE LINE



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
26.05	24.26	22.46	23.49	23.85	27.36	30.21	30.40	35.56	24.96	28.14	33.76	34.46	31.98	31.59	24.22	<b>21.40</b>	<b>22.00</b>	Revenues per sh	<b>24.00</b>
3.08	3.33	3.52	3.54	3.09	3.22	3.19	3.01	2.72	2.59	2.88	3.18	3.28	3.22	3.41	3.31	<b>4.20</b>	<b>3.70</b>	"Cash Flow" per sh	<b>4.00</b>
1.27	1.60	1.62	1.58	1.36	1.46	1.33	1.11	1.07	.91	1.21	1.44	1.67	1.62	1.64	1.50	<b>2.30</b>	<b>1.65</b>	Earnings per sh <sup>A</sup>	<b>2.00</b>
1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	Div'd Decl'd per sh <sup>B</sup>	<b>1.30</b>
2.04	1.77	1.74	2.15	2.66	2.76	2.58	2.62	3.12	3.29	1.92	2.45	3.32	3.49	3.31	3.39	<b>3.20</b>	<b>7.35</b>	Cap'l Spending per sh	<b>5.75</b>
12.72	13.06	14.21	14.36	15.01	15.02	13.44	15.29	15.35	15.58	15.67	15.95	16.28	17.06	17.47	17.94	<b>19.10</b>	<b>19.45</b>	Book Value per sh <sup>C</sup>	<b>21.50</b>
65.98	71.20	73.62	75.84	80.69	80.98	81.46	83.43	90.52	92.52	94.69	96.04	97.93	101.26	102.57	107.46	<b>108.75</b>	<b>109.00</b>	Common Shs Outst'g <sup>D</sup>	<b>112.00</b>
12.9	11.8	13.5	13.8	19.2	18.3	20.3	21.6	23.2	19.8	18.6	17.1	15.8	16.2	15.9	20.4	<b>13.5</b>		Avg Ann'l P/E Ratio	<b>14.0</b>
.84	.60	.74	.79	1.01	.97	1.10	1.15	1.40	1.32	1.18	1.07	1.01	.91	.84	1.03	<b>.70</b>		Relative P/E Ratio	<b>.90</b>
7.5%	6.6%	5.7%	5.7%	4.8%	4.6%	4.6%	5.2%	5.0%	6.9%	5.5%	5.0%	4.7%	4.7%	4.8%	4.1%	4.0%		Avg Ann'l Div'd Yield	<b>4.7%</b>

CAPITAL STRUCTURE as of 9/30/16		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Debt \$1579.1 mill. Due in 5 Yrs \$441.5 mill.		2460.9	2536.4	3218.9	2309.6	2665.0	3242.3	3375.0	3238.5	3239.5	2603.0	<b>2325</b>	<b>2400</b>	Revenues (\$mill)	<b>2700</b>				
LT Debt \$1511.6 mill. LT Interest \$70.3 mill.		109.9	93.6	92.2	84.9	115.4	140.1	164.9	163.4	170.2	161.8	<b>250</b>	<b>185</b>	Net Profit (\$mill)	<b>215</b>				
Incl. \$50 mill. 6.5% oblig. pfd. sec. of trust subsid. (LT interest earned: 5.9x)		36.5%	35.4%	34.7%	34.1%	37.0%	35.1%	35.9%	34.0%	35.0%	36.5%	<b>32.0%</b>	<b>36.5%</b>	Income Tax Rate	<b>36.5%</b>				
Leases, Uncapitalized Annual rentals \$11.0 mill.		8.4%	8.3%	14.2%	20.6%	7.4%	6.0%	6.9%	4.8%	5.5%	5.8%	<b>4.0%</b>	<b>11.0%</b>	AFUDC % to Net Profit	<b>9.0%</b>				
Pension Assets-12/15 \$1271.5 mill.		49.9%	47.6%	46.0%	48.0%	44.5%	44.9%	45.7%	44.0%	45.2%	43.5%	<b>43.5%</b>	<b>45.5%</b>	Long-Term Debt Ratio	<b>49.5%</b>				
Oblig. \$1798.0 mill.		48.6%	51.0%	52.7%	50.7%	54.3%	53.9%	53.1%	55.0%	53.8%	55.5%	<b>55.5%</b>	<b>53.5%</b>	Common Equity Ratio	<b>49.5%</b>				
Pfd Stock \$34.3 mill. Pfd Div'd \$2.0 mill.		2252.7	2501.8	2635.2	2840.8	2732.9	2841.3	3001.0	3142.9	3332.3	3473.5	<b>3745</b>	<b>3970</b>	Total Capital (\$mill)	<b>4850</b>				
1,114,657 shs. 4 1/4% to 5 1/4%, \$20 par. call. \$20 to \$21; 120,000 shs. 7% to 8%, \$100 par. call. \$100.		2647.5	2743.4	2907.4	3088.6	3165.9	3334.5	3594.8	3858.9	4148.8	4377.7	<b>4520</b>	<b>5100</b>	Net Plant (\$mill)	<b>6175</b>				
Sinking fund ends 2018.		6.4%	5.2%	4.7%	4.3%	5.6%	6.2%	6.7%	6.4%	6.2%	5.7%	<b>7.5%</b>	<b>5.5%</b>	Return on Total Cap'l	<b>5.5%</b>				
Common Stock 108,524,493 shs. as of 10/29/16		9.7%	7.1%	6.5%	5.8%	7.6%	8.9%	10.1%	9.3%	9.3%	8.2%	<b>12.0%</b>	<b>8.5%</b>	Return on Shr. Equity	<b>8.5%</b>				
MARKET CAP: \$3.6 billion (Mid Cap)		9.9%	7.2%	6.5%	5.8%	7.7%	9.0%	10.2%	9.4%	9.4%	8.3%	<b>12.0%</b>	<b>8.5%</b>	Return on Com Equity <sup>E</sup>	<b>9.0%</b>				
ELECTRIC OPERATING STATISTICS		.7%	.8%	.5%	NMF	1.4%	2.1%	4.2%	3.7%	2.3%	1.5%	<b>5.5%</b>	<b>2.0%</b>	Retained to Com Eq	<b>3.0%</b>				
2013 2014 2015		93%	89%	93%	116%	82%	78%	59%	61%	75%	83%	<b>55%</b>	<b>75%</b>	All Div'ds to Net Prof <sup>F</sup>	<b>69%</b>				

**BUSINESS:** Hawaiian Electric Industries, Inc. is the parent company of Hawaiian Electric Company, Inc. (HECO) & American Savings Bank (ASB). HECO & its subs., Maui Electric Co. (MECO) & Hawaii Electric Light Co. (HELCO), supply electricity to 458,000 customers on O'ahu, Maui, Molokai, Lanai, & Hawaii. Operating companies' systems are not interconnected. Disc. intl' power sub. in '01. Elec. rev. breakdown: res'l, 31%; comm'l, 34%; large light & power, 34%; other, 1%. Generating sources: oil, 54%; purchased, 46%. Fuel costs: 48% of revs. '15 reported depr. rate (util.): 3.2%. Has 3,900 empl's. Chairman: Jeffrey N. Watanabe. Pres. & CEO: Constance H. Lau, Inc.: HI. Address: 1001 Bishop St., Suite 2900, Honolulu, HI 96808-0730. Tel.: 808-543-5662. Internet: www.hei.com.

**Two of Hawaiian Electric Industries' utility subsidiaries have rate cases pending.** Hawaiian Electric Company filed for a \$106 million (6.9%) rate hike, based on a 10.6% return on a 57% 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. Hawai'i Electric Light Company requested a \$19.3 million (6.5%) tariff increase, based on a 10.6% return on a 57.1% common-equity ratio. HEI's other utility, Maui Electric, will put forth an application in the summer of 2017. The utilities, as a group, earned an ROE of just 8.1% for the 12-month period that ended on September 30th.

**The regulatory climate in Hawaii is a cause for concern.** Last year, the PUC rejected the proposed takeover of HEI by NextEra Energy amidst heavy opposition to the deal. Later, the PUC ruled that in 2017, capital expenditures and operating expenses under the state's rate mechanism will be accrued beginning on June 1st, not January 1st. This will likely reduce net profit by roughly \$14 million, and is reflected in our 2017 earnings estimate. **Our 2016 earnings estimate requires an explanation.** In the third quarter, HEI booked a \$90 million (pretax) payment from NextEra due to the PUC's rejection of the proposed takeover. 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. **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, HEI 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 quotation is above our 2019-2021 Target Price Range.

Paul E. Debbas, CFA January 27, 2017

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	784.1	796.7	831.2	826.5	3238.5
2014	783.7	798.7	867.1	790.0	3239.5
2015	637.9	623.9	717.2	624.0	2603.0
2016	551.0	566.2	646.1	561.7	2325
2017	575	575	675	575	2400

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.34	.41	.48	.39	1.62
2014	.45	.41	.46	.32	1.64
2015	.31	.33	.47	.39	1.50
2016	.30	.41	1.17	.42	2.30
2017	.30	.40	.55	.40	1.65

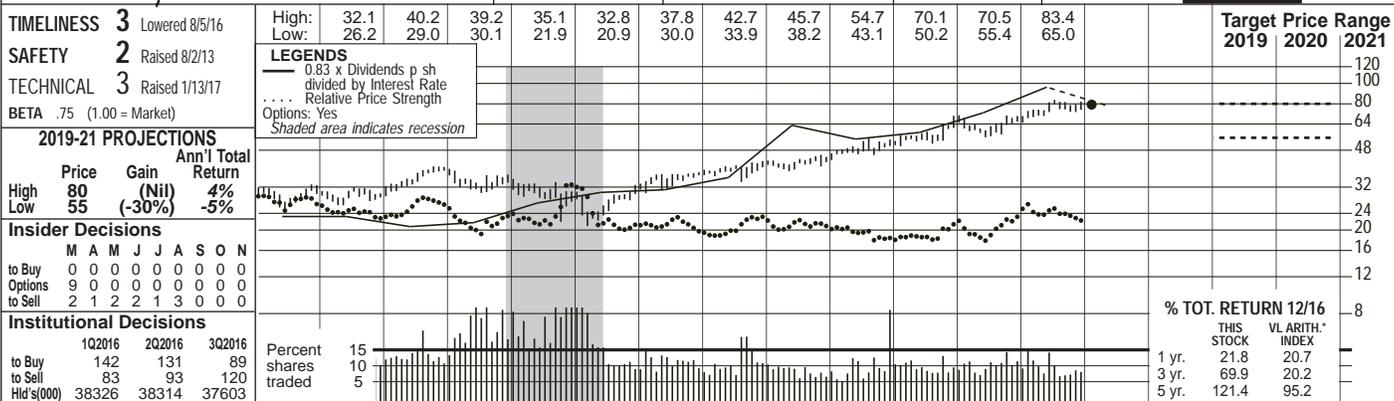
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.31	.31	.31	.31	1.24
2014	.31	.31	.31	.31	1.24
2015	.31	.31	.31	.31	1.24
2016	.31	.31	.31	.31	1.24
2017	.31	.31	.31	.31	1.24

(A) Dil. EPS. Excl. gains (losses) from disc. ops.: '00, (.56c); '01, (.36c); '03, (.5c); '04, 2c; '05, (1c); nonrec. gain (losses): '05, 11c; '07, (.9c); '12, (.25c). Next earnings report due mid-Feb. (B) Div'ds historically paid in early Mar., June, Sept., & Dec. = Div'd reinvest. plan avail. (C) Incl. intang. In '15: \$9.11/sh. (D) In mill., adj. for split. (E) Rate base: Orig. cost. Rate allowed on com. eq. in '11: HECO, 10%; in '12: HELCO, 10%; in '13: MECO, 9%; eam. on avg. com. eq., '15: 8.6%. Regulat. Climate: Below Avg. (F) Excl. div's paid through reinv. plan.

# IDACORP, INC. NYSE-IDA

RECENT PRICE **79.28** P/E RATIO **20.6** (Trailing: 20.3 Median: 14.0) RELATIVE P/E RATIO **1.04** DIV'D YLD **2.8%**

**VALUE LINE**



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
27.10	150.10	24.43	20.41	20.00	20.15	21.23	19.51	20.47	21.92	20.97	20.55	21.55	24.81	25.51	25.23	<b>24.80</b>	<b>25.25</b>	Revenues per sh	<b>26.75</b>
5.63	5.63	4.08	3.50	4.12	3.87	4.58	4.11	4.27	5.07	5.35	5.84	5.93	6.29	6.58	6.70	<b>6.85</b>	<b>7.15</b>	"Cash Flow" per sh	<b>8.00</b>
3.50	3.35	1.63	.96	1.90	1.75	2.35	1.86	2.18	2.64	2.95	3.36	3.37	3.64	3.85	3.87	<b>3.90</b>	<b>4.05</b>	Earnings per sh <sup>A</sup>	<b>4.50</b>
1.86	1.86	1.86	1.70	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.37	1.57	1.76	1.92	2.08	Div'd Decl'd per sh <sup>B</sup> +	<b>2.70</b>
3.73	4.78	3.53	3.89	4.73	4.53	5.16	6.39	5.19	5.26	6.85	6.76	4.78	4.68	5.45	5.84	<b>5.95</b>	<b>5.65</b>	Cap'l Spending per sh	<b>6.25</b>
21.82	23.15	23.01	22.54	23.88	24.04	25.77	26.79	27.76	29.17	31.01	33.19	35.07	36.84	38.85	40.88	<b>42.65</b>	<b>44.45</b>	Book Value per sh <sup>C</sup>	<b>49.75</b>
37.61	37.63	38.02	38.34	42.22	42.66	43.63	45.06	46.92	47.90	49.41	49.95	50.16	50.23	50.27	50.34	<b>50.40</b>	<b>50.45</b>	Common Shs Outst'g <sup>D</sup>	<b>50.60</b>
10.9	11.4	18.9	26.5	15.5	16.7	15.1	18.2	13.9	10.2	11.8	11.5	12.4	13.4	14.7	16.2	<b>19.3</b>		Avg Ann'l P/E Ratio	<b>15.0</b>
.71	.58	1.03	1.51	.82	.89	.82	.97	.84	.68	.75	.72	.79	.75	.77	.82	<b>1.00</b>		Relative P/E Ratio	<b>.95</b>
4.9%	4.9%	6.0%	6.7%	4.1%	4.1%	3.4%	3.5%	4.0%	4.5%	3.4%	3.1%	3.3%	3.2%	3.1%	3.1%	<b>2.8%</b>		Avg Ann'l Div'd Yield	<b>4.0%</b>

CAPITAL STRUCTURE as of 9/30/16		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Revenues (\$mill)	1350
Total Debt	\$1752.0 mill. Due in 5 Yrs \$337.5 mill.	926.3	879.4	960.4	1049.8	1036.0	1026.8	1080.7	1246.2	1282.5	1270.3	<b>1250</b>	<b>1275</b>	Net Profit (\$mill)	<b>225</b>
LT Debt	\$1745.5 mill. LT Interest \$81.2 mill. (LT interest earned: 3.4x)	100.1	82.3	98.4	124.4	142.5	166.9	168.9	182.4	193.5	194.7	<b>195</b>	<b>205</b>	Income Tax Rate	<b>25.0%</b>
Pension Assets-12/15	\$559.6 mill. Oblig. \$835.5 mill.	13.3%	14.3%	16.3%	15.2%	--	--	13.4%	28.3%	8.0%	19.0%	<b>25.0%</b>	<b>25.0%</b>	AFUDC % to Net Profit	<b>14.0%</b>
Pfd Stock	None	4.0%	9.7%	10.2%	10.5%	19.1%	23.3%	20.3%	12.3%	13.6%	16.3%	<b>16.0%</b>	<b>16.0%</b>	Long-Term Debt Ratio	<b>47.0%</b>
Common Stock	50,401,768 shs. as of 10/21/16	45.2%	48.9%	47.6%	50.2%	49.3%	45.6%	45.5%	46.6%	45.3%	45.6%	<b>46.0%</b>	<b>46.5%</b>	Common Equity Ratio	<b>53.0%</b>
MARKET CAP:	\$4.0 billion (Mid Cap)	54.8%	51.1%	52.4%	49.8%	50.7%	54.4%	54.5%	53.4%	54.7%	54.4%	<b>54.0%</b>	<b>53.5%</b>	Total Capital (\$mill)	<b>4750</b>
ELECTRIC OPERATING STATISTICS		2052.8	2364.2	2485.9	2807.1	3020.4	3045.2	3225.4	3465.9	3567.6	3783.3	<b>3995</b>	<b>4185</b>	Net Plant (\$mill)	<b>4675</b>
% Change Retail Sales (KWH)	2013 +3.8, 2014 -3.6, 2015 +1.2	2419.1	2616.6	2758.2	2917.0	3161.4	3406.6	3536.0	3665.0	3833.5	3992.4	<b>4145</b>	<b>4270</b>	Return on Total Cap'l	<b>6.0%</b>
Avg. Indust. Use (MWH)	NA, NA, NA	6.2%	4.7%	5.3%	5.7%	6.0%	6.8%	6.5%	6.4%	6.6%	6.2%	<b>6.0%</b>	<b>6.0%</b>	Return on Shr. Equity	<b>9.0%</b>
Avg. Indust. Revs. per KWH (c)	5.21, 5.68, 5.70	8.9%	6.8%	7.6%	8.9%	9.3%	10.1%	9.6%	9.9%	9.9%	9.5%	<b>9.0%</b>	<b>9.0%</b>	Return on Com Equity <sup>E</sup>	<b>9.0%</b>
Capacity at Peak (Mw)	NA, NA, NA	8.9%	6.8%	7.6%	8.9%	9.3%	10.1%	9.6%	9.9%	9.9%	9.5%	<b>9.0%</b>	<b>9.0%</b>	Retained to Com Eq	<b>3.5%</b>
Peak Load, Summer (Mw)	3407, 3184, 3402	4.3%	2.4%	3.4%	4.8%	5.5%	6.5%	5.7%	5.6%	5.4%	4.8%	<b>4.5%</b>	<b>4.0%</b>	All Div'ds to Net Prof	<b>60%</b>
Annual Load Factor (%)	NA, NA, NA	51%	64%	55%	46%	41%	36%	41%	43%	46%	50%	<b>53%</b>	<b>55%</b>		
% Change Customers (yr-end)	+1.5, +1.4, +1.8														

**BUSINESS:** IDACORP, Inc. is a holding company for Idaho Power Company, a regulated electric utility that serves 532,000 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 breakdown: residential, 40%; commercial, 24%; industrial, 14%; irrigation, 13%; other, 9%. Generating sources: hydro, 36%; coal, 28%; gas, 13%; purchased, 23%. Fuel costs: 34% of revenues. '15 reported depreciation rate: 2.7%. Has 2,000 employees. Chairman: Robert A. Tinstman. President & CEO: Darrel T. Anderson. Incorporated: Idaho. Address: 1221 W. Idaho St., Boise, Idaho 83702. Telephone: 208-388-2200. Internet: www.idacorpinc.com.

**We think IDACORP's earnings rose just slightly in the year that just ended.** The year-to-year bottom-line comparison was tough because the company booked a \$7.4 million tax benefit in the June quarter of 2015. Our share-profit estimate, which remains at \$3.90, is within IDACORP's targeted range of \$3.80-\$3.95. The company plans to report fourth-quarter results in late February.

**We estimate that earnings will advance 4% in 2017.** Idaho Power, IDACORP's utility subsidiary, is experiencing healthy customer and kilowatt-hour sales growth. For the 12-month period that ended on September 30th, the customer growth rate was 1.8%, which is roughly twice the industry average. Volume growth, net of the effects of energy efficiency, was 1.4%, which is also well above the norm for electric companies. The key factors stimulating demand are population growth—Idaho is one of the fastest-growing states—and the service area's strong economy.

**The utility is taking advantage of a regulatory mechanism that can help stabilize its earnings.** Idaho Power 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 expected 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. Debbas, CFA* January 27, 2017

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)			
Revenues	2.0%	3.5%	1.0%
"Cash Flow"	5.5%	6.0%	3.5%
Earnings	9.5%	8.0%	3.0%
Dividends	2.5%	8.0%	7.5%
Book Value	5.0%	6.0%	4.0%

Cal-endar	QUARTERLY REVENUES(\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	264.9	304.0	381.1	296.2	1246.2
2014	292.7	317.8	382.2	289.8	1282.5
2015	279.4	336.3	369.2	285.4	1270.3
2016	281.0	315.4	372.0	<b>281.6</b>	<b>1250</b>
2017	<b>290</b>	<b>320</b>	<b>375</b>	<b>290</b>	<b>1275</b>

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.70	.93	1.46	.55	3.64
2014	.55	.89	1.73	.69	3.85
2015	.47	1.31	1.46	.63	3.87
2016	.51	1.12	1.65	.62	<b>3.90</b>
2017	<b>.61</b>	<b>.97</b>	<b>1.90</b>	<b>.57</b>	<b>4.05</b>

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup> +				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.38	.38	.38	.43	1.57
2014	.43	.43	.43	.47	1.76
2015	.47	.47	.47	.51	1.92
2016	.51	.51	.51	.55	2.08
2017					

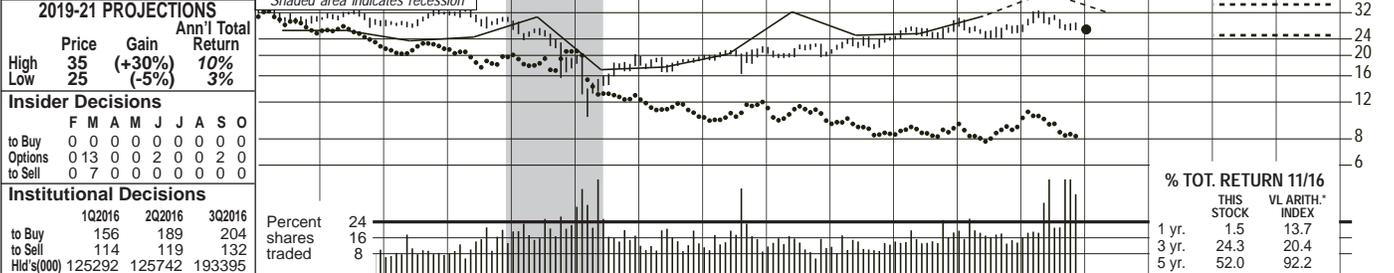
(A) Diluted EPS. Excl. nonrecurring gains (loss): '00, 22¢; '03, 26¢; '05, (24¢); '06, 17¢. '14 earnings don't add due to rounding. Next earnings report due late Feb. (B) Div'ds historically paid in late Feb., May, Aug., and Nov. (C) Div'd reinvestment plan avail. (D) Shareholder investment plan avail. (E) Incl. tangibles. In '15: \$26.16/sh. (F) In millions. (G) Rate base: Net original cost. Rate allowed on com. eq. in '11: 10% (imputed); earned on avg. com. eq., '15: 9.7%. Regulatory Climate: Above Average.

**Company's Financial Strength** A  
**Stock's Price Stability** 95  
**Price Growth Persistence** 90  
**Earnings Predictability** 90

# GREAT PLAINS EN'GY NYSE-GXP

RECENT PRICE **26.60** P/E RATIO **20.2** (Trailing: 19.3; Median: 16.0) RELATIVE P/E RATIO **1.04** DIV'D YLD **4.2%** VALUE LINE

TIMELINESS <b>1</b> Raised 11/18/16	High: 32.8	32.8	33.4	29.3	20.5	19.9	22.1	22.8	24.9	29.5	30.3	32.7	Target Price Range
SAFETY <b>3</b> Lowered 12/26/08	Low: 27.1	27.1	26.9	15.6	10.2	16.6	16.3	19.5	20.4	23.8	24.1	25.8	2019 2020 2021
TECHNICAL <b>3</b> Raised 12/16/16	<b>LEGENDS</b> 0.68 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession												
BETA .70 (1.00 = Market)	64 48 40 32 24 20 16 12 8 6												



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
18.02	23.61	26.91	31.04	33.13	34.85	33.30	37.89	14.00	14.51	16.62	17.03	15.05	15.90	16.66	16.21	<b>12.55</b>	<b>12.95</b>	Revenues per sh	14.25
4.63	4.70	4.40	4.69	4.75	4.54	3.86	4.24	3.09	3.27	4.12	3.51	3.45	4.01	4.01	3.98	<b>3.05</b>	<b>3.50</b>	"Cash Flow" per sh	4.50
2.05	1.59	2.04	2.27	2.46	2.18	1.62	1.86	1.16	1.03	1.53	1.25	1.35	1.62	1.57	1.37	<b>1.30</b>	<b>1.25</b>	Earnings per sh <sup>A</sup>	1.50
1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	.83	.83	.84	.86	.88	.94	1.00	<b>1.06</b>	<b>1.12</b>	Div'd Decl'd per sh <sup>B</sup>	1.30
6.67	4.38	1.91	2.19	2.66	4.49	6.05	6.15	8.86	6.49	4.76	3.40	4.01	4.42	5.10	4.42	<b>3.20</b>	<b>2.70</b>	Cap'l Spending per sh	3.00
14.88	12.59	13.58	13.82	15.35	16.37	16.70	18.18	21.39	20.62	21.26	21.74	21.75	22.58	23.26	23.68	<b>24.50</b>	<b>24.60</b>	Book Value per sh <sup>C</sup>	25.00
61.91	61.91	69.20	69.26	74.37	74.74	80.35	86.23	119.26	135.42	135.71	136.14	153.53	153.87	154.16	154.40	<b>215.50</b>	<b>216.00</b>	Common Shs Outst'g <sup>D</sup>	217.50
12.4	15.9	11.1	12.2	12.6	14.0	18.3	16.3	20.5	16.0	12.1	16.1	15.5	14.2	16.5	19.4	<i>Bold figures are Value Line estimates</i>		Avg Ann'l P/E Ratio	20.0
.81	.81	.61	.70	.67	.75	.99	.87	1.23	1.07	.77	1.01	.99	.80	.87	.97			Relative P/E Ratio	1.25
6.5%	6.6%	7.3%	6.0%	5.4%	5.5%	5.6%	5.5%	7.0%	5.0%	4.5%	4.1%	4.1%	3.8%	3.6%	3.8%			Avg Ann'l Div'd Yield	4.3%

CAPITAL STRUCTURE as of 9/30/16		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Total Debt	\$4197.8 mill. Due in 5 Yrs	\$1724.6 mill.																						
LT Debt	\$3364.6 mill.	LT Interest	\$166.8 mill.																					
(LT interest earned: 2.3x)																								
Leases, Uncapitalized	Annual rentals	\$12.3 mill.																						
Pension Assets-12/15	\$723.9 mill.	Oblig	\$1154.8 mill.																					
Pfd Stock	None																							
Common Stock	215,295,002 shs.																							
as of 10/31/16																								
MARKET CAP:	\$5.7 billion (Large Cap)																							

ELECTRIC OPERATING STATISTICS		2013	2014	2015
% Change Retail Sales (KWH)		+2	+4	-1.9
Avg. Indust. Use (MWH)		1424	1455	1450
Avg. Indust. Revs. per KWH (c)		6.80	6.79	6.96
Capacity at Peak (Mw)		NA	NA	NA
Peak Load, Summer (Mw)		NA	NA	NA
Annual Load Factor (%)		NA	NA	NA
% Change Customers (avg.)		+7	+9	+9

ANNUAL RATES		Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)				to '19-'21
Revenues	-7.0%	1.5%	-2.0%	
"Cash Flow"	-1.5%	2.5%	2.0%	
Earnings	-4.0%	4.0%	Nil	
Dividends	-5.5%	-3.0%	5.5%	
Book Value	4.5%	2.0%	1.5%	

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	542.2	600.3	765.0	538.8	2446.3
2014	585.1	648.4	782.5	552.2	2568.2
2015	549.1	609.0	781.4	562.7	2502.2
2016	572.1	670.8	856.8	600.3	2700
2017	625	675	875	625	2800

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.17	.41	.93	.11	1.62
2014	.15	.34	.95	.12	1.57
2015	.12	.28	.82	.15	1.37
2016	.17	.20	.86	.07	1.30
2017	.11	.28	.75	.11	1.25

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.2125	.2125	.2125	.2175	.86
2013	.2175	.2175	.2175	.23	.88
2014	.23	.23	.23	.245	.94
2015	.245	.245	.245	.2625	1.00
2016	.2625	.2625	.2625	.275	

(A) Diluted earnings. Excl. nonrec. gains (losses): '01, (\$2.01); '02, (\$5); '03, 29¢; '04, (7¢); '09, 12¢; gain (losses) on disc. ops.: '03, (13¢); '04, 10¢; '05, (3¢); '08, 35¢. '14 earnings don't add due to rounding. Next earnings report due early Feb. (B) Div'ds historically paid in mid-Mar., June, Sept. & Dec. '15 Div'd reinvest. plan avail. (C) Incl. intang. In '15: \$7.44/sh. (D) In mill. (E) Rate base: Fair value. Rate allowed on com. eq. in MO in '15: 9.5%; in KS in '15: 9.3%; earned on avg. com. eq., '15: 5.8%. Regulatory Climate: MO, Below Avg.; KS, Avg.

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**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. 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's staff and the Office of Public Counsel. (An intervenor group still opposes the transaction, however.) The acquisition requires the approval of the Kansas Corporation Commission and the Federal Energy Regulatory Commission. The companies are targeting the spring of 2017 for completion of the takeover. Management expects the addition of Westar would boost Great Plains' annual earnings growth rate. **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. Also included are mark-to-

market accounting items (a \$78.8 million pretax charge) stemming from interest rate swaps related to the financing. Finally, Great Plains raised \$1.6 billion through the issuance of about 61 million common shares in anticipation of the purchase. This has a dilutive effect on our 2017 share-net estimate because we won't include Westar until after the deal is done. **One of Great Plains' utilities received a modest rate hike, and the other has a major case pending.** The Greater Missouri Operations were granted an increase of \$3.0 million (0.4%), based on a return on equity of 9.5%-9.75%. In Missouri, Kansas City Power & Light is seeking a hike of \$90.1 million (10.8%), based on a 9.9% ROE. An order is expected in late May. **This timely stock has a dividend yield that is moderately above the utility mean.** The equity's price has fallen slightly in a year that has been strong for utility issues. Perhaps investors are concerned about the price Great Plains is paying for Westar. Total return potential to 2019-2021 is unspectacular, but might well be enhanced by the Westar purchase. *Paul E. Debbas, CFA December 16, 2016*

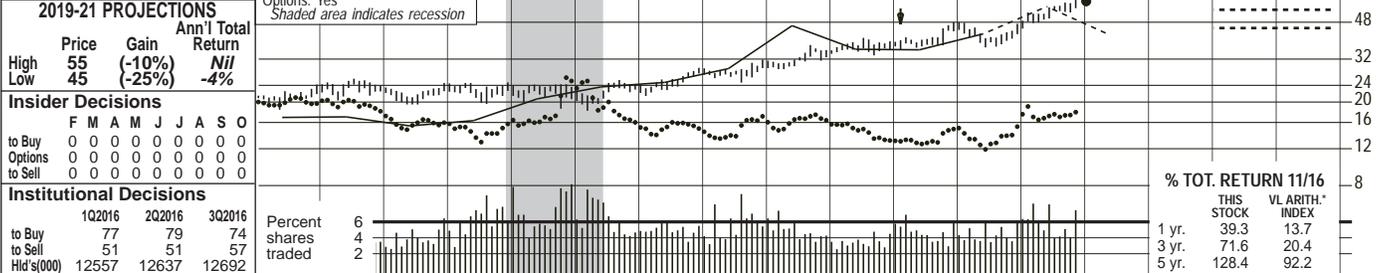
Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	90
Earnings Predictability	70

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# MGE ENERGY INC. NDQ-MGEE

RECENT PRICE **60.50** P/E RATIO **26.2** (Trailing: 29.1 Median: 16.0) RELATIVE P/E RATIO **1.34** DIV'D YLD **2.0%** VALUE LINE

TIMELINESS <b>3</b> Lowered 11/25/16	High: 25.8 24.7 24.8 24.3 25.5 29.1 31.9 37.4 40.5 48.0 48.0 63.6	Low: 20.3 19.5 19.6 18.6 18.2 21.4 24.7 28.7 33.4 35.7 36.5 44.8	Target Price Range 2019 2020 2021
SAFETY <b>1</b> New 1/3/03	LEGENDS 0.80 x Dividends p sh divided by Interest Rate ... Relative Price Strength 3-for-2 split 2/14 Options: Yes Shaded area indicates recession		120 100 80 64 48 32 24 20 16 12 8
TECHNICAL <b>3</b> Raised 12/2/16	2019-21 PROJECTIONS		
BETA .70 (1.00 = Market)	Ann'l Total		



Price	55	Gain	(-10%)	Ann'l Total	Nil
Low	45		(-25%)	Return	-4%
Insider Decisions					
F M A M J J A S O					
to Buy	0	0	0	0	0
Options	0	0	0	0	0
to Sell	0	0	0	0	0
Institutional Decisions					
1Q2016 2Q2016 3Q2016					
to Buy	77	79	74	Percent shares traded	
to Sell	51	51	57	6 4 2	
Hlds(000)	12557	12637	12692		
% TOT. RETURN 11/16					
THIS STOCK VS. ARITH. INDEX					
1 yr.	39.3	13.7			
3 yr.	71.6	20.4			
5 yr.	128.4	92.2			
© VALUE LINE PUB. LLC 19-21					

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Revenues per sh	20.85
13.00	13.03	13.17	14.59	13.89	16.73	16.13	16.33	17.35	15.40	15.36	15.76	15.61	17.04	17.88	16.27	16.00	17.30	"Cash Flow" per sh	5.15
2.59	2.52	2.22	1.96	1.92	2.00	2.34	2.46	2.68	2.66	2.76	2.94	2.98	3.28	3.49	3.33	3.55	4.00	Earnings per sh A	3.25
1.11	1.08	1.13	1.14	1.18	1.05	1.37	1.51	1.59	1.47	1.67	1.76	1.86	2.16	2.32	2.06	2.25	2.45	Div'd Decl'd per sh B	1.40
.88	.89	.89	.90	.91	.92	.93	.94	.96	.97	.99	1.01	1.04	1.07	1.11	1.16	1.21	1.25	Cap'l Spending per sh	3.90
2.96	1.65	2.97	3.02	3.13	2.80	2.94	4.14	3.08	2.35	1.76	1.88	2.84	3.43	2.67	2.08	2.30	2.55	Book Value per sh E	25.00
8.04	8.45	8.62	9.56	11.06	11.21	11.93	12.99	13.92	14.47	15.14	15.89	16.71	17.81	19.02	19.92	20.85	22.15	Common Shs Outst'g C	36.00
24.93	25.61	26.36	27.52	30.59	30.68	31.46	32.93	34.36	34.67	34.67	34.67	34.67	34.67	34.67	34.67	35.00	35.00	Avg Ann'l P/E Ratio	15.0
11.7	14.8	16.0	17.5	18.0	22.4	15.9	15.0	14.2	15.1	15.0	15.8	17.2	17.0	17.2	20.3	20.3	20.3	Relative P/E Ratio	.95
.76	.76	.87	1.00	.95	1.19	.86	.80	.85	1.01	.95	.99	1.09	.96	.91	1.03	1.03	1.03	Avg Ann'l Div'd Yield	2.9%
6.7%	5.5%	5.0%	4.5%	4.3%	3.9%	4.3%	4.1%	4.2%	4.4%	4.0%	3.6%	3.2%	2.9%	2.8%	2.8%	2.8%	2.8%	Bold figures are Value Line estimates	

CAPITAL STRUCTURE as of 9/30/16			507.5	537.6	596.0	533.8	532.6	546.4	541.3	590.9	619.9	564.0	560	605	Revenues (\$mill)	750
Total Debt \$388.1 mill. Due in 5 Yrs \$117.3 mill.			42.4	48.8	52.8	51.0	57.7	60.9	64.4	74.9	80.3	71.3	80.0	85.0	Net Profit (\$mill)	115
LT Debt \$383.8 mill. LT Interest \$20.0 mill. (LT interest earned: 6.7x)			37.9%	36.3%	35.5%	35.6%	36.9%	37.1%	37.7%	37.5%	37.5%	36.7%	35.0%	35.0%	Income Tax Rate	35.0%
Leases, Uncapitalized Annual rentals \$1.6 mill. Pension Assets-12/15 \$290.7 mill. Obligation \$332.6 mill.			--	--	--	--	--	--	--	--	2.2%	2.0%	2.0%	2.0%	AFUDC % to Net Profit	2.0%
Pfd Stock None			38.7%	35.2%	36.3%	39.0%	38.9%	39.6%	38.2%	39.3%	37.5%	36.0%	34.5%	35.5%	Long-Term Debt Ratio	38.0%
Common Stock 34,668,370 shs. as of 10/31/16			61.3%	64.8%	63.7%	61.0%	61.1%	60.4%	61.8%	60.7%	62.5%	64.0%	65.5%	64.5%	Common Equity Ratio	62.0%
MARKET CAP: \$2.1 billion (Mid Cap)			612.6	660.1	750.6	822.7	859.4	911.9	937.9	1016.9	1054.7	1081.5	1115	1200	Total Capital (\$mill)	1450
ELECTRIC OPERATING STATISTICS			728.4	844.0	901.2	939.8	968.0	995.6	1073.5	1160.2	1208.1	1243.4	1295	1340	Net Plant (\$mill)	1550
% Change Retail Sales (KWH)			7.8%	8.1%	7.7%	6.9%	7.6%	7.8%	7.9%	8.3%	8.5%	7.5%	8.0%	8.0%	Return on Total Cap'l	9.0%
Avg. Indust. Use (MWH)			11.3%	11.4%	11.0%	10.2%	11.0%	11.1%	11.1%	12.1%	12.2%	10.3%	11.0%	11.0%	Return on Shr. Equity	13.0%
Avg. Indust. Revs. per KWH (¢)			11.3%	11.4%	11.0%	10.2%	11.0%	11.1%	11.1%	12.1%	12.2%	10.3%	11.0%	11.0%	Return on Com Equity D	13.0%
Capacity at Peak (Mw)			3.7%	4.3%	4.4%	3.4%	4.4%	4.7%	4.9%	6.1%	6.4%	4.5%	5.0%	5.1%	Retained to Com Eq	7.0%
Peak Load, Summer (Mw)			67%	62%	60%	66%	60%	57%	56%	50%	48%	56%	53%	55%	All Div'ds to Net Prof	44%
Annual Load Factor (%)			BUSINESS: MGE Energy Inc. is a holding company for Madison Gas and Electric, which provides electric service to approximately 146,000 customers in a 316-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, 33%; commercial, 53%; industrial, 5%; public authorities and other, 9%. Generating sources, '15: coal, 48%; purchased power, 40%; natural gas and other, 12%. Fuel costs: 24% of revenues. '15 reported depreciation rate: 3.6%. Has 708 employees. Chairman, President, & CEO: Gary J. Wolter. Incorporated: Wisconsin. Address: 133 South Blair St., Madison, WI 53788. Telephone: 608-252-7000. Internet: www.mgeenergy.com.													
% Change Customers (avg.)			Shares of MGE Energy have traded higher in price since our September review. This occurred despite an unimpressive third-quarter showing by the company. Both revenue and earnings per share came in shy of the previous-year figures, and our estimates. Greater electric customer usage due to more-favorable weather conditions provided some support. We have pared our estimates for the full year, but still expect a nice bottom-line advance for 2016. This assumes a healthy rebound for the fourth quarter. Improvement will likely continue in 2017. The utility is seeking higher rates. MGE is requesting for 2017 a 1.7% increase to electric rates and a 3.7% increase to gas rates from the Public Service Commission of Wisconsin. This would cover costs associated with the state's electric transmission and MGE's natural gas infrastructure improvements. The company has announced a changing of the guard. Gary Wolter will retire as president and CEO March 1, 2017, but will continue to serve as chairman of the board. Jeffrey Keebler will take the helm at this time. Mr. Keebler has served MGE for over 20 years, and is presently the senior vice president of energy supply and planning. These high-quality shares exhibit limited volatility (Beta: .70). MGE Energy earns high marks for Safety, Financial Strength, Price Stability, and Earnings Predictability. Growth Persistence is also above average. The company has achieved fairly consistent bottom-line growth over the past decade, and we expect this will continue to be the case in the coming years. MGE's utility operations ought to further benefit from favorable demographics in its service territories. Limited exposure to economically sensitive industrial customers means more-stable operating performance. Efforts to control expenses should support profitability. But this equity carries little appeal at present. The shares do not stand out in our Timeliness Ranking System. Moreover, this issue lacks appreciation potential for the pull to late decade. The valuation appears quite rich, following a run-up in the stock price. Also, the dividend yield is below average for a utility. Michael Napoli, CFA December 16, 2016													

Fixed Charge Cov. (%)	676	702	616
ANNUAL RATES			
Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '19-'21	
Revenues	2.0%	.5%	3.5%
"Cash Flow"	5.0%	4.5%	7.5%
Earnings	6.5%	7.0%	7.0%
Dividends	2.0%	2.5%	4.0%
Book Value	6.0%	5.5%	5.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	167.2	128.3	140.1	155.3	590.9
2014	210.3	128.8	135.1	145.7	619.9
2015	170.1	122.1	140.8	131.0	564.0
2016	147.5	121.6	136.7	154.2	560
2017	160	130	155	160	605

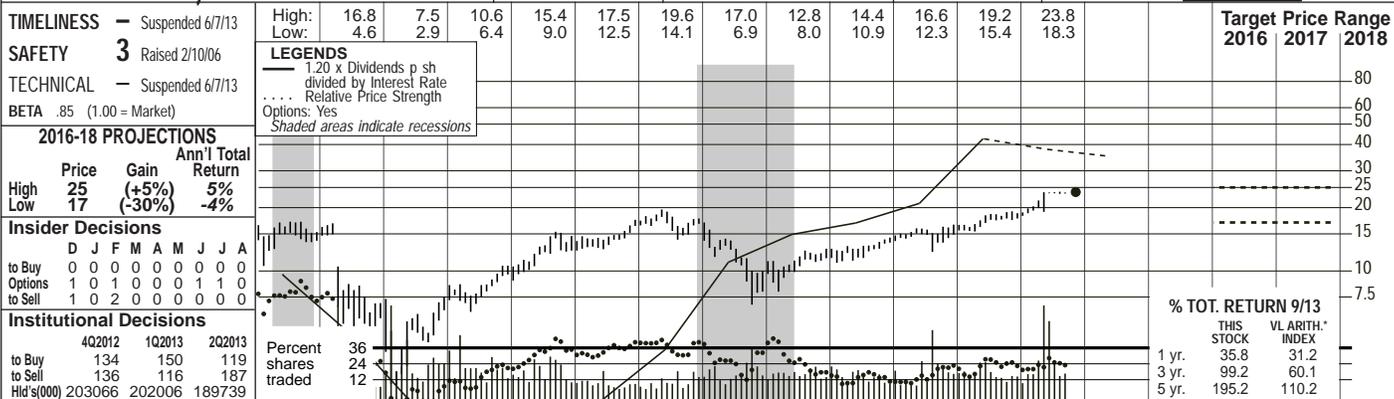
Cal-endar	EARNINGS PER SHARE A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.65	.40	.70	.41	2.16
2014	.80	.41	.67	.44	2.32
2015	.53	.39	.82	.32	2.06
2016	.49	.47	.80	.49	2.25
2017	.52	.50	.88	.55	2.45

Cal-endar	QUARTERLY DIVIDENDS PAID B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.2551	.2551	.2634	.2634	1.04
2013	.2634	.2634	.2717	.2717	1.07
2014	.2717	.2717	.2825	.2825	1.11
2015	.2825	.2825	.2950	.2950	1.16
2016	.2950	.2950	.3075	.3075	

(A) Diluted earnings. Next earnings report due late February. (B) Dividends historically paid in mid-March, June, September, and December. (C) Dvd. reinvestment plan available. (D) Rate allowed on common equity in '15: 10.2%; earned on common equity, '15: 10.3%. Regulatory Climate: Above Average. (E) Includes regulatory assets. In 2015: \$146.6 mill., \$3.87 per share. Company's Financial Strength A Stock's Price Stability 90 Price Growth Persistence 70 Earnings Predictability 90

# NV ENERGY, INC. NYSE-NVE

RECENT PRICE **23.74** P/E RATIO **18.1** (Trailing: 17.3; Median: 17.0) RELATIVE P/E RATIO **0.97** DIV'D YLD **3.4%** VALUE LINE



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	16-18
Price	15.86	17.04	16.69	29.75	44.94	29.28	23.79	24.04	15.09	15.18	15.41	15.06	15.27	13.94	12.47	12.67	12.70	13.15	14.50
Gain	3.04	3.12	2.10	1.45	1.94	d1.27	2.75	4.65	2.42	2.89	2.91	2.02	3.45	3.48	2.91	3.67	3.70	3.95	4.50
Ann'l Total Return	1.65	1.64	.83	d.63	.34	d3.00	d1.15	.40	.44	1.14	.89	.89	.78	.96	.69	1.35	1.30	1.40	1.65
High	1.60	1.45	1.17	1.00	.40	.20	--	--	--	--	.16	.34	.41	.45	.49	.64	.76	.82	.95
Low	4.41	6.31	3.95	4.58	3.28	3.91	3.19	3.68	3.42	4.46	5.12	4.54	3.69	2.79	2.68	2.16	2.20	1.85	2.00
Options to Buy	16.54	16.86	18.83	17.33	16.60	12.99	12.24	12.76	10.26	11.86	12.82	13.36	13.73	14.24	14.43	15.13	15.65	16.25	18.25
Options to Sell	50.40	51.27	78.43	78.48	102.11	102.18	117.24	117.47	200.79	221.03	233.74	234.32	234.83	235.32	236.00	235.08	236.00	236.00	236.00
Options to Buy	12.9	15.2	25.7	--	NMF	--	--	20.9	27.5	12.6	19.1	13.3	13.9	13.2	21.7	12.8	12.70	13.15	13.0
Options to Sell	.74	.79	1.46	--	NMF	--	--	1.10	1.46	.68	1.01	.80	.93	.84	1.36	.82	1.30	1.40	1.65
Hld's(000)	7.5%	5.8%	5.5%	6.5%	2.7%	2.2%	--	--	--	--	.9%	2.9%	3.8%	3.6%	3.3%	3.7%	3.7%	.82	.95

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	16-18
Revenues per sh	2789.2	2823.8	3030.2	3356.0	3601.0	3528.1	3585.8	3280.2	2943.3	2979.2	3000	3100	3100	3100	3400
"Cash Flow" per sh	d129.4	75.3	86.2	238.9	197.3	208.9	182.9	227.0	163.4	321.9	310	335	335	335	395
Earnings per sh <sup>A</sup>	--	34.5%	33.4%	34.1%	30.7%	31.3%	29.2%	33.4%	34.7%	34.1%	33.0%	33.0%	33.0%	33.0%	33.0%
Div'd Decl'd per sh <sup>B</sup>	--	19.3%	52.2%	14.8%	29.3%	32.5%	24.3%	22.7%	12.0%	5.2%	4.0%	4.0%	4.0%	4.0%	4.0%
Cap'l Spending per sh	70.7%	72.5%	64.4%	60.4%	58.0%	62.7%	62.2%	59.5%	59.5%	56.8%	55.0%	53.5%	53.5%	53.5%	53.5%
Book Value per sh <sup>C</sup>	28.3%	26.6%	34.8%	39.6%	42.0%	37.3%	37.8%	40.5%	40.5%	43.2%	45.0%	46.5%	46.5%	46.5%	46.5%
Common Shs Outst'g <sup>D</sup>	5065.1	5629.9	5927.3	6623.8	7134.4	8398.2	8527.3	8274.9	8415.0	8227.2	8160	8215	8215	8215	8000
Avg Ann'l P/E Ratio	4642.7	4926.9	5397.6	6087.0	7011.0	8310.3	8665.6	8929.7	9227.1	9426.0	9525	9515	9515	9515	9400
Relative P/E Ratio	.4%	4.1%	4.0%	5.8%	4.7%	4.3%	4.1%	4.8%	3.7%	5.7%	5.5%	5.5%	5.5%	5.5%	6.5%
Avg Ann'l Div'd Yield	NMF	4.9%	4.1%	9.1%	6.6%	6.7%	5.7%	6.8%	4.8%	9.1%	8.5%	9.0%	9.0%	9.0%	9.0%
	NMF	4.8%	4.0%	9.0%	6.6%	6.7%	5.7%	6.8%	4.8%	9.1%	8.5%	9.0%	9.0%	9.0%	9.0%
	NMF	4.8%	4.0%	9.0%	5.4%	4.1%	2.7%	3.6%	1.4%	4.8%	3.5%	3.5%	3.5%	3.5%	4.0%
	NMF	5%	5%	1%	18%	38%	53%	47%	71%	47%	58%	57%	57%	57%	57%

**CAPITAL STRUCTURE as of 6/30/13**  
**Total Debt** \$5023.8 mill. **Due in 5 Yrs** \$1601.9 mill.  
**LT Debt** \$4543.7 mill. **LT Interest** \$264.0 mill.  
**Incl.** \$44.3 mill. capitalized leases.  
**(LT interest earned: 2.7x)**

**Leases, Uncapitalized** Annual rentals \$17.4 mill.  
**Pension Assets-12/12** \$841.5 mill.  
**Oblig.** \$935.5 mill.

**Pfd Stock** None

**Common Stock** 235,580,598 shs.  
**as of 7/31/13**  
**MARKET CAP: \$5.6 billion (Large Cap)**

Year	2010	2011	2012
% Change Retail Sales (KWH)	-1.4	-1.9	+3.6
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (c)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	7215	7052	7437
Annual Load Factor (%) <sup>F</sup>	43.0	44.7	44.2
% Change Customers (yr-end)	+3	-2.8	+9

**BUSINESS:** NV Energy, Inc. (formerly Sierra Pacific Resources) is a holding company formed through the 7/99 merger of Sierra Pacific (now NV Energy North) and Nevada Power (now NV Energy South). Sells electricity in west central & southern Nevada & eastern California; provides gas to Reno & Sparks, NV & environs. Customers: 1.2 mill. elec., 153,000 gas. Elec. rev. breakdown: res'l, 45%; comm'l, 25%; ind'l, 27%; other, 3%. Generating sources: gas, 59%; coal, 10%; purchased, 31%. Fuel costs: 38% of revs. '12 reported deprec. rates: South, 3.2%; North, 2.9%. Has 2,700 employees. Chairman: Philip G. Satre. President & CEO: Michael W. Yackira. Inc.: NV. Address: 6226 West Sahara Ave., Las Vegas, NV 89146. Tel.: 702-402-5000. Internet: www.nvenergy.com.

**Shareholders of NV Energy have approved the takeover of the company by MidAmerican Energy.** MidAmerican, a subsidiary of Berkshire Hathaway, has agreed to pay \$23.75 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 Timeliness rank of NV Energy stock remains suspended.

**We continue to advise NV Energy stockholders to sell their shares on the open market.** The offer is generous, 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.

**NV 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 reallocation 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 electricity and 10.35% for gas, based on a common-equity ratio of 47%. An order is expected in December, with new rates taking effect at the start of 2014.

**NV Energy is asking the PUCN for approval to combine its two utilities into one.** The company is building a transmission line to connect NV Energy North and NV Energy South, which would enable it to operate the utilities as one entity. A ruling is expected in March of 2014.

**We estimate that earnings will decline a bit this year.** Weather patterns were favorable in 2012, and NV Energy is incurring costs related to the pending takeover. These reduced profits by \$0.04 a share in the second quarter. We figure that earnings will exceed the 2012 level in 2014.

*Paul E. Debbas, CFA November 1, 2013*

**(A)** Diluted EPS. Excl. gains (losses) from disc. ops.: '00, 8¢; '01, 31¢; '03, (5¢); '04, (3¢); non-rec. gain (loss): '04, (21¢); '06, 20¢. '11 EPS don't add due to rounding. Next earnings report due late Feb. **(B)** Div'd reinstated 7/07. Div'ds historically paid mid-Mar., June, Sept., & Dec. **(C)** Div'd reinv. plan avail. **(D)** Incl. intang. In '12: \$6.77/sh. **(E)** In mill. **(F)** Rate base: Net orig. cost. Rate allowed on com. eq. for NV Energy North in '08: 10.6%; NV Energy South in '12: 10%; earned on avg. com. eq., '12: 9.2%. Reg. Climate: Avg. **(F)** NV Energy South only.

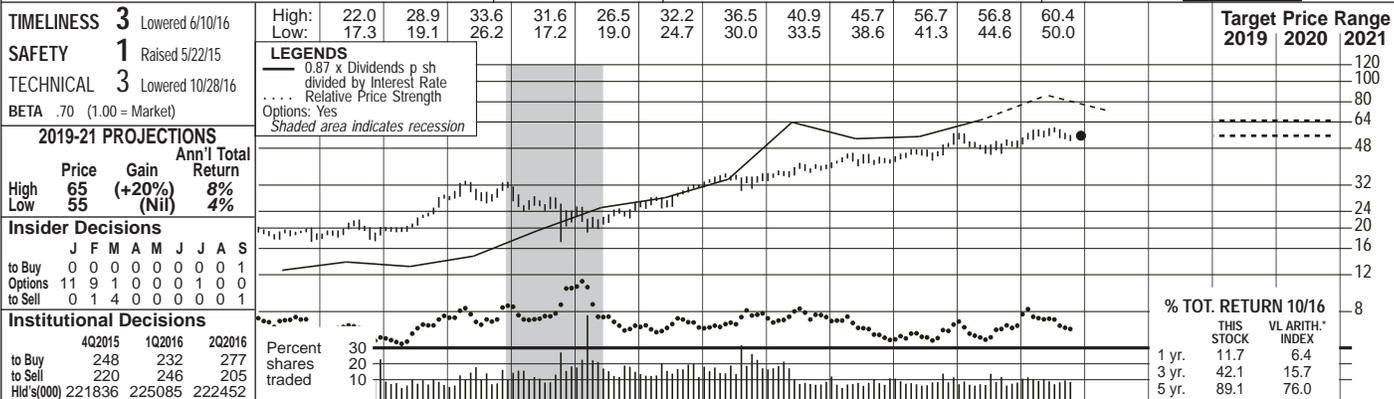
**Company's Financial Strength** B+  
**Stock's Price Stability** 90  
**Price Growth Persistence** 90  
**Earnings Predictability** 60

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# EVERSOURCE ENERGY NYSE-ES

RECENT PRICE **55.03** P/E RATIO **17.5** (Trailing: 19.6; Median: 17.0) RELATIVE P/E RATIO **0.97** DIV'D YLD **3.5%** VALUE LINE



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
40.86	52.82	40.89	47.53	51.82	41.85	44.64	37.27	37.22	30.97	27.76	25.21	19.98	23.16	24.42	25.08	<b>23.80</b>	<b>23.80</b>	Revenues per sh	25.75
3.39	10.48	6.32	5.80	5.00	5.46	3.69	4.82	6.16	4.96	5.68	4.88	4.03	5.22	4.56	4.94	<b>5.00</b>	<b>5.40</b>	"Cash Flow" per sh	6.75
d.20	1.37	1.08	1.24	.91	.98	.82	1.59	1.86	1.91	2.10	2.22	1.89	2.49	2.58	2.76	<b>2.95</b>	<b>3.15</b>	Earnings per sh <sup>A</sup>	3.75
.40	.45	.53	.58	.63	.68	.73	.78	.83	.95	1.03	1.10	1.32	1.47	1.57	1.67	<b>1.78</b>	<b>1.90</b>	Div'd Decl'd per sh <sup>B</sup>	2.20
2.88	3.40	3.86	4.31	4.85	5.89	5.49	7.14	8.06	5.17	5.41	6.08	4.69	4.62	5.06	5.44	<b>6.95</b>	<b>8.40</b>	Cap'l Spending per sh	6.25
15.43	16.27	17.33	17.73	17.80	18.46	18.14	18.65	19.38	20.37	21.60	22.65	29.41	30.49	31.47	32.64	<b>33.80</b>	<b>35.05</b>	Book Value per sh <sup>C</sup>	39.50
143.82	130.13	127.56	127.70	129.03	131.59	154.23	156.22	155.83	175.62	176.45	177.16	314.05	315.27	316.98	317.19	<b>317.25</b>	<b>317.25</b>	Common Shs Outst'g <sup>D</sup>	317.25
--	14.1	16.1	13.4	20.8	19.8	27.1	18.7	13.7	12.0	13.4	15.4	19.9	16.9	17.9	18.1	<b>18.1</b>	<b>18.1</b>	Avg Ann'l P/E Ratio	16.0
--	.72	.88	.76	1.10	1.05	1.46	.99	.82	.80	.85	.97	1.27	.95	.94	.92	<b>.94</b>	<b>.92</b>	Relative P/E Ratio	1.00
1.9%	2.3%	3.0%	3.5%	3.3%	3.5%	3.3%	2.6%	3.2%	4.2%	3.6%	3.2%	3.5%	3.5%	3.4%	3.3%	<b>3.3%</b>	<b>3.3%</b>	Avg Ann'l Div'd Yield	3.7%

CAPITAL STRUCTURE as of 6/30/16		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	REVENUES PER SHARE	
Total Debt	\$10382 mill. Due in 5 Yrs	6884.4	5822.2	5800.1	5439.4	4898.2	4465.7	6273.8	7301.2	7741.9	7954.8	7550	7550	Revenues per sh	25.75
LT Debt	\$9435.9 mill. LT Interest \$397.0 mill. (LT interest earned: 4.6%)	126.2	251.5	296.2	335.6	377.8	400.3	533.0	793.7	827.1	886.0	940	1010	Net Profit (\$mill)	1220
Leases, Uncapitalized	Annual rentals \$16.4 mill. Pension Assets-12/15 \$3905.4 mill. Oblig \$5080.1 mill.	--	30.3%	29.7%	34.9%	36.6%	29.9%	34.0%	35.0%	36.2%	37.9%	37.5%	37.5%	Income Tax Rate	37.5%
Pfd Stock	\$155.6 mill. Pfd Div'd \$7.6 mill. Incl. 2,324,000 shs \$1.90-\$3.28 rates (\$50 par) not subject to mandatory redemption. Common Stock 317,207,036 shs. as of 7/31/16	21.5%	13.9%	15.8%	4.6%	7.1%	8.6%	2.3%	1.4%	2.4%	2.9%	4.0%	4.0%	AFUDC % to Net Profit	3.0%
MARKET CAP: \$18 billion (Large Cap)		58.7%	59.2%	60.4%	57.2%	55.1%	53.4%	43.7%	44.3%	45.9%	45.6%	46.5%	46.5%	Long-Term Debt Ratio	46.0%
ELECTRIC OPERATING STATISTICS		39.7%	39.2%	38.1%	41.5%	43.6%	45.3%	55.4%	54.8%	53.2%	53.6%	53.0%	52.5%	Common Equity Ratio	53.0%
% Change Retail Sales (KWH)	2013 +1.0, 2014 -1.6, 2015 +3.3	7052.0	7431.1	7926.2	8629.5	8741.8	8856.0	16675	17544	18738	19313	20250	21100	Total Capital (\$mill)	23500
Avg. Indust. Use (MWH)	NA	6242.2	7229.9	8207.9	8840.0	9567.7	10403	16605	17576	18647	19892	21600	23700	Net Plant (\$mill)	27900
Avg. Indust. Revs. per KWH (c)	NA	2.9%	5.0%	5.4%	5.4%	5.8%	5.9%	4.2%	5.5%	5.3%	5.5%	5.5%	5.5%	Return on Total Cap'l	6.0%
Capacity at Peak (Mw)	NA	4.3%	8.3%	9.4%	9.1%	9.6%	9.7%	5.7%	8.1%	8.2%	8.4%	8.5%	9.0%	Return on Shr. Equity	9.5%
Peak Load, Winter (Mw)	NA	4.3%	8.4%	9.6%	9.2%	9.8%	9.8%	5.7%	8.2%	8.2%	8.5%	8.5%	9.0%	Return on Com Equity <sup>E</sup>	9.5%
Annual Load Factor (%)	NA	.3%	4.3%	5.3%	4.7%	5.0%	5.0%	1.6%	3.4%	3.5%	3.4%	3.5%	3.5%	Retained to Com Eq	4.0%
Annual Load Factor (%)	NA	94%	50%	45%	50%	49%	50%	72%	59%	58%	61%	61%	60%	All Div'ds to Net Prof	58%

**BUSINESS:** Eversource Energy (formerly Northeast Utilities) is the parent of utilities that have 3.1 million electric, 504,000 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 eastern Massachusetts & gas to central & eastern Massachusetts. Acquired NSTAR 4/12. Electric revenue breakdown: residential, 52%; commercial, 36%; industrial, 5%; other, 7%. Fuel costs: 39% of revenues. '15 reported deprec. rate: 2.9%. Has 8,200 employees. Chairman: Thomas J. May. President & CEO: Jim Judge. Inc.: MA. Address: 300 Cadwell Drive, Springfield, MA 01104. Tel.: 413-785-5871. Internet: www.eversource.com.

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)			to '19-'21
Revenues	-6.5%	-5.5%	1.0%
"Cash Flow"	-1.0%	-2.5%	5.5%
Earnings	9.5%	6.0%	6.0%
Dividends	9.5%	11.0%	6.0%
Book Value	6.0%	9.0%	4.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	1995	1635	1892	1777	7301.2
2014	2290	1677	1892	1881	7741.9
2015	2513	1817	1933	1691	7954.8
2016	2056	1767	2040	1687	7550
2017	2150	1800	1900	1700	7550

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.72	.54	.66	.56	2.49
2014	.74	.40	.74	.69	2.58
2015	.80	.65	.74	.57	2.76
2016	.77	.64	.83	.71	2.95
2017	.90	.70	.85	.70	3.15

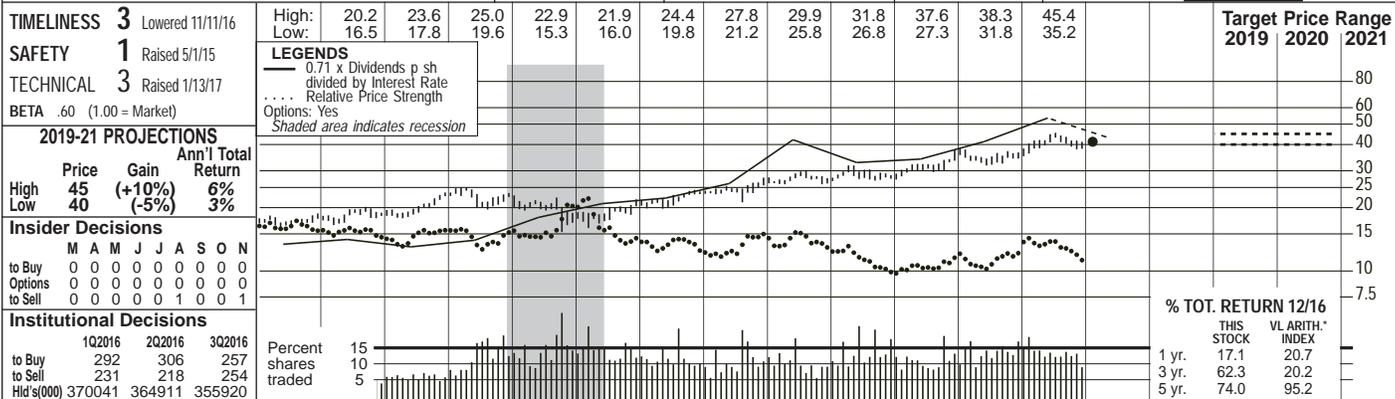
Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.294	.343	.343	.343	1.32
2013	.3675	.3675	.3675	.3675	1.47
2014	.393	.393	.393	.393	1.57
2015	.4175	.4175	.4175	.4175	1.67
2016	.445	.445	.445		

(A) Dil. EPS. Excl. nonrec. gains (losses): '02, 10c; '03, (32c); '04, (7c); '05, (\$1.36); '08, (19c); '10, 9c. '13 & '14 EPS don't add due to rounding. Next earnings report due early Feb. (B) Div'ds historically paid late Mar., June, Sept., & Dec. ■ Div'd reinv. plan avail. (C) Incl. def'd chgs. In '15: \$22.88/sh. (D) In mill. (E) Rate all'd on com. eq. in MA: (elec) '11, 9.6%; (gas) '16, 9.8%; in CT: (elec.) '15, 9.02%; (gas) '15, 9.5%; in NH: '10, 9.67%; earn. on avg. com. eq., '15: 8.7%. Regul. Clim.: CT, Below Avg.; NH, Avg.; MA, Above Avg.

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Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	80
Earnings Predictability	85

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2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
34.11	43.56	23.89	19.90	20.84	23.86	24.16	23.40	24.69	21.08	21.38	21.90	20.76	21.92	23.11	21.72	21.45	21.65	Revenues per sh	23.25
4.12	5.09	3.14	3.35	3.27	3.28	3.61	3.45	3.50	3.48	3.51	3.79	4.00	4.10	4.28	4.56	5.05	5.50	"Cash Flow" per sh	6.25
1.60	2.27	.42	1.23	1.27	1.20	1.35	1.35	1.46	1.49	1.56	1.72	1.85	1.91	2.03	2.10	2.20	2.30	Earnings per sh <sup>A</sup>	2.75
1.48	1.50	1.13	.75	.81	.85	.88	.91	.94	.97	1.00	1.03	1.07	1.11	1.20	1.28	1.36	1.44	Div'd Decl'd per sh <sup>B</sup> = †	1.70
3.63	7.40	6.04	2.49	3.19	3.25	4.00	4.89	4.66	3.91	4.60	4.53	5.27	6.82	6.33	7.26	6.00	7.20	Cap'l Spending per sh	6.75
16.37	17.95	11.70	12.95	12.99	13.37	14.28	14.70	15.35	15.92	16.76	17.44	18.19	19.21	20.20	20.89	21.70	22.55	Book Value per sh <sup>C</sup>	25.25
339.79	345.02	398.71	398.96	400.46	403.39	407.30	428.78	453.79	457.51	482.33	486.49	487.96	497.97	505.73	507.54	507.95	507.95	Common Shs Outst'g <sup>D</sup>	507.95
14.3	12.4	NMF	11.6	13.6	15.4	14.8	16.7	13.7	12.7	14.1	14.2	14.8	15.0	15.4	16.5	18.6	1.00	Avg Ann'l P/E Ratio	15.5
.93	.64	NMF	.66	.72	.82	.80	.89	.82	.85	.90	.89	.94	.84	.81	.84	1.00	1.00	Relative P/E Ratio	.95
6.4%	5.3%	6.6%	5.2%	4.7%	4.6%	4.4%	4.0%	4.7%	5.1%	4.5%	4.2%	3.9%	3.9%	3.8%	3.7%	3.3%	3.3%	Avg Ann'l Div'd Yield	4.0%

CAPITAL STRUCTURE as of 9/30/16		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Debt \$14478 mill. Due in 5 Yrs \$4930.0 mill.		9840.3	10034	11203	9644.3	10311	10655	10128	10915	11686	11024	10900	11000	11750	11750	11750	11750	11750	11750
LT Debt \$13403 mill. LT Interest \$612.9 mill.		568.7	575.9	645.7	685.5	727.0	841.4	905.2	948.2	1021.3	1063.6	1120	1170	1350	1350	1350	1350	1350	1350
Incl. \$164.0 mill. capitalized leases. (LT interest earned: 3.8x)		24.2%	33.8%	34.4%	35.1%	37.5%	35.8%	33.2%	33.8%	33.9%	35.8%	35.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
Leases, Uncapitalized Annual rentals \$241.6 mill.		9.8%	12.5%	15.9%	16.8%	11.7%	9.4%	10.8%	13.4%	12.5%	7.7%	6.0%	7.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Pension Assets-12/15 \$2883.8 mill.		52.1%	49.7%	52.2%	51.6%	53.1%	51.1%	53.3%	53.3%	53.0%	54.1%	57.0%	57.0%	57.0%	57.0%	57.0%	57.0%	57.0%	57.0%
Pfd Stock None		47.0%	49.4%	47.1%	47.7%	46.3%	48.9%	46.7%	46.7%	47.0%	45.9%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%
Common Stock 507,952,795 shs. as of 10/24/16		12371	12748	14800	15277	17452	17331	19018	20477	21714	23092	25575	26550	30400	30400	30400	30400	30400	30400
MARKET CAP: \$21 billion (Large Cap)		15549	16676	17689	18508	20663	22353	23809	26122	28757	31206	32825	34850	40300	40300	40300	40300	40300	40300
ELECTRIC OPERATING STATISTICS		6.2%	6.3%	6.0%	6.2%	5.7%	6.5%	6.1%	6.0%	6.0%	5.8%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
% Change Retail Sales (KWH)		9.6%	9.0%	9.1%	9.3%	8.9%	9.9%	10.2%	9.9%	10.0%	10.0%	10.0%	10.0%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Large C & I Use (MWH)		9.7%	9.1%	9.2%	9.4%	8.9%	9.9%	10.2%	9.9%	10.0%	10.0%	10.0%	10.0%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Large C & I Revs. per KWH (¢)		3.6%	3.1%	3.8%	3.7%	3.6%	4.3%	4.7%	4.5%	4.5%	4.3%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Capacity at Peak (Mw)		63%	66%	59%	61%	59%	56%	54%	54%	55%	57%	62%	62%	62%	62%	62%	62%	62%	62%
Peak Load, Summer (Mw)		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 electric, 1.9 mill. gas. Elec. rev. breakdown: residential, 31%; sm. comm'l & ind'l, 36%; lg. comm'l & ind'l, 18%; other, 15%. Generating sources not available. Fuel costs: 43% of revs. '15 reported depr. rate: 2.8%. Has 11,700 employees. Chairman, Pres. & CEO: Ben Fowke. Inc.: MN. Address: 414 Nicollet Mall, Minneapolis, MN 55401. Tel.: 612-330-5500. Internet: www.xcelenergy.com.																	
Annual Load Factor (%)		lion, retroactive to July 20, 2016. In New Mexico, SPS filed for an electric hike of \$41.4 million, based on a return of 10.1% on a common-equity ratio of 54%. New rates are expected to take effect in the second half of 2017.																	
% Change Customers (yr-end)		Frequent regulatory activity is necessary to reduce the effects of regulatory lag. As a group, Xcel's utilities are underearning their allowed ROE by about eight-tenths of a percentage point. Rate relief is the key factor in the company's earnings growth. Our share-net estimates are within the company's targeted ranges of \$2.17-\$2.22 and \$2.25-\$2.35 for 2016 and 2017, respectively.																	
Fixed Charge Cov. (%)		We expect a dividend increase at the board meeting in February. We think the directors will raise the quarterly disbursement by two cents a share (5.9%). Xcel's goals are annual dividend growth of 5%-7% and a payout ratio of 60%-70%. This high-quality stock has a valuation that is close to the utility norms. The dividend yield and 3- to 5-year total return potential are about equal to the industry averages.																	

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)	10 Yrs.	5 Yrs.	to '19-'21
Revenues	.5%	-	.5%
"Cash Flow"	2.5%	4.5%	6.5%
Earnings	5.0%	6.0%	5.5%
Dividends	4.0%	4.5%	6.0%
Book Value	4.5%	4.5%	4.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	2783	2579	2822	2731	10915
2014	3203	2685	2870	2928	11686
2015	2962	2515	2902	2645	11024
2016	2772	2500	3040	2588	10900
2017	2800	2550	3000	2650	11000

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.48	.40	.73	.30	1.91
2014	.52	.39	.73	.39	2.03
2015	.46	.39	.84	.41	2.10
2016	.47	.39	.90	.44	2.20
2017	.54	.40	.90	.46	2.30

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup> = †				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.27	.27	.28	.28	1.10
2014	.28	.30	.30	.30	1.18
2015	.30	.32	.32	.32	1.26
2016	.32	.34	.34	.34	1.34
2017	.34				

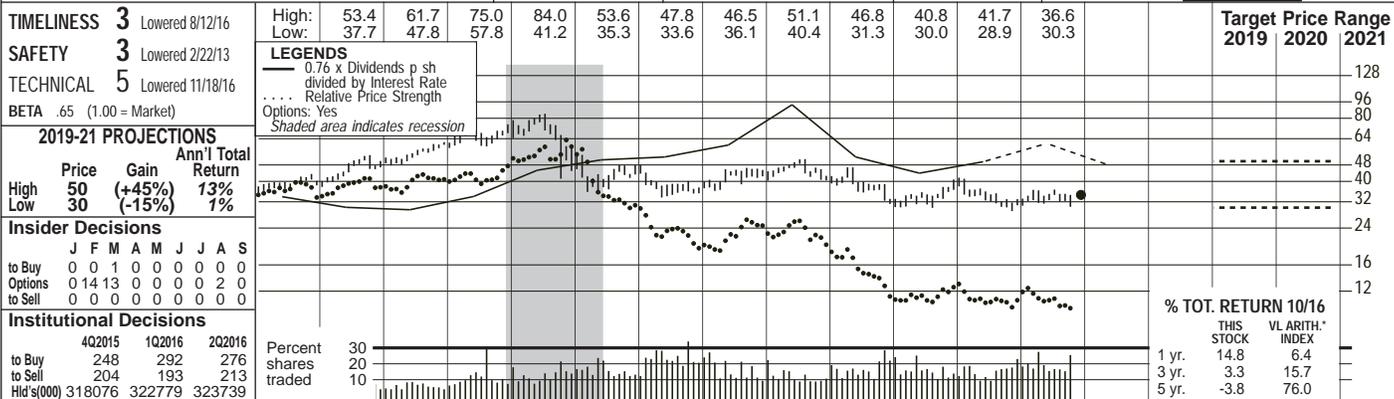
(A) Diluted EPS. Excl. nonrecurring gain (losses): '02, (\$6.27); '10, 5¢; '15, (16¢); gains (losses) on discontinued ops.: '03, 27¢; '04, (30¢); '05, 3¢; '06, 1¢; '09, (1¢); '10, 1¢. Next earnings report due early Feb. (B) Div'ds historically paid mid-Jan., Apr., July, and Oct. (C) Incl. in- tangibles. In '15: \$5.63/sh. (D) In mill. (E) Rate base: Varies. Rate allowed on com. eq. (blended): 9.8%; earned on avg. com. eq., '15: 9.5%. Regulatory Climate: Average.

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

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2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
31.31	26.88	40.83	37.31	37.76	36.35	36.03	42.00	44.70	41.70	43.76	38.87	36.57	35.60	35.74	35.48	<b>33.30</b>	<b>33.30</b>	Revenues per sh	<b>33.50</b>
7.28	5.48	6.45	4.79	7.60	7.55	7.22	8.34	9.04	8.80	8.50	5.75	6.05	6.30	4.55	6.33	<b>6.10</b>	<b>6.90</b>	"Cash Flow" per sh	<b>7.25</b>
2.69	2.84	2.54	1.47	2.77	2.84	3.82	4.22	4.38	3.32	3.25	1.88	2.13	2.97	.85	2.00	<b>1.75</b>	<b>2.50</b>	Earnings per sh <sup>A</sup>	<b>2.75</b>
1.50	1.50	1.50	1.50	1.91	1.71	1.85	2.05	2.20	2.20	2.20	2.20	2.20	1.65	1.44	1.44	<b>1.44</b>	<b>1.44</b>	Div'd Decl'd per sh <sup>B</sup>	<b>1.60</b>
2.74	2.86	3.35	2.60	2.57	3.66	4.12	5.36	9.47	7.23	6.44	5.45	7.09	6.90	8.42	6.83	<b>7.25</b>	<b>7.10</b>	Cap'l Spending per sh	<b>7.00</b>
20.72	24.86	23.92	25.13	26.04	27.86	28.30	29.45	27.17	28.08	28.03	31.75	31.29	30.32	29.49	29.33	<b>26.90</b>	<b>28.20</b>	Book Value per sh <sup>C</sup>	<b>31.75</b>
224.53	297.64	297.64	329.84	329.84	329.84	319.21	304.84	304.84	304.84	304.84	418.22	418.22	418.63	421.10	423.56	<b>440.00</b>	<b>458.00</b>	Common Shs Outst'g <sup>D</sup>	<b>500.00</b>
9.2	10.9	13.0	22.5	14.1	16.1	14.2	15.6	15.6	13.0	11.7	22.4	21.1	13.1	NMF	17.0	<b>14.5</b>	<b>14.5</b>	Avg Ann'l P/E Ratio	<b>14.5</b>
.60	.56	.71	1.28	.74	.86	.77	.83	.94	.87	.74	1.41	1.34	.74	NMF	.86	<b>.90</b>	<b>.90</b>	Relative P/E Ratio	<b>.90</b>
6.1%	4.8%	4.6%	4.5%	4.9%	3.7%	3.4%	3.1%	3.2%	5.1%	5.8%	5.2%	4.9%	4.3%	4.2%	<b>4.2%</b>	<b>4.0%</b>	<b>4.0%</b>	Avg Ann'l Div'd Yield	<b>4.0%</b>

CAPITAL STRUCTURE as of 6/30/16				2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	19-21	
Total Debt \$22600 mill. Due in 5 Yrs \$11098 mill.				11501	12802	13627	12712	13339	16258	15294	14903	15049	15029	14650	15250	16700	16700	16700	16700	16700	16700	16700	16700
LT Debt \$18348 mill. LT Interest \$890 mill.				1265.0	1309.0	1342.0	1015.0	991.0	752.0	891.0	1245.0	356.0	844.0	770	1135	1360	1360	1360	1360	1360	1360	1360	1360
Incl. \$100 mill. capitalized leases.				38.6%	40.3%	36.7%	19.6%	38.6%	41.3%	41.1%	36.1%	5.6%	35.7%	38.5%	36.0%	36.0%	36.0%	36.0%	36.0%	36.0%	36.0%	36.0%	36.0%
(LT interest earned: 2.2x)				2.1%	2.4%	3.9%	12.8%	16.6%	9.3%	8.1%	6.0%	33.1%	13.9%	13.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	
Leases, Uncapitalized Annual rentals \$197 mill.				48.6%	49.7%	52.4%	58.2%	59.5%	54.2%	53.7%	55.5%	60.7%	60.7%	62.5%	61.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%
Pension Assets-12/15 \$5338 mill.				51.4%	50.3%	47.7%	41.8%	40.5%	45.8%	46.3%	44.5%	39.3%	39.3%	37.5%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
Oblig \$9079 mill.				17570	17846	17383	20467	21124	28996	28263	28523	31596	31613	31475	32825	37900	37900	37900	37900	37900	37900	37900	37900
Pfd Stock None				14667	15383	17723	19164	19788	30337	32903	33252	35783	37214	38150	39425	43200	43200	43200	43200	43200	43200	43200	43200
Common Stock 425,198,228 shs.				9.0%	9.0%	9.7%	6.9%	6.3%	4.0%	4.9%	6.0%	2.7%	4.3%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
MARKET CAP: \$15 billion (Large Cap)				14.0%	14.6%	16.2%	11.9%	11.6%	5.7%	6.8%	9.8%	2.9%	6.8%	6.5%	9.0%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
ELECTRIC OPERATING STATISTICS				13.9%	14.6%	16.2%	11.9%	11.6%	5.7%	6.8%	9.8%	2.9%	6.8%	6.5%	9.0%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
2013 2014 2015				7.4%	7.7%	8.1%	4.0%	3.8%	NMF	NMF	2.6%	NMF	1.9%	1.0%	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
% Change Retail Sales (KWH)				47%	47%	50%	66%	68%	117%	103%	74%	NMF	72%	81%	54%	59%	59%	59%	59%	59%	59%	59%	59%
Avg. Indust. Use (MWH)				+9	+1	-8																	
Avg. Indust. Revs. per KWH (c)				NMF	NMF	NMF																	
Capacity at Peak (Mw)				NA	NA	NA																	
Peak Load, Summer (Mw)				NA	NA	NA																	
Annual Load Factor (%)				NA	NA	NA																	
% Change Customers (yr-end)				+2	+3	+3																	

**BUSINESS:** FirstEnergy Corp. is a holding company for Ohio Edison, Pennsylvania Power, Cleveland Electric, Toledo Edison, Metropolitan Edison, Penelac, Jersey Central Power & Light, West Penn Power, Potomac Edison, & Mon Power. Provides electric service to over 6 million customers in OH, PA, NJ, WV, MD, & NY. Acq'd Allegheny Energy 2/11. Electric revenue breakdown by customer class not available. Generating sources: coal, 44%; nuclear, 26%; purchased, 30%. Fuel costs: 43% of revenues. '13 reported deprec. rate: 2.6%. Has 15,800 employees. Chairman: George M. Smart. President & CEO: Charles E. Jones. Incorporated: Ohio. Address: 76 South Main Street, Akron, Ohio 44308-1890. Telephone: 800-736-3402. Internet: www.firstenergycorp.com.

**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 2014. An attempt at a purchased-power contract between FirstEnergy's utilities in Ohio and some generating facilities was overturned by federal regulators earlier this year. The company plans to push for legislative and regulatory changes that would preserve its non-regulated generating units. The sale or deactivation of assets is another possibility. FirstEnergy expects to implement this over the next 12 to 18 months.

**The company's utilities in Pennsylvania and New Jersey reached settlements of their rate cases.** In Pennsylvania, the utilities would receive increases in late January totaling \$291 million. In New Jersey, the company would get a hike of \$80 million at the start of 2017. The regulatory commissions in each state must still issue rulings on the agreements. Note that, in addition to this possible rate relief, the commission in Ohio is allowing the company to collect \$204 million a year through 2019 to modernize the distribution systems of its utilities there.

**The bottom line might fall into the red in the current quarter.** Each year in the fourth quarter, FirstEnergy records a mark-to-market accounting item for pension and nonpension benefits accounting assumptions. We include these in our earnings presentation because they are ongoing. The company estimates that this year's adjustment will be a charge of \$0.45-\$0.75 a share. We assume no such charge in our 2017 forecast, and profits are likely to benefit anyway from the aforementioned rate cases.

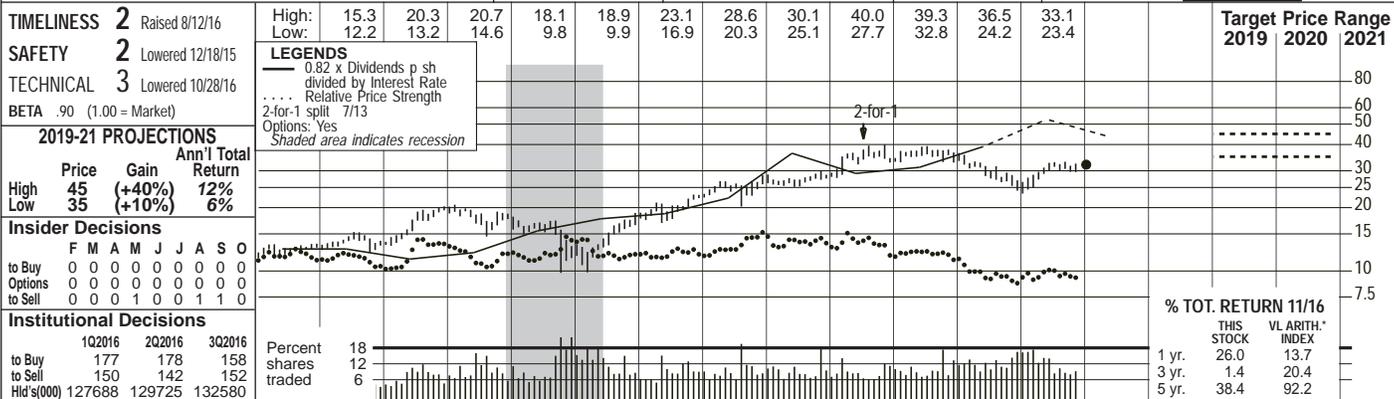
**We think better utility selections are available elsewhere.** The road to a completely regulated future is likely to remain bumpy, and the dividend yield (though above the industry average) isn't high enough to compensate for this uncertainty.

*Paul E. Debbas, CFA November 18, 2016*

(A) Dil. EPS. Excl. nonrec. gain (losses): '05, (28¢); '10, (68¢); '11, 33¢; '12, (29¢); '13, (\$2.07); '14, (17¢); '15, (63¢); '16, (\$2.90); gain from disc. ops.: '14, 20¢. '14 EPS don't sum due to rounding. Next egs. report due late Feb.	(B) Div'ds paid early Mar., June, Sep. & Dec. 5 div'ds decl. in '04, 3 in '13. ■ Div'd reinv. avail. (C) Incl. intang.: in '15: \$18.34/sh. (D) In mill.	(E) Rate base: Depr. orig. cost. Rates all'd on com. eq.: 9.75%-11.9%; earned on avg. com. eq.: '15: 6.7%. Regulatory Climate: OH Above Avg.; PA, NJ Avg.; MD, WV Below Avg.	Company's Financial Strength B+	Stock's Price Stability 90	Price Growth Persistence 10	Earnings Predictability 45
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# OGE ENERGY CORP. NYSE-OGE

RECENT PRICE **32.04** P/E RATIO **16.3** (Trailing: 20.7; Median: 14.0) RELATIVE P/E RATIO **0.84** DIV'D YLD **3.9%** VALUE LINE



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
21.17	20.40	19.26	21.62	27.37	32.83	21.96	20.68	21.77	14.79	19.04	19.96	18.58	14.45	12.30	11.00	<b>10.75</b>	<b>11.00</b>	Revenues per sh	13.00
2.07	1.81	1.87	1.82	1.87	1.94	2.23	2.39	2.40	2.69	3.01	3.31	3.69	3.46	3.40	3.23	<b>3.35</b>	<b>3.55</b>	"Cash Flow" per sh	4.75
.95	.65	.72	.87	.89	.92	1.23	1.32	1.25	1.33	1.50	1.73	1.79	1.94	1.98	1.69	<b>1.75</b>	<b>1.90</b>	Earnings per sh <sup>A</sup>	2.25
.67	.67	.67	.67	.67	.67	.67	.68	.70	.71	.73	.76	.80	.85	.95	1.05	<b>1.16</b>	<b>1.27</b>	Div'd Decl'd per sh <sup>B</sup>	1.65
1.15	1.44	1.49	1.04	1.51	1.65	2.67	3.04	4.01	4.37	4.36	6.48	5.85	4.99	2.86	2.74	<b>3.45</b>	<b>4.70</b>	Cap'l Spending per sh	2.50
6.83	6.67	6.27	6.87	7.14	7.59	8.79	9.16	10.14	10.52	11.73	13.06	14.00	15.30	16.27	16.66	<b>17.25</b>	<b>17.90</b>	Book Value per sh <sup>C</sup>	19.75
155.84	155.98	157.00	174.80	180.00	181.20	182.40	183.60	187.00	194.00	195.20	196.20	197.60	198.50	199.40	199.70	<b>199.70</b>	<b>200.00</b>	Common Shs Outst'g <sup>D</sup>	201.50
10.6	17.4	14.1	11.8	14.1	14.9	13.7	13.8	12.4	10.8	13.3	14.4	15.2	17.7	18.3	17.7	<b>17.7</b>	<b>17.7</b>	Avg Ann'l P/E Ratio	18.0
.69	.89	.77	.67	.74	.79	.74	.73	.75	.72	.85	.90	.97	.99	.96	.89	<b>.89</b>	<b>.89</b>	Relative P/E Ratio	1.15
6.6%	5.9%	6.6%	6.5%	5.3%	4.9%	4.0%	3.8%	4.5%	5.0%	3.7%	3.1%	2.9%	2.5%	2.6%	3.5%	<b>3.5%</b>	<b>3.5%</b>	Avg Ann'l Div'd Yield	4.1%

CAPITAL STRUCTURE as of 9/30/16				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%; commercial, 24%; industrial, 16%; other, 19%. Generating sources: coal, 34%; gas, 30%; wind, 5%; purchased, 31%. Fuel costs: 39% of revenues. '15 reported depreciation rate (utility): 2.9%. Has 2,600 employees. Chairman, President and Chief Executive Officer: Sean Trauschke. Incorporated: Oklahoma. Address: 321 North Harvey, P.O. Box 321, Oklahoma City, Oklahoma 73101-0321. Telephone: 405-553-3000. Internet: www.oge.com.														REVENUES (\$MILL)	
Total Debt	\$2843.3 mill.	Due in 5 Yrs	\$1009.9 mill.	4005.6	3797.6	4070.7	2869.7	3716.9	3915.9	3671.2	2867.7	2453.1	2196.9	2150	2200	2150	2200	Revenues (\$mill)	2600
LT Debt	\$2505.2 mill.	LT Interest	\$131.5 mill.	226.1	244.2	231.4	258.3	295.3	342.9	355.0	387.6	395.8	337.6	350	385	350	385	Net Profit (\$mill)	450
(LT interest earned: 4.0x)				34.8%	32.3%	30.4%	31.7%	34.9%	30.7%	26.0%	24.9%	30.4%	29.2%	29.0%	29.0%	29.0%	29.0%	Income Tax Rate	29.0%
Leases, Uncapitalized	Annual rentals \$7.4 mill.			3.8%	1.6%	1.7%	9.1%	5.7%	9.0%	2.7%	2.6%	1.7%	3.7%	6.0%	9.0%	6.0%	9.0%	AFUDC % to Net Profit	3.0%
Pension Assets-12/15	\$581.7 mill.	Oblig	\$680.0 mill.	45.6%	44.4%	53.3%	50.6%	50.8%	51.6%	50.7%	43.1%	45.9%	44.3%	43.5%	46.5%	43.5%	46.5%	Long-Term Debt Ratio	51.0%
Pfd Stock	None			54.4%	55.6%	46.7%	49.4%	49.2%	48.4%	49.3%	56.9%	54.1%	55.7%	56.5%	53.5%	53.5%	53.5%	Common Equity Ratio	49.0%
Common Stock	199,702,959 shs.			2950.1	3025.5	4058.6	4129.7	4652.5	5300.4	5615.8	5337.2	5999.7	5971.6	6090	6675	6090	6675	Total Capital (\$mill)	8125
MARKET CAP: \$6.4 billion (Large Cap)				3867.5	4246.3	5249.8	5911.6	6464.4	7474.0	8344.8	6672.8	6979.9	7322.4	7725	8330	7725	8330	Net Plant (\$mill)	8825
ELECTRIC OPERATING STATISTICS				9.1%	9.5%	7.0%	7.9%	7.8%	7.8%	7.7%	8.6%	7.8%	6.9%	7.0%	7.0%	7.0%	7.0%	Return on Total Cap'l	7.0%
% Change Retail Sales (KWH)	2013	2014	2015	14.1%	14.5%	12.2%	12.7%	12.9%	13.4%	12.8%	12.8%	12.2%	10.2%	10.0%	10.5%	10.5%	10.5%	Return on Shr. Equity	11.5%
Avg. Indust. Use (MWH)	779	770	754	14.1%	14.5%	12.2%	12.7%	12.9%	13.4%	12.8%	12.8%	12.2%	10.2%	10.0%	10.5%	10.5%	10.5%	Return on Com Equity <sup>E</sup>	11.5%
Avg. Indust. Rev. per KWH (c)	5.44	5.73	5.05	6.6%	7.1%	5.4%	6.0%	6.7%	7.7%	7.2%	7.3%	6.5%	4.0%	3.5%	3.5%	3.5%	3.5%	Retained to Com Eq	3.0%
Capacity at Peak (Mw)	NA	NA	NA	53%	51%	55%	53%	48%	43%	44%	43%	47%	61%	66%	66%	66%	66%	All Div'ds to Net Prof	74%
Peak Load, Summer (Mw)	6341	6339	6537																
Annual Load Factor (%)	NA	NA	NA																
% Change Customers (yr-end)	+1.1	+1.0	+1.2																

**OG&E 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. OG&E 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 an allowed ROE of just 9.25%. An administrative law judge will put forth a recommendation, then the OCC will issue its order. Whenever this comes, it will be retroactive to July, and the company will book the retroactive revenues and income in the quarter in which the ruling is received. If the decision is issued in early 2017, before OGE reports earnings in late February, the company may book this income in its fourth-quarter results. We are assuming this in our fourth-period estimate.

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	901.4	734.2	723.2	508.9	2867.7
2014	560.4	611.8	754.7	526.2	2453.1
2015	480.1	549.9	719.8	447.1	2196.9
2016	433.1	551.4	743.9	421.6	2150
2017	450	575	750	425	2200

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.12	.46	1.08	.29	1.94
2014	.25	.50	.94	.29	1.98
2015	.22	.44	.88	.15	1.69
2016	.13	.35	.92	.35	1.75
2017	.20	.50	1.00	.20	1.90

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.19625	.19625	.197	.197	.79
2013	.209	.209	.209	.209	.84
2014	.225	.225	.225	.25	.93
2015	.25	.25	.25	.275	1.03
2016	.275	.275	.275	.3025	

**A rate case is pending in Arkansas, too.** OG&E filed for a \$16.5 million hike, based on a 10.25% return on a 53% common-equity ratio. The utility is also requesting the initiation of a formula rate plan, which would enable it to recover certain costs without having to file a general rate case. New tariffs are expected to take effect in July.

**Rate relief should help boost profits in 2017.** Our forecast of \$1.90 a share would produce a high single-digit increase over our 2016 estimate, which is near the lower end of OGE's targeted range of \$1.72-\$1.83 a share.

**The board of directors has raised the dividend.** The increase was \$0.11 a share (10%) annually. OGE has established a goal of 10% yearly dividend growth through 2019.

**OGE stock is timely, and has a dividend yield that is a cut above the industry mean.** Healthy dividend growth over the 3- to 5-year period should produce a respectable long-term total return, and one that exceeds that of most utility equities.

Paul E. Debbas, CFA December 16, 2016

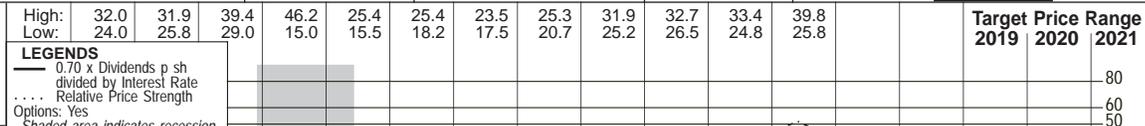
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# OTTER TAIL CORP. NDQ-OTTR

RECENT PRICE **38.90** P/E RATIO **24.6** (Trailing: 24.8; Median: 23.0) RELATIVE P/E RATIO **1.26** DIV'D YLD **3.3%** VALUE LINE

**TIMELINESS** 3 Lowered 10/14/16  
**SAFETY** 2 Raised 6/17/16  
**TECHNICAL** 3 Lowered 11/11/16  
**BETA** .85 (1.00 = Market)



**2019-21 PROJECTIONS**

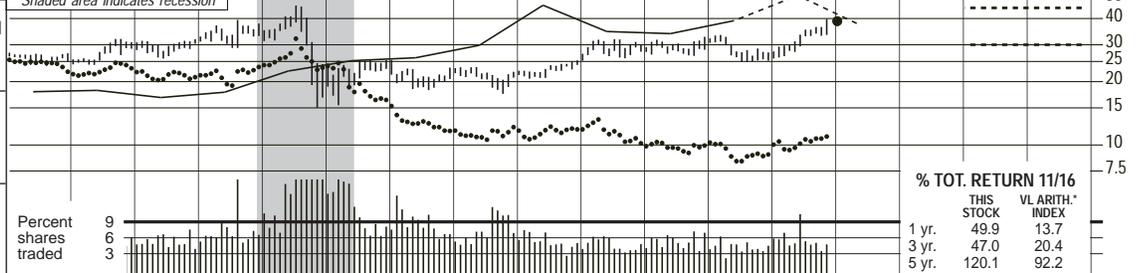
Price	45	Gain	(+15%)	Ann'l Total Return	7%
High	45	Low	30		(-25%)
					-2%

**Insider Decisions**

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options to Buy	6	0	9	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	2	0	0

**Institutional Decisions**

	12Q2016	2Q2016	3Q2016
to Buy	68	68	80
to Sell	35	44	45
Hlds(000)	13048	13887	14545



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
23.45	26.53	27.75	29.28	30.45	35.59	37.43	41.50	37.06	29.03	31.08	29.86	23.76	24.63	21.48	20.60	<b>20.50</b>	<b>20.65</b>	Revenues per sh	24.40
3.21	3.40	3.44	3.30	2.88	3.35	3.39	3.55	2.81	2.76	2.60	2.36	2.71	3.02	3.09	3.14	<b>3.40</b>	<b>3.60</b>	"Cash Flow" per sh	4.20
1.60	1.68	1.79	1.51	1.50	1.78	1.69	1.78	1.09	.71	.38	.45	1.05	1.37	1.55	1.56	<b>1.58</b>	<b>1.65</b>	Earnings per sh <sup>A</sup>	2.10
1.02	1.04	1.06	1.08	1.10	1.12	1.15	1.17	1.19	1.19	1.19	1.19	1.19	1.19	1.21	1.23	<b>1.25</b>	<b>1.27</b>	Div'd Decl'd per sh <sup>B</sup>	1.33
1.85	2.17	2.95	1.97	1.72	2.04	2.35	5.43	7.51	4.95	2.38	2.04	3.20	4.53	4.40	4.23	<b>4.10</b>	<b>4.40</b>	Cap'l Spending per sh	4.75
10.87	11.33	12.25	12.98	14.81	15.80	16.67	17.55	19.14	18.78	17.57	15.83	14.43	14.75	15.39	15.98	<b>17.30</b>	<b>18.50</b>	Book Value per sh <sup>C</sup>	20.95
23.85	24.65	25.59	25.72	28.98	29.40	29.52	29.85	35.38	35.81	36.00	36.10	36.17	36.27	37.22	37.86	<b>39.00</b>	<b>40.00</b>	Common Shs Outst'g <sup>D</sup>	43.00
13.5	16.4	16.0	17.8	17.3	15.4	17.3	19.0	30.1	31.2	55.1	47.5	21.7	21.1	18.8	18.2	<b>18.0</b>	<b>18.0</b>	Avg Ann'l P/E Ratio	18.0
.88	.84	.87	1.01	.91	.82	.93	1.01	1.81	2.08	3.51	2.98	1.38	1.19	.99	.92	<b>1.15</b>	<b>1.15</b>	Relative P/E Ratio	1.15
4.7%	3.8%	3.7%	4.0%	4.2%	4.1%	3.9%	3.5%	3.6%	5.4%	5.7%	5.6%	5.2%	4.1%	4.1%	4.3%	<b>4.3%</b>	<b>4.3%</b>	Avg Ann'l Div'd Yield	3.5%

**CAPITAL STRUCTURE as of 9/30/16**  
 Total Debt \$583.4 mill. Due in 5 Yrs \$167.0 mill.  
 LT Debt \$460.8 mill. LT Interest \$28.0 mill.  
 (LT interest earned: 3.6x)

Leases, Uncapitalized Annual rentals \$7 mill.  
 Pension Assets-12/15 \$233.6 mill. Oblig. \$302.7 mill.  
 Pfd Stock None

Common Stock 39,268,205 shs. as of 10/31/16  
 MARKET CAP: \$1.5 billion (Mid Cap)

1105.0	1238.9	1311.2	1039.5	1119.1	1077.9	859.2	893.3	799.3	779.8	800	825	Revenues (\$mill)	1050
50.8	54.0	35.1	26.0	13.6	16.4	39.0	50.2	56.9	58.6	60.0	65.0	Net Profit (\$mill)	90.0
34.8%	34.1%	30.0%	--	--	14.5%	5.2%	21.3%	22.5%	27.0%	<b>25.0%</b>	<b>25.0%</b>	Income Tax Rate	30.0%
1.9%	4.2%	6.1%	4.0%	6%	3.8%	1.7%	--	1.7%	3.6%	<b>3.0%</b>	<b>4.0%</b>	AFUDC % to Net Profit	5.0%
33.5%	38.9%	32.9%	38.8%	40.2%	44.6%	44.0%	42.1%	46.5%	42.4%	<b>42.5%</b>	<b>43.5%</b>	Long-Term Debt Ratio	45.5%
64.5%	59.4%	65.6%	59.8%	58.4%	54.0%	54.4%	57.9%	53.5%	57.6%	<b>57.5%</b>	<b>56.5%</b>	Common Equity Ratio	54.5%
763.0	882.1	1032.5	1124.4	1083.3	1058.9	959.2	924.4	1071.3	1051.0	1175	1315	Total Capital (\$mill)	1650
718.6	854.0	1037.6	1098.6	1108.7	1077.5	1049.5	1167.0	1268.5	1387.8	1475	1550	Net Plant (\$mill)	1900
7.7%	7.2%	4.3%	3.4%	2.7%	3.2%	5.7%	6.7%	6.7%	6.7%	<b>6.0%</b>	<b>6.0%</b>	Return on Total Cap'l	6.5%
10.0%	10.0%	5.1%	3.8%	2.1%	2.8%	7.3%	9.4%	9.9%	9.7%	<b>9.0%</b>	<b>9.0%</b>	Return on Shr. Equity <sup>E</sup>	10.0%
10.2%	10.2%	5.1%	3.8%	2.0%	2.7%	7.3%	9.3%	9.9%	9.7%	<b>9.0%</b>	<b>9.0%</b>	Return on Com Equity	10.0%
3.3%	3.5%	NMF	NMF	NMF	NMF	NMF	1.2%	2.2%	2.0%	<b>1.5%</b>	<b>2.0%</b>	Retained to Com Eq	3.5%
68%	66%	108%	NMF	NMF	NMF	113%	87%	78%	79%	<b>82%</b>	<b>79%</b>	All Div'ds to Net Prof	64%

**ELECTRIC OPERATING STATISTICS**

	2013	2014	2015
% Change Retail Sales (KWH)	+5.8	+4.6	-2.2
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	NA	NA	NA

Fixed Charge Cov. (%) 359 336 350

**BUSINESS:** Otter Tail Corporation is the parent of Otter Tail Power Company, which supplies electricity to over 130,000 customers in Minnesota (50% of retail elec. revs.), North Dakota (41%), and South Dakota (9%). Electric rev. breakdown, '15: residential, 32%; commercial & farms, 35%; industrial, 30%; other, 3%. Fuel costs: 15.5% of revenues. Also has operations in manufacturing and plastics. 2015 depr. rate: 2.9%. Has 2,005 employees. Off. and dir. own 1.6% of common stock; Cascade Investment, LLC, 9.1%; The Vanguard Group, 7.1%; BlackRock, Inc., 5.4% (3/16 Proxy). CEO: Charles MacFarlane. Inc.: MN. Address: 215 South Cascade St., P.O. Box 496, Fergus Falls, Minnesota 56538-0496. Telephone: 866-410-8780. Internet: www.ottertail.com.

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '13-'15 to '19-'21

Revenues	-3.5%	-7.0%	1.5%
"Cash Flow"	-5%	2.5%	5.5%
Earnings	-5%	15.5%	6.0%
Dividends	1.0%	.5%	1.5%
Book Value	.5%	-3.5%	5.5%

**Otter Tail posted lackluster results for the third quarter.** The top line declined slightly, on a year-to-year basis. The utility continued to report solid operational performance, though milder weather hurt demand. Moreover, the electric segment recorded an additional estimate of refunds for revenue collected under interim rates. Elsewhere, results at the Plastics segment were impacted by lower sales prices, though volume remained stable here. Overall, costs remained in check, though the share count did increase. All told, earnings per share of \$0.37 were no match for the prior-year tally. We expect a somewhat better showing for the fourth quarter. Wall Street seems to agree, as the stock has continued to advance in price over the past three months.

through 2020. Elsewhere, custom-metal fabricator BTD has posted stable results lately, despite ongoing challenges faced by some of its customers that manufacture equipment used in agriculture and oil & gas extraction. With expanded facilities and service offerings, BTD ought to be in an enviable position when its operating climate improves.

**QUARTERLY REVENUES (\$mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	218.0	212.4	229.8	233.1	893.3
2014	215.0	194.4	196.5	193.4	799.3
2015	202.8	188.2	200.0	188.8	779.8
2016	206.2	203.5	197.2	193.1	800
2017	212	208	205	200	825

**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 this renewable source.

**EARNINGS PER SHARE <sup>A</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.41	.21	.41	.35	1.37
2014	.59	.27	.43	.28	1.55
2015	.37	.36	.42	.41	1.56
2016	.38	.41	.37	.42	1.58
2017	.40	.39	.42	.44	1.65

**We envision healthy growth from 2017 onward.** Utility Otter Tail Power Company should continue to post solid results. Its two 345-kilovolt transmission projects remain on schedule and on budget. These investments, along with other projects, are expected to drive a compound annual growth rate of 8.0% in the utility rate base

**This stock is neutrally ranked for Timeliness.** We expect healthy improvement in revenues and earnings for the company over the pull to 2019-2021. But this appears to be largely discounted by the recent quotation, as the shares are trading well within our Target Price Range. All things considered, most investors can probably find more-attractive choices elsewhere.

**QUARTERLY DIVIDENDS PAID <sup>B</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.298	.298	.298	.298	1.19
2013	.298	.298	.298	.298	1.19
2014	.303	.303	.303	.303	1.21
2015	.308	.308	.308	.308	1.23
2016	.313	.313	.313	.313	

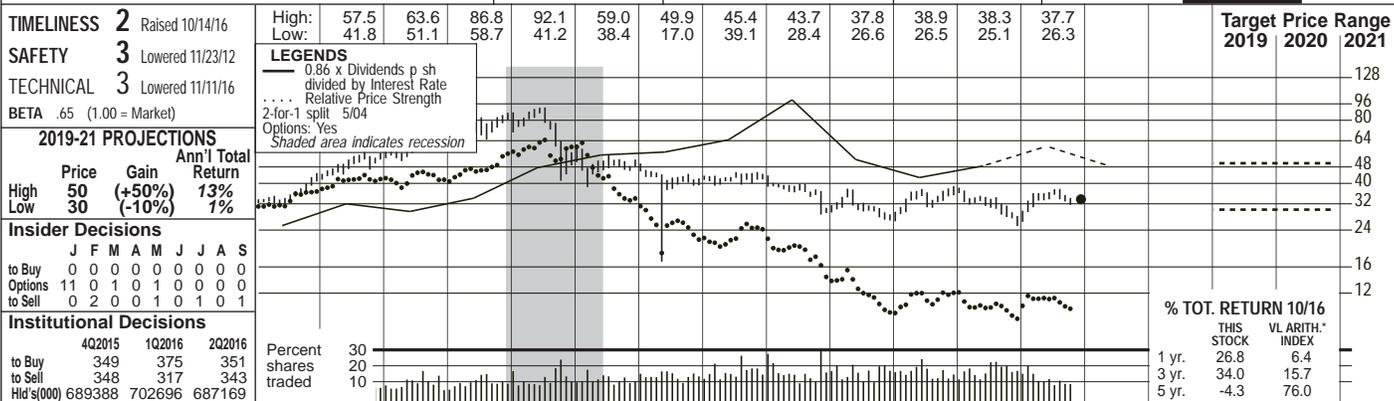
Michael Napoli, CFA December 16, 2016

(A) Diluted earnings. Excl. nonrecurring gains (losses): '10, (44¢); '11, 26¢; '13, 2¢; gains (losses) from discount operations: '04, 8¢; '05, 33¢; '06, 1¢; '11, (\$1.11); '12, (\$1.22); '13, 2¢; '14, 2¢; '15, 2¢. Earnings may not sum due to rounding. Next earnings report due early February. (B) Div'ds historically paid in early March, June, Sept., and Dec. (C) Div'd reinvestment plan avail. (D) Incl. intangibles. In '15: \$55.4 mill., \$1.46/sh. (E) In mill. (F) Regulatory Climate: MN, ND, Average; SD, Above Average.

# EXELON CORP. NYSE-EXC

RECENT PRICE **33.66** P/E RATIO **13.0** (Trailing: 18.7; Median: 15.0) RELATIVE P/E RATIO **0.72** DIV'D YLD **3.8%**

**VALUE LINE**



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
11.75	23.58	23.13	24.09	21.85	23.05	23.37	28.62	28.65	26.25	28.17	28.53	27.48	29.03	31.90	32.01	<b>33.50</b>	<b>32.95</b>	Revenues per sh	<b>35.75</b>
1.84	5.06	5.03	5.06	5.68	6.19	6.71	7.43	7.64	8.25	8.32	7.23	6.61	6.72	6.61	6.80	<b>7.45</b>	<b>8.45</b>	"Cash Flow" per sh	<b>9.50</b>
1.39	2.20	2.40	2.44	2.75	3.21	3.50	4.03	4.10	4.29	3.87	3.75	1.92	2.31	2.10	2.54	<b>1.85</b>	<b>2.80</b>	Earnings per sh <sup>A</sup>	<b>3.25</b>
--	.91	.88	.96	1.26	1.60	1.64	1.82	2.05	2.10	2.10	2.10	2.10	1.46	1.24	1.24	<b>1.26</b>	<b>1.29</b>	Div'd Decl'd per sh <sup>B</sup>	<b>1.50</b>
1.18	3.18	3.33	2.98	2.89	3.25	3.61	4.05	4.74	4.96	5.03	6.09	6.77	6.29	7.07	8.29	<b>9.40</b>	<b>7.35</b>	Cap'l Spending per sh	<b>5.75</b>
11.31	12.82	11.97	12.95	14.19	13.69	14.89	15.34	16.78	19.16	20.49	21.68	25.07	26.52	26.29	28.04	<b>28.05</b>	<b>29.90</b>	Book Value per sh <sup>C</sup>	<b>35.00</b>
638.01	642.01	646.63	656.37	664.19	666.37	669.86	660.88	658.15	659.76	661.85	663.37	854.78	857.29	859.83	919.92	<b>925.00</b>	<b>956.00</b>	Common Shs Outst'g <sup>D</sup>	<b>965.00</b>
22.4	13.2	10.5	11.8	13.0	15.4	16.5	18.2	18.0	11.5	11.0	11.3	19.1	13.4	16.0	12.6	<b>12.6</b>	<b>12.6</b>	Avg Ann'l P/E Ratio	<b>12.5</b>
1.46	.68	.57	.67	.69	.82	.89	.97	1.08	.77	.70	.71	1.22	.75	.84	.64	<b>.64</b>	<b>.64</b>	Relative P/E Ratio	<b>.80</b>
--	3.1%	3.5%	3.4%	3.5%	3.2%	2.8%	2.5%	2.8%	4.3%	4.9%	5.0%	5.7%	4.7%	3.7%	3.9%	<b>3.9%</b>	<b>3.9%</b>	Avg Ann'l Div'd Yield	<b>3.7%</b>

**CAPITAL STRUCTURE as of 9/30/16**  
 Total Debt \$36051 mill. Due in 5 Yrs \$12658 mill.  
 LT Debt \$32972 mill. LT Interest \$1273 mill.  
 Includes \$642 mill. nonrecourse transition bonds.  
 (LT interest earned: 4.1x)  
 Leases, Uncapitalized Annual rentals \$133 mill.

**Pension Assets-12/15** \$14347 mill. **Oblig** \$17753 mill.

**Pfd Stock** None

**Common Stock** 923,270,314 shs.

**MARKET CAP: \$31 billion (Large Cap)**

15655	18916	18859	17318	18644	18924	23489	24888	27429	29447	<b>31000</b>	<b>31500</b>	Revenues (\$mill)	<b>34500</b>
2370.0	2730.0	2721.0	2844.0	2567.0	2499.0	1579.0	1999.0	1826.0	2282.0	<b>1750</b>	<b>2660</b>	Net Profit (\$mill)	<b>3235</b>
33.7%	34.6%	32.6%	38.8%	39.2%	36.8%	32.4%	36.5%	27.2%	32.2%	<b>33.0%</b>	<b>33.0%</b>	Income Tax Rate	<b>33.0%</b>
1.6%	1.8%	1.3%	2.3%	2.1%	3.0%	5.8%	4.5%	5.5%	5.4%	<b>6.0%</b>	<b>3.0%</b>	AFUDC % to Net Profit	<b>3.0%</b>
54.2%	53.9%	53.1%	47.2%	46.8%	45.7%	45.8%	44.4%	46.7%	48.3%	<b>53.5%</b>	<b>52.5%</b>	Long-Term Debt Ratio	<b>50.5%</b>
45.4%	45.7%	46.6%	52.4%	52.9%	54.0%	53.5%	55.2%	52.8%	51.3%	<b>46.5%</b>	<b>47.5%</b>	Common Equity Ratio	<b>49.5%</b>
21971	22189	23726	24112	25651	26661	40057	41196	42811	50272	<b>56025</b>	<b>60275</b>	Total Capital (\$mill)	<b>68000</b>
22775	24153	25813	27341	29941	32570	45186	47330	52087	57439	<b>71450</b>	<b>73600</b>	Net Plant (\$mill)	<b>74800</b>
12.5%	14.1%	13.1%	13.3%	11.4%	10.6%	5.1%	5.9%	5.3%	5.5%	<b>4.0%</b>	<b>5.5%</b>	Return on Total Cap'l	<b>6.0%</b>
23.6%	26.7%	24.4%	22.3%	18.8%	17.3%	7.3%	8.7%	8.0%	8.8%	<b>6.5%</b>	<b>9.5%</b>	Return on Shr. Equity	<b>9.5%</b>
23.7%	26.9%	24.6%	22.5%	18.9%	17.3%	7.3%	8.7%	8.0%	8.8%	<b>6.5%</b>	<b>9.5%</b>	Return on Com Equity <sup>E</sup>	<b>9.5%</b>
13.0%	15.3%	12.5%	11.5%	8.7%	7.7%	NMF	3.2%	3.3%	4.5%	<b>2.0%</b>	<b>5.0%</b>	Retained to Com Eq	<b>5.5%</b>
45%	43%	49%	49%	54%	56%	109%	63%	59%	49%	<b>67%</b>	<b>46%</b>	All Div'ds to Net Prof	<b>45%</b>

**ELECTRIC OPERATING STATISTICS**

	2013	2014	2015
% Change Retail Sales (KWH)	-5	-7	-1.0
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NMF	NMF	NMF
Capacity at Peak (Mw)	NA	NA	NA
Peak Load (Mw)	NA	NA	NA
Nuclear Capacity Factor (%)	94.1	94.3	NA
% Change Customers (yr-end)	+6	+6	+1.1

Fixed Charge Cov. (%) 338 263 367

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '13-'15 of change (per sh)

Revenues	3.0%	2.5%	2.5%
"Cash Flow"	1.5%	-3.5%	6.0%
Earnings	-2.0%	-10.5%	6.0%
Dividends	.5%	-9.0%	2.5%
Book Value	7.0%	7.5%	4.5%

**BUSINESS:** Exelon Corporation is a holding company for Commonwealth Edison, PECO Energy, Baltimore Gas and Electric, Pepco, Delmarva Power, & Atlantic City Electric. Has 8.6 mill. elec., 1.3 mill. gas customers. Has unregulated generating & energy-marketing ops. Acq'd Constellation Energy 3/12; Pepco Holdings 3/16. Elec. rev. breakdown: res'l, 63%; small comm'l & ind'l, 23%; large comm'l & ind'l, 13%; other, 1%. Generating sources: nuclear, 68%; other, 8%; purch., 24%. Fuel costs: 44% of revs. '15 depr. rates: 2.8%-3.5% elec., 2.2% gas. Has 34,000 empls. Chairman: Mayo A. Shattuck III. Pres. & CEO: Christopher M. Crane. Inc.: PA. Address: 10 S. Dearborn St., P.O. Box 805379, Chicago, IL 60680-5379. Tel.: 312-394-7398. Internet: www.exeloncorp.com.

**EXELON SHOULD SOON GET DECISIONS AFFECTING UNREGULATED 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 New York, the commission enacted rules to subsidize nuclear plants, including a unit that Exelon intends to buy from Entergy for \$110 million. This would boost annual share net by \$0.08-\$0.10, and the purchase would add another \$0.02-\$0.08. There are legal challenges to the new rules, however. **Conditions in the power markets remain weak.** The statistical array shows how earnings have fallen from their peak in 2009. In fact, this prompted the board of directors to cut the dividend in 2013, and it wasn't until this year that the board declared a modest increase in the payout. **The utilities that Exelon acquired in the Pepco deal need rate relief.** They

are underearning their allowed returns on equity by a wide margin. Atlantic City Electric has already seen its tariffs boosted by \$45 million, based on a 9.75% ROE. Pepco is asking for rate hikes of \$102.8 million in Maryland and \$82.1 million in Washington DC. Delmarva filed for electric increases of \$62.8 million and \$57.0 million in Delaware and Maryland, respectively, and a gas hike of \$21.5 million in Delaware. Each of these requests is based on a 10.6% ROE. A ruling for Pepco in Maryland was expected shortly after this report went to press. Orders in the other cases are expected in 2017. Additional filings are planned for next year. **Earnings should be much improved in 2017.** Expenses associated with the Pepco takeover earlier this year have hurt Exelon's profits, but will make the comparison easier in 2017. Exelon should also benefit from rate relief next year. **Timely Exelon stock has a dividend yield that is somewhat above the utility average.** Total return potential to 2019-2021 also compares favorably with most equities in this group. *Paul E. Debbas, CFA November 18, 2016*

Cal-endar	QUARTERLY REVENUES (\$ mill.)	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	Year
2013	6082 6141 6502 6163	24888
2014	7237 6024 6912 7256	27429
2015	8830 6514 7401 6702	29447
2016	7573 6910 9002 7515	<b>31000</b>
2017	<b>8000 7100 8700 7700</b>	<b>31500</b>

Cal-endar	EARNINGS PER SHARE <sup>A</sup>	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	Year
2013	.30 .57 .86 .59	2.31
2014	.10 .68 .96 .35	2.10
2015	.80 .74 .69 .33	2.54
2016	.26 .45 .76 .38	<b>1.85</b>
2017	<b>.75 .70 .90 .45</b>	<b>2.80</b>

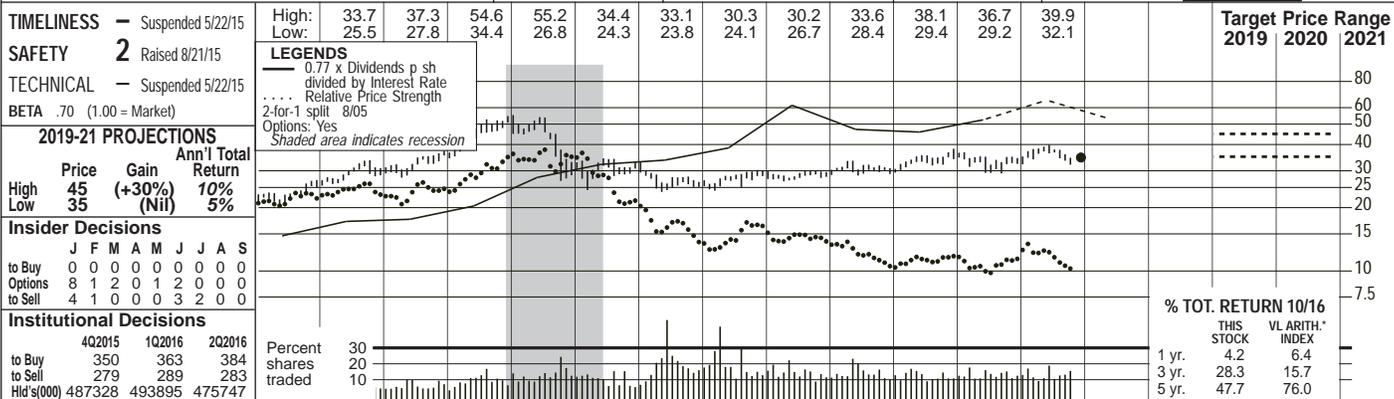
  

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	Year
2012	.525 .525 .525 .525	2.10
2013	.525 .31 .31 .31	1.46
2014	.31 .31 .31 .31	1.24
2015	.31 .31 .31 .31	1.24
2016	.31 .31 .318	

(A) Diluted eqs. Excl. nonrec. gain (losses): '03, (\$1.06); '05, (\$1.85); '06, (\$1.15); '09, (20¢); '12, (50¢); '13, (31¢); '14, 23¢; '16, (48¢). '13-'15 EPS don't add due to rounding or chg. in shs. Next eqs. report due early Feb. (B) Div'ds paid in early Mar., June, Sept., & Dec. (C) Div'd reinv. plan avail. (D) Incl. def'd chgs. In '15: \$0.02/sh. (E) In mill., adj. for split. (F) Rate all'd on com. eq. in IL in '15: 9.25%; in MD in '16: 9.75% elec., 9.65% gas; in NJ in '16: 9.75%; earn. on avg. com. eq., '15: 9.4%. Reg. Clim.: PA, NJ Avg.; IL, MD, Below Avg.

# PPL CORPORATION NYSE-PPL

RECENT PRICE **34.74** P/E RATIO **14.6** (Trailing: 12.8; Median: 14.0) RELATIVE P/E RATIO **0.81** DIV'D YLD **4.5%** VALUE LINE



**TIMELINESS** - Suspended 5/22/15  
**SAFETY** 2 Raised 8/21/15  
**TECHNICAL** - Suspended 5/22/15  
**BETA** .70 (1.00 = Market)

**2019-21 PROJECTIONS**

Price	45	Gain	(+30%)	Ann'l Total Return	10%
High	45	Low	35		5%

**Insider Decisions**

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	8	1	2	0	1	2	0	0	0
to Sell	4	1	0	0	0	3	2	0	0

**Institutional Decisions**

	4Q2015	1Q2016	2Q2016
to Buy	350	363	384
to Sell	279	289	283
Hld's(000)	487328	493895	475747

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
19.59	19.53	16.38	15.75	15.37	16.36	17.92	17.41	21.47	20.03	17.63	22.02	21.11	18.82	17.27	11.38	<b>10.95</b>	<b>10.00</b>	Revenues per sh	10.75
3.32	3.51	3.20	3.60	3.59	3.84	4.26	5.10	4.71	3.47	3.66	4.59	4.84	4.64	4.58	3.78	<b>4.15</b>	<b>3.75</b>	"Cash Flow" per sh	4.25
1.64	1.79	1.54	1.84	1.87	1.92	2.29	2.63	2.45	1.19	2.29	2.61	2.61	2.38	2.38	2.37	<b>2.65</b>	<b>2.15</b>	Earnings per sh <sup>A</sup>	2.50
.53	.53	.72	.77	.82	.96	1.10	1.22	1.34	1.38	1.40	1.40	1.44	1.47	1.49	1.50	<b>1.52</b>	<b>1.58</b>	Div'd Decl'd per sh <sup>B</sup>	1.76
1.59	2.99	2.74	2.17	1.94	2.13	3.62	4.51	3.79	3.25	3.30	4.30	5.34	6.68	6.14	5.24	<b>4.65</b>	<b>4.50</b>	Cap'l Spending per sh	4.50
6.94	6.33	6.71	9.19	11.21	11.62	13.30	14.88	13.55	14.57	16.98	18.72	18.01	19.78	20.47	14.72	<b>15.95</b>	<b>16.65</b>	Book Value per sh <sup>C</sup>	19.00
290.08	293.16	331.47	354.72	378.14	380.15	385.04	373.27	374.58	377.18	483.39	578.41	581.94	630.32	665.85	673.86	<b>677.00</b>	<b>680.00</b>	Common Shs Outst'g <sup>D</sup>	692.00
8.9	12.4	11.1	10.6	12.5	15.1	14.1	17.3	17.6	NMF	11.9	10.5	10.9	12.8	14.1	13.9	<b>13.9</b>	<b>13.9</b>	Avg Ann'l P/E Ratio	16.0
.58	.64	.61	.60	.66	.80	.76	.92	1.06	NMF	.76	.66	.69	.72	.74	.70	<b>.74</b>	<b>.70</b>	Relative P/E Ratio	1.00
3.6%	2.4%	4.2%	4.0%	3.5%	3.3%	3.4%	2.7%	3.1%	4.5%	5.1%	5.1%	5.1%	4.8%	4.4%	4.5%	<b>4.4%</b>	<b>4.5%</b>	Avg Ann'l Div'd Yield	4.4%

**CAPITAL STRUCTURE as of 9/30/16**  
 Total Debt \$19148 mill. Due in 5 Yrs \$3104 mill.  
 LT Debt \$18069 mill. LT Interest \$741 mill.  
 Incl. 23 mill. units 7.75%, \$25 liq. value; 82,000 units 8.23%, \$1000 face value.  
 (LT interest earned: 3.7x)

**Leases, Uncapitalized** Annual rentals \$33 mill.  
**Pension Assets-12/15** \$10852 mill.  
**Oblig** \$12267 mill.

**Pfd Stock None**  
**Common Stock** 679,627,323 shs.  
 as of 10/26/16  
**MARKET CAP: \$24 billion (Large Cap)**

**ELECTRIC OPERATING STATISTICS**

	2013	2014	2015
% Change Retail Sales (KWH)	+1.2	-1.1	-5
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (c)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	NA	NA	NA

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '13-'15 of change (per sh)

	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
Revenues	-	-4.5%	NMF
"Cash Flow"	1.5%	2.0%	NMF
Earnings	2.5%	4.0%	NMF
Dividends	5.5%	1.5%	3.0%
Book Value	5.5%	4.0%	NMF

**QUARTERLY REVENUES (\$ mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	2457	3450	3105	2848	11860
2014	1194	2833	3449	4023	11499
2015	2230	1781	1878	1780	7669
2016	2011	1785	1889	1715	7400
2017	1900	1600	1700	1600	6800

**EARNINGS PER SHARE <sup>A</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.65	.63	.62	.46	2.38
2014	.50	.32	.73	.82	2.38
2015	.82	.37	.59	.60	2.37
2016	.71	.71	.69	.54	2.65
2017	.70	.45	.55	.45	2.15

**QUARTERLY DIVIDENDS PAID <sup>B</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.35	.36	.36	.36	1.43
2013	.36	.3675	.3675	.3675	1.46
2014	.3675	.3725	.3725	.3725	1.49
2015	.3725	.3725	.3725	.3775	1.50
2016	.3775	.38	.38	.38	1.50

**BUSINESS:** PPL Corporation (formerly PP&L Resources, Inc.) is a holding company for PPL Electric Utilities (formerly Pennsylvania Power & Light Company), which distributes electricity to 1.4 million customers in eastern & central PA. Acq'd Kentucky Utilities and Louisville Gas and Electric (1.2 million customers) 11/10. Has electric distribution sub. in U.K. (7.8 million customers). Sold gas distribution subsidiary in '08. Spun off power generating subsidiary in '15. The company no longer breaks out data on electric operating statistics. Fuel costs: 22% of revs. '15 reported deprec. rate: 2.6%. Has 12,800 employees. Chairman, President & CEO: William H. Spence, Inc.: PA. Address: Two North Ninth St., Allentown, PA 18101-1179. Tel.: 800-345-3085. Internet: www.pplweb.com.

**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 barely moved. PPL has utility operations in the United Kingdom, so 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 management put into place since the pound declined, PPL has no currency exposure for the remainder of 2016 and minimal exposure for 2017. For 2018, as of October 21st the company had hedged 93% of its currency exposure at a rate of \$1.42/£. Note, too, that PPL has some hedge gains for 2016 and 2017 locked in that may be used to reduce its currency exposure in 2018 and 2019.

**Earnings will probably decline in 2017.** This is due to the unfavorable swing in exchange rates. In addition, the U.K. operations expect lower incentive revenues compared with the 2016 level. Our 2017 profit forecast is at the midpoint of the company's guidance of \$2.05-\$2.25 a share.

Note, too, that our earnings presentation for 2016 includes a net foreign currency benefit of \$0.20 a share through the first nine months.

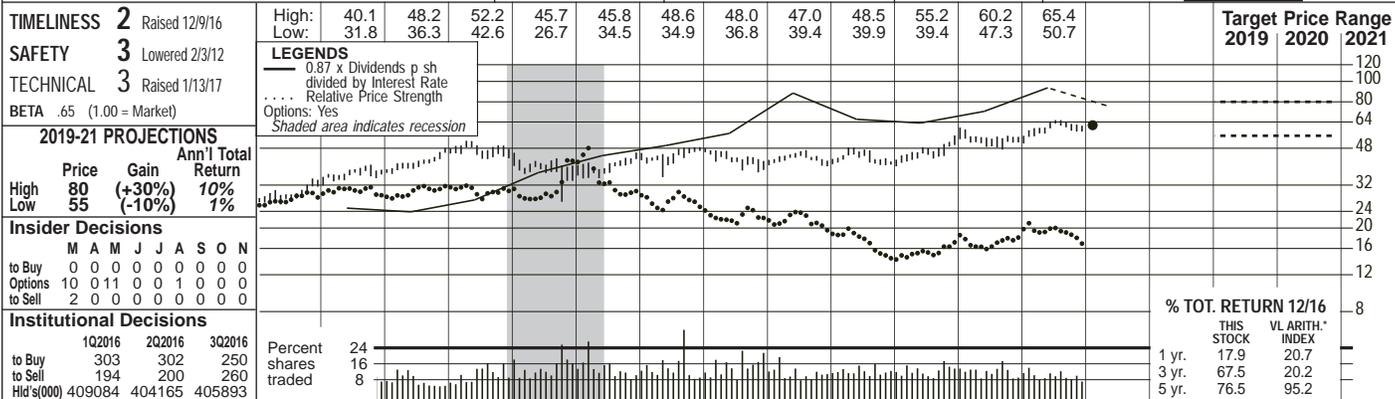
**PPL's utilities in Kentucky will soon file rate cases.** Kentucky Utilities will request an increase of \$103.1 million, and Louisville Gas and Electric will seek hikes of \$93.6 million and \$13.8 million for electricity and gas, respectively. Each utility will base its application on a 10.23% return on equity. New tariffs will take effect in July. Note that the two utilities in Kentucky already get current cost recovery of environmental expenditures.

**PPL stock offers an attractive dividend yield.** This is about a percentage point above the utility average, and is based on our expectation of \$0.06-a-share (3.9%) increase in the annual disbursement in 2017. Total return potential to 2019-2021 is also above average for the group. The stock's Timeliness rank remains suspended because the spinoff of PPL's nonregulated generating business in 2015 made year-to-year earnings comparisons misleading.

*Paul E. Debbas, CFA November 18, 2016*

(A) Dil. EPS. Excl. nonrec. gain (losses): '07, (12c); '10, (8c); '11, 8c; '13, (62c); gains (losses) on disc. ops.: '07, 19c; '08, 3c; '09, (10c); '10, (4c); '12, (1c); '14, 23c; '15, (\$1.36). '13 EPS don't add due to chg. in shs., '14 & '15 to rounding. Next eqs. rept. due early Feb. (B) Div'ds histor. pd. in early Jan., Apr., July, & Oct. = Div'd reinv. plan avail. (C) Incl. intang. In '15: \$8.85/sh. (D) In mill., adj. for split. (E) Rate base: Fair val. Rate all'd on com. eq. in PA in '16: none spec.; in KY in '15: none spec.; earn. on avg. com. eq., '15: 13.0%. Reg. Clim.: Avg.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	10
Earnings Predictability	65



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21	
67.75	63.18	32.74	25.05	26.47	31.78	36.02	37.42	40.51	36.15	35.02	36.28	34.92	34.16	35.91	34.21	33.95	34.55	34.55	Revenues per sh	38.75
.80	5.66	1.14	4.80	5.71	7.12	7.76	8.02	8.44	8.37	8.22	8.08	7.32	6.33	8.13	7.29	8.55	9.60	9.60	"Cash Flow" per sh	10.75
d9.21	3.02	d2.36	2.05	2.12	2.35	2.76	2.78	3.22	3.03	2.82	2.78	2.07	1.83	3.06	2.00	2.90	3.65	3.65	Earnings per sh <sup>A</sup>	4.25
1.20	--	--	--	--	1.23	1.32	1.44	1.56	1.68	1.82	1.82	1.82	1.82	1.82	1.82	1.93	2.08	2.08	Div'd Decl'd per sh <sup>B</sup> +	2.70
4.54	7.33	9.44	4.08	3.72	4.90	6.90	7.83	10.05	10.68	9.62	9.79	10.74	11.40	10.16	10.51	11.25	11.65	11.65	Cap'l Spending per sh	11.50
8.19	11.89	9.47	10.12	20.62	19.60	22.44	24.18	25.97	27.88	28.55	29.35	30.35	31.41	33.09	33.69	35.20	37.20	37.20	Book Value per sh <sup>C</sup>	43.00
387.19	363.38	381.67	416.52	418.62	368.27	348.14	353.72	361.06	370.60	395.23	412.26	430.72	456.67	475.91	492.03	507.00	515.00	515.00	Common Shs Outst'g <sup>D</sup>	530.00
--	4.8	--	9.5	13.8	15.4	14.8	16.8	12.1	13.0	15.8	15.5	20.7	23.7	15.0	26.4	20.6	20.6	20.6	Avg Ann'l P/E Ratio	15.5
--	.25	--	.54	.73	.82	.80	.89	.73	.87	1.01	.97	1.32	1.33	.79	1.33	1.10	1.10	1.10	Relative P/E Ratio	.95
4.8%	--	--	--	--	3.4%	3.2%	3.1%	4.0%	4.3%	4.1%	4.2%	4.2%	4.2%	4.0%	3.4%	3.2%	3.2%	3.2%	Avg Ann'l Div'd Yield	4.1%

CAPITAL STRUCTURE as of 9/30/16		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Revenues (\$mill)	20600
Total Debt \$17833 mill. Due in 5 Yrs \$4718 mill.		12539	13237	14628	13399	13841	14956	15040	15598	17090	16833	17200	17800	17800	17800	17800	17800	17800	17800	17800	20600
LT Debt \$16528 mill. LT Interest \$766 mill.		1005.0	1020.0	1198.0	1168.0	1113.0	1132.0	893.0	828.0	1450.0	988.0	1460	1910	1910	1910	1910	1910	1910	1910	1910	2320
(LT interest earned: 1.8x)		35.5%	34.6%	26.2%	31.1%	33.0%	30.3%	23.9%	24.5%	19.2%	19.2%	25.0%	25.5%	25.0%	25.5%	25.0%	25.5%	25.0%	25.5%	27.0%	27.0%
Pension Assets-12/15 \$13745 mill.		6.7%	9.4%	9.5%	11.9%	14.4%	11.2%	17.5%	17.9%	10.0%	15.7%	11.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	7.0%
Obliq. \$16299 mill.		51.7%	52.6%	52.2%	51.4%	49.6%	48.8%	48.7%	46.6%	48.5%	48.8%	49.5%	49.0%	48.5%	48.8%	49.5%	49.0%	48.5%	48.8%	48.0%	48.0%
Pfd Stock \$252 mill. Pfd Div'd \$14 mill.		46.8%	46.1%	46.5%	47.4%	49.3%	50.2%	50.4%	52.5%	50.7%	50.4%	49.5%	50.5%	50.7%	50.4%	49.5%	50.5%	50.5%	50.5%	51.5%	51.5%
4,534,958 shs. 4.36% to 5%, cumulative and \$25 par, redeemable from \$25.75 to \$27.25; 5,784,825 shs. 5.00% to 6.00%, cumulative nonredeemable and \$25 par.		16696	18558	20163	21793	22863	24119	25956	27311	31050	32858	35925	37950	37950	37950	37950	37950	37950	37950	37950	44500
Common Stock 505,666,694 shs. as of 10/24/16		21785	23656	26261	28892	31449	33655	37523	41252	43941	46723	49550	52500	52500	52500	52500	52500	52500	52500	52500	60700
MARKET CAP: \$31 billion (Large Cap)		7.6%	7.4%	7.8%	6.7%	6.2%	5.9%	4.7%	4.2%	5.8%	4.1%	5.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.5%	6.5%
ELECTRIC OPERATING STATISTICS		12.5%	11.6%	12.4%	11.0%	9.6%	9.2%	6.7%	5.7%	9.1%	5.9%	8.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
2013 2014 2015		12.7%	11.8%	12.6%	11.2%	9.7%	9.2%	6.7%	5.7%	9.1%	5.9%	8.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
% Change Retail Sales (KWH)		6.8%	6.0%	6.8%	5.5%	3.9%	3.4%	1.0%	.2%	3.9%	.7%	2.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.0%	4.0%
Avg. Indust. Use (MWH)		47%	50%	47%	52%	61%	63%	85%	96%	58%	88%	67%	56%	56%	56%	56%	56%	56%	56%	62%	62%
Avg. Indust. Revs. per KWH (c)		<p><b>BUSINESS:</b> PG&amp;E Corporation is a holding company for Pacific Gas and Electric Company and nonutility subsidiaries. Supplies electricity and gas to most of northern and central California. Has 5.3 million electric and 4.4 million gas customers. Electric revenue breakdown: residential, 38%; commercial, 40%; industrial, 12%; agricultural, 9%; other, 1%. Generating sources: nuclear, 23%; gas, 9%; hydro, 5%; purchased, 63%. Fuel costs: 34% of revenues. <sup>15</sup> reported depreciation rate (utility): 3.8%. Has 23,000 employees. Chairman, President &amp; Chief Executive Officer: Anthony F. Earley, Jr. President &amp; CEO (effective 3/1/17): Geisha J. Williams. Inc. California. Address: 77 Beale Street, P.O. Box 770000, San Francisco, CA 94177. Tel.: 415-973-1000. Internet: www.pgecorp.com.</p>																			

**PG&E is awaiting an order on its general rate case.** The utility reached a contested settlement 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 new year.

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)	10 Yrs.	5 Yrs.	to '19-'21
Revenues	2.5%	-1.5%	2.0%
"Cash Flow"	2.0%	-3.0%	7.0%
Earnings	.5%	-5.5%	11.0%
Dividends	--	1.5%	7.0%
Book Value	7.0%	3.5%	4.5%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	Year
2013	3672	3776	4175	3975	15598
2014	3891	3952	4939	4308	17090
2015	3899	4217	4550	4167	16833
2016	3974	4169	4810	4247	17200
2017	4200	4400	4800	4400	17800

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	Year
2013	.55	.74	.36	.19	1.83
2014	.49	.57	1.71	.27	3.06
2015	.27	.83	.63	.27	2.00
2016	.22	.46	.77	1.45	2.90
2017	.85	.75	1.30	.75	3.65

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup> +				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	Year
2013	.455	.455	.455	.455	1.82
2014	.455	.455	.455	.455	1.82
2015	.455	.455	.455	.455	1.82
2016	.455	.455	.49	.49	1.89
2017	.49	--	--	--	--

**Earnings should return to a normal level beginning in 2017.** Ever since a gas pipeline exploded 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 because 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-\$600 million in 2017. PG&E has issued 2017 share-earnings guidance of \$3.51-\$3.80 a share based on GAAP. Our previous forecast of \$3.90 was too optimistic, so we have lowered it by \$0.25 a share. **A cost-of-capital filing is possible this year.** Note that California regulation looks at the cost of capital in proceedings that are separate from general rate cases. In recent years, utilities in California have reached settlements regarding the cost of capital. They will try collectively for an agreement this year; if one isn't reached, they will file cost-of-capital cases in April, with rulings to take effect in 2018. **Now that dividend growth has resumed, increases should come at a healthy pace.** Understandably, the board did not raise the disbursement for five years after the San Bruno accident. In 2016, the directors declared a 7.7% boost, and we look for another solid hike this year. **This timely stock has a dividend yield and 3- to 5-year total return potential that are close to the averages for the utility industry.**

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	35
Earnings Predictability	50

**To subscribe call 1-800-VALUELINE**

Paul E. Debbas, CFA January 27, 2017

# PINNACLE WEST NYSE-PNW

RECENT PRICE **78.00** P/E RATIO **18.7** (Trailing: 20.3 Median: 15.0) RELATIVE P/E RATIO **0.94** DIV'D YLD **3.4%** VALUE LINE

TIMELINESS <b>3</b> Lowered 10/14/16	High: 46.7	51.0	51.7	42.9	38.0	42.7	48.9	54.7	61.9	71.1	73.3	82.8	Target Price Range
SAFETY <b>1</b> Raised 5/3/13	Low: 39.8	38.3	36.8	26.3	22.3	32.3	37.3	45.9	51.5	51.2	56.0	62.5	2019 2020 2021
TECHNICAL <b>3</b> Raised 1/27/17	<p>LEGENDS</p> <p>0.67 x Dividends p sh divided by Interest Rate</p> <p>Relative Price Strength</p> <p>Options: Yes</p> <p>Shaded area indicates recession</p>												
BETA .70 (1.00 = Market)													

2019-21 PROJECTIONS													© VALUE LINE PUB. LLC	
High	Price	Gain	Ann'l Total										% TOT. RETURN 12/16	
Low	<b>80</b>	<b>(+5%)</b>	<b>4%</b>										THIS STOCK	VL ARITH. INDEX
	<b>85</b>	<b>(-15%)</b>	<b>Nil</b>										1 yr. 25.3	20.7
													3 yr. 65.2	20.2
													5 yr. 96.5	95.2

INSIDER DECISIONS													© VALUE LINE PUB. LLC	
M A M J J A S O N														
to Buy	0	0	0	0	0	0	0	0	0	0	0	0		
Options	0	0	4	0	0	0	0	0	1	2	2	0		
to Sell	4	0	0	0	0	0	0	1	0	0	0	0		

INSTITUTIONAL DECISIONS													© VALUE LINE PUB. LLC	
12/2016 2/2016 3/2016														
to Buy	221	206	182											
to Sell	182	189	192											
Hlds(000)	92857	91259	90564											

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	19-21
43.50	53.66	28.90	30.87	31.59	30.16	34.03	35.07	33.37	32.50	30.01	29.67	30.09	31.35	31.58	31.50	31.40	33.05	37.50
7.99	8.72	7.01	7.33	6.93	5.76	9.70	9.29	8.13	8.08	6.85	7.52	7.92	8.15	8.09	9.09	9.25	9.90	11.50
3.35	3.68	2.53	2.52	2.58	2.24	3.17	2.96	2.12	2.26	3.08	2.99	3.50	3.66	3.58	3.92	3.90	4.30	4.75
1.43	1.53	1.63	1.73	1.83	1.93	2.03	2.10	2.10	2.10	2.10	2.10	2.67	2.23	2.33	2.44	2.56	2.68	3.10
7.76	12.27	9.81	7.60	5.86	6.39	7.59	9.37	9.46	7.64	7.03	8.26	8.24	9.36	8.38	9.84	11.50	12.45	10.25
28.09	29.46	29.44	31.00	32.14	34.57	34.48	35.15	34.16	32.69	33.86	34.98	36.20	38.07	39.50	41.30	42.60	44.20	49.00
84.83	84.83	91.26	91.29	91.79	99.08	99.96	100.49	100.89	101.43	108.77	109.25	109.74	110.18	110.57	110.98	111.50	112.00	113.50
11.3	12.0	14.4	14.0	15.8	19.2	13.7	14.9	16.1	13.7	12.6	14.6	14.3	15.3	15.9	16.0	19.0		15.5
.73	.61	.79	.80	.83	1.02	.74	.79	.97	.91	.80	.92	.91	.86	.84	.81	1.00		.95
3.8%	3.5%	4.5%	4.9%	4.5%	4.5%	4.7%	4.8%	6.2%	6.8%	5.4%	4.8%	5.3%	4.0%	4.1%	3.9%	3.5%		4.2%

CAPITAL STRUCTURE as of 9/30/16													© VALUE LINE PUB. LLC	
Total Debt \$4279.5 mill. Due in 5 Yrs \$1531.9 mill.														
LT Debt \$4145.4 mill. LT Interest \$192.2 mill.														
Incl. \$13.4 mill. Palo Verde sale leaseback lessor notes.														
(LT interest earned: 4.8x)														
Leases, Uncapitalized Annual rentals \$18.0 mill.														
Pension Assets-12/15 \$2542.8 mill.														
Pfd Stock None														
Common Stock 111,306,107 shs.														
as of 10/28/16														
MARKET CAP: \$8.7 billion (Large Cap)														
ELECTRIC OPERATING STATISTICS														
2013 2014 2015														
% Change Retail Sales (KWH)														
Avg. Indust. Use (MWH)														
Avg. Indust. Revs. per KWH (c)														
Capacity at Peak (Mw)														
Peak Load, Summer (Mw)														
Annual Load Factor (%)														
% Change Customers (yr-end)														
Fixed Charge Cov. (%)														

ANNUAL RATES													© VALUE LINE PUB. LLC	
Past 10 Yrs. Past 5 Yrs. Est'd '13-'15														
Revenues														
"Cash Flow"														
Earnings														
Dividends														
Book Value														

QUARTERLY REVENUES (\$ mill.)					Full Year
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2013	686.6	915.8	1152.4	699.8	3454.6
2014	686.2	906.3	1172.7	726.4	3491.6
2015	671.2	890.7	1199.1	734.4	3495.4
2016	677.2	915.4	1166.9	740.5	3500
2017	700	950	1275	775	3700

EARNINGS PER SHARE A					Full Year
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2013	.22	1.18	2.04	.22	3.66
2014	.14	1.19	2.20	.05	3.58
2015	.14	1.10	2.30	.37	3.92
2016	.04	1.08	2.35	.43	3.90
2017	.20	1.20	2.50	.40	4.30

QUARTERLY DIVIDENDS PAID B					Full Year
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2013	.545	.545	.545	.567	2.20
2014	.568	.568	.568	.595	2.30
2015	.595	.595	.595	.625	2.41
2016	.625	.625	.625	.655	2.53
2017					

**BUSINESS:** Pinnacle West Capital Corporation is a holding company for Arizona Public Service Company (APS), which supplies electricity to 1.2 million customers in most of Arizona, except about half of the Phoenix metro area, the Tucson metro area, and Mohave County in northwestern Arizona. Discontinued SunCor real estate subsidiary in '10. Electric revenue breakdown: residential, 49%; commercial, 39%; industrial, 5%; other, 7%. Generating sources: coal, 31%; nuclear, 27%; gas & other, 20%; purchased, 22%. Fuel costs: 32% of revenues. '15 reported deprec. rate: 2.7%. Has 6,400 employees. Chairman, President & CEO: Donald E. Brandt. Inc.: AZ. Address: 400 North Fifth St., P.O. Box 53999, Phoenix, AZ 85072-3999. Tel.: 602-250-1000. Internet: www.pinnaclewest.com.

**The Arizona Corporation Commission (ACC) is holding hearings on the rate case filed by Pinnacle West's utility subsidiary.** Arizona Public Service is seeking a hike of \$165.9 million (5.7%), based on a 10.5% return on a 55.8% common-equity ratio. The ACC's staff is recommending no change in rates and a 9.35% ROE, while an intervenor group is proposing a \$24 million decrease and a 9.42% ROE. However, the most significant aspect of this case is rate design, not the revenue requirement. Currently, the 96% of APS' customers that do not have rooftop solar are subsidizing the 4% that do. So, the utility proposes raising the fixed portion of residential customers' bills, lowering the variable component, and adding a third component that is a demand charge based on the highest demand average over a one-hour period during the on-peak time each month. Even this would not eliminate subsidization, just reduce it. APS also wants to increase its recovery of lost revenues stemming from energy efficiency and defer for future recovery costs associated with two major construction projects. New tariffs should take effect in midyear.

**The utility has begun construction of two large projects.** APS is adding pollution control equipment to two coal-fired units at the Four Corners station. 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 generating 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 comparison with the 2016 tally should be easy. **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.

Paul E. Debbas, CFA January 27, 2017

(A) Diluted EPS. Excl. nonrec. losses: '02, 77c; '09, \$1.45; excl. gains (losses) from disc. ops.: '00, 22c; '05, (36c); '06, 10c; '08, 28c; '09, (13c); '10, 18c; '11, 10c; '12, (5c). '15 EPS don't add due to rounding. Next earnings report due late Feb. (B) Div'ds historically paid in early Mar., June, Sept., & Dec. There were 5 declarations in '12. Div'd reinvest. plan avail. (C) Incl. deferred chgs. In '15: \$13.77/sh. (D) In mill. (E) Rate base: Fair value. Rate allowed on com. eq. in '12: 10%; earned on avg. com. eq., '15: 9.8%. Regulatory Climate: Average.

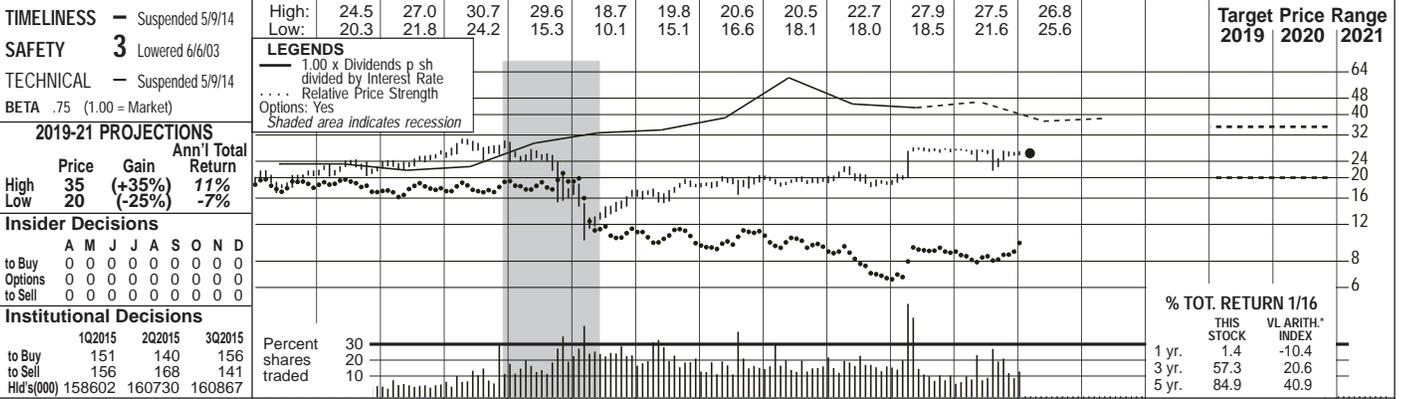
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Company's Financial Strength	A+
Stock's Price Stability	95
Price Growth Persistence	70
Earnings Predictability	90

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# PEPCO HOLDINGS NYSE-POM

RECENT PRICE **26.20** P/E RATIO **23.4** (Trailing: 28.5 Median: 16.0) RELATIVE P/E RATIO **1.45** DIV'D YLD **4.1%** VALUE LINE



2019-21 PROJECTIONS	Price	Gain	Ann'l Total Return
High	35	(+35%)	11%
Low	20	(-25%)	-7%

Insider Decisions	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions	1Q2015	2Q2015	3Q2015	Percent shares traded
to Buy	151	140	156	30
to Sell	156	168	141	20
Hld's(000)	158602	160730	160867	10

Pepeco Holdings, Inc. (PHI) was formed on August 1, 2002, upon the merger of Potomac Electric Power Co. (PEPCO) 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.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
Revenues per sh	43.57	46.71	48.88	41.66	31.27	26.02	22.09	18.64	19.49	19.70	20.85	22.25	Revenues per sh	26.15
"Cash Flow" per sh	3.47	3.30	3.55	2.82	2.97	3.00	3.21	3.01	3.16	3.35	3.40	3.50	"Cash Flow" per sh	4.30
Earnings per sh <sup>A</sup>	1.33	1.53	1.93	1.06	1.24	1.14	1.24	1.14	.96	1.05	1.15	1.22	Earnings per sh <sup>A</sup>	2.00
Div'd Decl'd per sh <sup>B</sup>	1.04	1.04	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08	Div'd Decl'd per sh <sup>B</sup>	1.08
Cap'l Spending per sh	2.47	3.11	3.57	3.89	3.56	4.14	5.29	5.23	4.89	5.20	5.20	5.00	Cap'l Spending per sh	4.00
Book Value per sh <sup>C</sup>	18.82	20.04	19.14	19.15	18.79	19.06	19.33	17.24	17.27	18.10	18.45	18.60	Book Value per sh <sup>C</sup>	20.30
Common Shs Outst'g <sup>D</sup>	191.93	200.51	218.91	222.27	225.08	227.50	230.02	250.32	250.32	254.00	254.00	254.00	Common Shs Outst'g <sup>D</sup>	260.00
Avg Ann'l P/E Ratio	18.1	18.2	12.2	13.7	14.0	16.7	15.6	17.5	26.0	25.1	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	14.0
Relative P/E Ratio	.98	.97	.73	.91	.89	1.05	.99	.98	1.37	1.27			Relative P/E Ratio	.90
Avg Ann'l Div'd Yield	4.3%	3.7%	4.6%	7.4%	6.2%	5.7%	5.6%	5.4%	4.3%	4.1%			Avg Ann'l Div'd Yield	3.9%

**CAPITAL STRUCTURE as of 9/30/15**  
 Total Debt \$6467 mill. Due in 5 Yrs \$1196 mill.  
 LT Debt \$5028 mill. LT Interest \$260 mill.  
 (LT interest earned: 3.7x)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		19-21
Revenues (\$mill)	8362.9	9366.4	10700	9259.0	7039.0	5920.0	5081.0	4666.0	4878.0	5000	5650	5650	Revenues (\$mill)	6700
Net Profit (\$mill)	254.4	296.5	400.0	235.0	276.0	257.0	285.0	280.0	242.0	280	300	320	Net Profit (\$mill)	525
Income Tax Rate	39.1%	39.3%	29.6%	31.9%	18.8%	37.2%	35.4%	35.3%	36.3%	35.0%	35.0%	35.0%	Income Tax Rate	35.0%
AFUDC % to Net Profit	--	--	--	--	--	10.1%	7.4%	6.4%	8.3%	6.0%	5.0%	5.0%	AFUDC % to Net Profit	4.0%
Long-Term Debt Ratio	54.6%	54.1%	56.2%	53.8%	49.0%	49.1%	47.3%	48.4%	50.7%	51.0%	52.0%	52.5%	Long-Term Debt Ratio	53.0%
Common Equity Ratio	45.1%	45.9%	43.8%	46.2%	51.0%	50.9%	52.7%	51.6%	49.3%	49.5%	48.0%	47.5%	Common Equity Ratio	47.0%
Total Capital (\$mill)	8004.0	8753.0	9568.0	9203.0	8292.0	8516.0	8432.0	8368.0	8763.0	9505	9875	9900	Total Capital (\$mill)	11215
Net Plant (\$mill)	7576.6	7876.7	8314.0	8863.0	7673.0	8220.0	8846.0	9704.0	10506	10000	10500	10700	Net Plant (\$mill)	12000
Return on Total Cap'l	5.1%	5.1%	5.8%	4.5%	5.1%	4.5%	4.9%	4.9%	4.2%	5.0%	5.0%	5.5%	Return on Total Cap'l	6.0%
Return on Shr. Equity	7.0%	7.4%	9.5%	5.5%	6.5%	5.9%	6.4%	6.5%	5.6%	8.0%	8.0%	8.0%	Return on Shr. Equity	10.0%
Return on Com Equity <sup>E</sup>	7.0%	7.4%	9.5%	5.5%	6.5%	5.9%	6.4%	6.5%	5.6%	8.0%	8.0%	8.0%	Return on Com Equity <sup>E</sup>	10.0%
Retained to Com Eq	1.5%	2.3%	4.2%	NMF	.8%	.3%	.8%	.2%	NMF	2.1%	2.3%	2.5%	Retained to Com Eq	4.5%
All Div'ds to Net Prof	78%	68%	56%	101%	87%	95%	87%	96%	112%	105%	94%	89%	All Div'ds to Net Prof	53%

**March 4th may make or break for Pepeco 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 Pepeco 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 only to backtrack later, saying 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 \$6.8 billion deal. This which would effectively end the 20-month courtship. That said, it is possible that CEO Crane was posturing a bit, given what's been a rather lengthy – and likely exhausting – merger review.

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	1178	1053	1344	1091	4666.0
2014	1330	1117	1313	1118	4878.0
2015	1371	1140	1362	1127	5000
2016	1350	1200	1550	1300	5400
2017	1410	1270	1610	1360	5650

Cal-endar	EARNINGS PER SHARE <sup>AF</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.24	.22	.44	.24	1.14
2014	.30	.21	.31	.14	.96
2015	.21	.21	.36	.27	1.05
2016	.23	.23	.39	.30	1.15
2017	.25	.25	.41	.31	1.22

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.27	.27	.27	.27	1.08
2013	.27	.27	.27	.27	1.08
2014	.27	.27	.27	.27	1.08
2015	.27	.27	.27	.27	1.08
2016	.27	.27	.27	.27	1.08

**We still believe that a deal could get 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 public interest. To that point, the two utilities have already said that they'll provide affordable rates for low-income households and invest further in clean, renewable energy. Chicago-based Exelon has also agreed to relocate a portion of the post-merger utility's headquarters to the DC area.

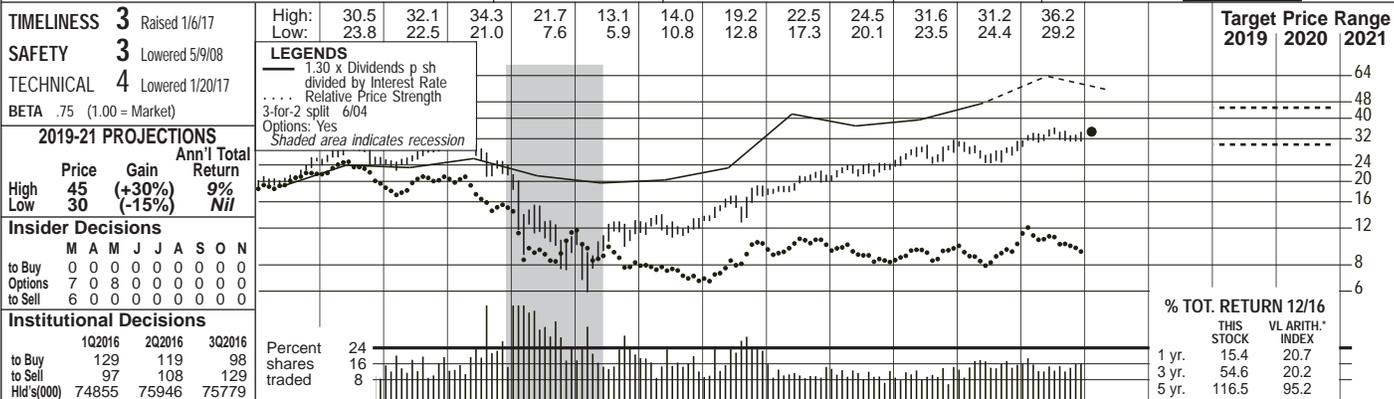
**Our Timeliness rank for Pepeco shares remains suspended due to the pending merger.** At the recent quotation, the stock is trading approximately 4% below Exelon's \$27.25-a-share, all-cash takeover offer. That said, we still recommend that investors take profits here, given the odds – however slim – that the deal is blocked. Were that to happen, a reversion to Pepeco'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, Pepeco hasn't increased its dividend in more than seven years. Accordingly, income-seeking investors should look elsewhere for utility industry exposure.

(A) Based on dil. shs. Excl. nonrecur. items: '05, 47c; '06, d1c; '08, 46c; '10, 62c; '13, 69c. Next eqs. rpt. due early March. (B) Div'ds paid in early March, June, Sep., and Dec. (C) Div'd reinvest. plan. (D) Incl. def'd chgs: '14, \$4.5 bill. or \$17.80/sh. (E) In mill. (F) Rate allowed in MD: 9.62% ('14-Pepco), 10.0% ('09-Delmarva); DC: 9.6% ('10-Pep.); DEL: 10.0% ('06-Del.); NJ: 9.75% ('14-ACE); Earned on '14 avg. com. eq., 5.6%. Reg. Clim.: Avg. (F) Qtrly eqs. may not add due to chng. in shs.

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Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	20
Earnings Predictability	70

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2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
27.46	40.09	19.92	24.11	26.54	30.19	32.25	24.92	22.65	19.01	19.31	21.35	16.85	17.42	18.03	18.07	17.40	19.40	Revenues per sh	20.30
3.16	4.31	2.83	3.05	3.14	3.56	3.57	2.54	1.76	2.32	2.67	3.18	3.38	3.62	3.98	3.85	4.10	4.10	"Cash Flow" per sh	4.70
1.55	2.61	1.07	1.15	1.43	1.56	1.72	.76	.11	.58	.87	1.08	1.31	1.41	1.45	1.64	1.60	1.85	Earnings per sh <sup>A</sup>	2.35
.53	.53	.57	.61	.63	.79	.86	.91	.61	.50	.50	.50	.58	.68	.76	.80	.88	.97	Div'd Decl'd per sh <sup>B,†</sup>	1.30
2.50	4.51	4.09	2.78	2.25	3.07	4.04	5.94	3.99	3.32	3.25	4.10	3.88	4.37	5.78	7.01	5.60	5.65	Cap'l Spending per sh	5.50
15.76	17.25	16.60	17.84	18.19	18.70	22.09	22.03	18.89	18.90	17.60	19.62	20.05	20.87	22.39	20.78	22.70	23.60	Book Value per sh <sup>C</sup>	25.50
58.68	58.68	58.68	60.39	60.46	68.79	76.65	76.81	86.53	86.67	86.67	79.65	79.65	79.65	79.65	79.65	80.00	80.00	Common Shs Outst'g <sup>D</sup>	80.00
8.5	7.3	15.1	14.7	15.0	17.4	15.6	35.6	NMF	18.1	14.0	14.5	15.0	16.1	18.7	16.8	20.5		Avg Ann'l P/E Ratio	16.0
.55	.37	.82	.84	.79	.93	.84	1.89	NMF	1.21	.89	.91	.95	.90	.98	.85	1.08		Relative P/E Ratio	1.00
4.1%	2.8%	3.5%	3.6%	2.9%	2.9%	3.2%	3.4%	4.9%	4.8%	4.1%	3.2%	3.0%	3.0%	2.8%	2.9%	2.7%		Avg Ann'l Div'd Yield	3.5%

CAPITAL STRUCTURE as of 9/30/16		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total Debt \$2664.2 mill. Due in 5 Yrs \$1054 mill.		1550	1390	1439.1	1435.9	1387.9	1342.4	1700.6	1673.5	1647.7	1914.0	1914.0	1914.0	1914.0	1914.0	1914.0	1914.0	1914.0	1914.0
LT Debt \$2207.0 mill. LT Interest \$110 mill.		150	135	131.5	116.3	113.5	105.6	96.6	80.0	53.5	8.1	59.9	122.1	122.1	122.1	122.1	122.1	122.1	122.1
(LT interest earned: 2.4x)		35.0%	35.0%	34.5%	34.8%	31.6%	31.4%	38.8%	32.6%	30.4%	40.4%	5.1%	24.7%	24.7%	24.7%	24.7%	24.7%	24.7%	24.7%
Pension Assets-12/15 \$620.0 mill.		5.0%	5.0%	5.1%	5.1%	5.0%	5.0%	5.0%	5.0%	4.8%	4.7%	4.4%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Oblig. \$662.1 mill.		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Pfd Stock \$11.5 mill. Pfd Div'd \$5 mill.		4025	3845	3633.3	3437.1	3344.0	3277.9	3245.6	3100.3	3214.9	3025.4	2935.8	3470.7	3470.7	3470.7	3470.7	3470.7	3470.7	3470.7
115,293 shs. 4.58%, \$100 par w/o mandatory redemption. Sinking fund began 2/1/84.		4800	4655	4535.4	4270.0	3933.9	3746.5	3627.1	3444.4	3332.4	3192.0	2935.4	3761.9	3761.9	3761.9	3761.9	3761.9	3761.9	3761.9
Common Stock 79,653,624 shs. as of 10/21/16		5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
MARKET CAP: \$2.7 billion (Mid Cap)		8.0%	8.0%	7.9%	7.5%	6.8%	6.6%	6.1%	5.2%	3.2%	5%	3.5%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
ELECTRIC OPERATING STATISTICS <sup>F</sup>		3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

**BUSINESS:** PNM Resources is a holding company with two regulated electric utilities. Its Public Service of New Mexico unit (PSNM) provides power generation, transmission, and distribution services across north central New Mexico, including the cities of Albuquerque and Santa Fe. Texas-New Mexico Power Company (TNMP) transmits and distributes power throughout New Mexico. Electric rev. breakdown '15: residential, 30%; commercial, 32%; industrial, 19%; other, 19%. Fuels: coal, 57%; nuclear, 30%; gas/oil, 12%; solar, 1%. Fuel costs: 49% of revenues. '15 depreciation rate: 3.3%. Has 1,881 employees. Chairman, President & CEO: Patricia K. Collawn, Inc.: NM. Address: 414 Silver Ave. SW, Albuquerque, NM. 87102. Tel.: 505-241-2700. Internet: www.pnmresources.com.

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)			
Revenues	-4.0%	-2.5%	1.5%
"Cash Flow"	1.5%	10.5%	5.0%
Earnings	1.0%	23.5%	9.0%
Dividends	1.0%	7.0%	10.0%
Book Value	1.5%	3.0%	3.5%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	317.7	347.6	399.7	322.9	1387.9
2014	328.9	346.2	413.9	346.9	1435.9
2015	332.9	352.9	417.4	335.9	1439.1
2016	311.0	315.4	400.4	363.2	1390
2017	355	370	455	370	1550

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.18	.38	.64	.21	1.41
2014	.16	.36	.69	.24	1.45
2015	.21	.44	.76	.23	1.64
2016	.13	.40	.78	.29	1.60
2017	.24	.42	.81	.38	1.85

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B,†</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.145	.165	.165	.165	.64
2014	.185	.185	.185	.185	.74
2015	.20	.20	.20	.20	.80
2016	.22	.22	.22	.22	.88
2017	.2425				

**PNM Resources is seeking another rate hike.** Indeed, in early December, the company's regulated power unit (PSNM) filed a request to raise rates within its New Mexico service area by a total of \$99.2 million. The petition is based on a (2018) future test period, seeks a 10.125% return on equity, and covers, among other things, costs associated with transitioning to cleaner power sources and reducing air pollution in the Four Corners area. It comes just months after a contentious \$65.7 million increase went into effect. That approval was well below PNM's initial (\$123.5 million) request and is still being contested in the courts.

**The utility is hoping to soften the blow.** While the proposed \$99.2 million rate hike translates into a large increase of around 13% for residential customers, Public Service of New Mexico is planning a gentle, two-year phase in. It has also said that it remains committed to the Good Neighbor Fund, which has been set up to help low-income customers with their bills. Still, if past is prelude, PNM likely faces a tough go of it in winning full approval.

**7%-8% annual earnings growth over a five-year period (2015-2019).** Key to reaching that goal will be the utility's ability to both earn authorized returns on its regulated businesses and minimize regulatory lag. A better regional economy should help, as well. With that in mind, certain leading indicators of residential and commercial growth recently turned positive. What's more, Facebook's recent decision to build a new data center in Los Lunas (just South of Albuquerque) may spur other companies to consider the Land of Enchantment for major projects.

**Shares of PNM Resources are an Average selection for relative year-ahead price performance (Timeliness: 3).** At the stock's recent quotation, long-term total return potential doesn't stand out, either. While we look for the company to maintain a competitive dividend going forward, we think higher interest rates and a reset in risk spreads will limit upside in income vehicles, including utility stocks. PNM, meantime, faces unique challenges, including above-average regulatory risk.

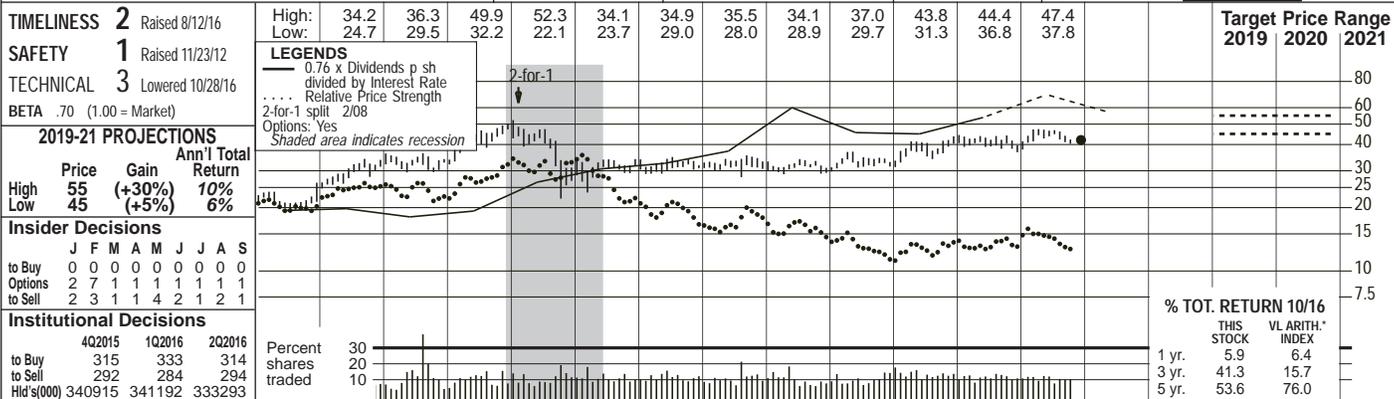
Nils C. Van Liew January 27, 2017

(A) EPS dil. Excl. n/r gains (losses): '00, 21c; '01, (15c); '03, 67c; '05, (56c); '08, (\$3.77); '10, (\$1.36); '11, 88c; '13, (16); Excl. disc. ops: '08, 42c; '09, 78c. Egs. may not sum due to round-	ing. Next egs. rpt. due early February. (B) Div'ds hist. pd. in Feb., May, Aug., Nov. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. intang. '15: \$3.49/sh. (D) In mill.,	adjust. for split. (E) Rate base: net orig. cost. ROE allowed in '11: 10.0%; earned on avg. com. eq., '13: 10.0%. Reg. Climate: Below Avg. (F) Excl. First Choice.	Company's Financial Strength B Stock's Price Stability 90 Price Growth Persistence 65 Earnings Predictability 65
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# P.S. ENTERPRISE GP. NYSE-PEG

RECENT PRICE **42.05** P/E RATIO **14.0** (Trailing: 14.8, Median: 13.0) RELATIVE P/E RATIO **0.78** DIV'D YLD **4.1%** VALUE LINE



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
22.83	23.84	18.62	23.54	23.09	24.74	24.07	25.28	27.94	24.57	23.31	22.42	19.33	19.71	21.52	20.61	18.30	18.60	Revenues per sh	20.75
2.71	3.14	3.01	2.92	3.02	3.42	3.91	4.36	4.68	4.98	5.27	5.36	4.87	5.17	5.82	6.15	5.85	6.15	"Cash Flow" per sh	7.25
1.78	1.85	1.88	1.88	1.52	1.79	1.85	2.59	2.90	3.08	3.07	3.11	2.44	2.45	2.99	3.30	2.75	2.85	Earnings per sh <sup>A</sup>	3.25
1.08	1.08	1.08	1.08	1.10	1.12	1.14	1.17	1.29	1.33	1.37	1.37	1.42	1.44	1.48	1.56	1.64	1.72	Div'd Decl'd per sh <sup>B</sup> †	2.00
2.31	4.99	4.03	2.86	2.64	2.04	2.01	2.65	3.50	3.55	4.27	4.12	5.09	5.56	5.58	7.65	7.30	6.90	Cap'l Spending per sh	5.00
9.61	10.05	8.85	11.71	12.05	11.99	13.35	14.35	15.36	17.37	19.04	20.30	21.31	22.95	24.09	25.86	26.00	26.05	Book Value per sh <sup>C</sup>	29.75
415.94	411.68	450.53	472.27	476.20	502.33	505.29	508.52	506.02	505.99	505.97	505.95	505.89	505.86	505.84	505.28	506.00	506.00	Common Shs Outst'g <sup>D</sup>	506.00
10.3	12.0	10.0	10.6	14.3	16.5	17.8	16.5	13.6	10.0	10.4	10.4	12.8	13.5	12.6	12.4	12.4	12.4	Avg Ann'l P/E Ratio	15.5
.67	.61	.55	.60	.76	.88	.96	.88	.82	.67	.66	.65	.81	.76	.66	.63	.63	.63	Relative P/E Ratio	.95
5.9%	4.9%	5.7%	5.4%	5.1%	3.8%	3.5%	2.7%	3.3%	4.3%	4.3%	4.2%	4.6%	4.4%	3.9%	3.8%	3.8%	3.8%	Avg Ann'l Div'd Yield	4.0%

CAPITAL STRUCTURE as of 9/30/16																				
Total Debt \$10952 mill. Due in 5 Yrs \$3755 mill.																		Revenues (\$mill)		10450
LT Debt \$10697 mill. LT Interest \$428 mill.																		Net Profit (\$mill)		1660
(LT interest earned: 7.6x)																		Income Tax Rate		37.0%
Leases, Uncapitalized Annual rentals \$29 mill.																		AFUDC % to Net Profit		4.0%
Pension Assets-12/15 \$5039 mill.																		Long-Term Debt Ratio		46.0%
Pfd Stock None																		Common Equity Ratio		54.0%
Common Stock 505,896,218 shs. as of 10/18/16																		Total Capital (\$mill)		27900
MARKET CAP: \$21 billion (Large Cap)																		Net Plant (\$mill)		32300
ELECTRIC OPERATING STATISTICS																		Return on Total Cap'l		7.0%
																		Return on Shr. Equity		11.0%
																		Return on Com Equity <sup>E</sup>		11.0%
																		Retained to Com Eq		4.5%
																		All Div'ds to Net Prof		61%

	2013	2014	2015
% Change Retail Sales (KWH)	-9	-1.3	+2.4
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH(c)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	10414	9474	9595
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	NA	NA	NA

**BUSINESS:** Public Service Enterprise Group Incorporated is a holding company for Public Service Electric and Gas Company (PSE&G), which serves 2.2 million electric and 1.8 million gas customers in New Jersey, and PSEG Power LLC, a nonregulated 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 rate (utility): 2.5%. Has 12,700 employees. Chairman, President & Chief Executive Officer: Dr. Ralph Izzo, Inc.: New Jersey. Address: 80 Park Plaza, P.O. Box 1171, Newark, New Jersey 07101-1171. Telephone: 973-430-7000. Internet: www.pseg.com.

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15 of change (per sh)
Revenues	-1.5%	-4.0%	Nil
"Cash Flow"	6.0%	3.0%	4.0%
Earnings	5.5%	-5%	2.0%
Dividends	3.0%	2.5%	5.0%
Book Value	7.5%	7.0%	3.5%

**We have revised 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. This results in lower margins and lower output from PSEG Power's coal-fired generating units.

start of 2017, based on FERC's formula rate plan. By year-end 2016, transmission will make up 45% of PSE&G's rate base. This is noteworthy because the allowed return on equity for transmission is higher than for distribution.

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	2786	2310	2554	2318	9968.0
2014	3223	2249	2641	2773	10886
2015	3135	2314	2688	2278	10415
2016	2616	1905	2450	2279	9250
2017	2700	1950	2500	2250	9400

**Public Service Electric and Gas is expanding its rate base.** PSE&G is undertaking some storm-hardening capital spending that was prompted by Hurricane Sandy in the fall of 2012. Most of this spending is recoverable in rates concurrently. (The utility will still have to file a general rate case in November of 2017.) Electric transmission is another key growth area for PSE&G. It asked the Federal Energy Regulatory Commission for a \$121 million rate hike, effective at the

**PSEG took two nonrecurring charges in the third quarter, and additional charges are upcoming in the fourth period and 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 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.

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.63	.66	.77	.39	2.45
2014	.76	.42	.87	.94	2.99
2015	1.15	.68	.87	.60	3.30
2016	.93	.37	.94	.51	2.75
2017	.95	.60	.80	.50	2.85

**This high-quality and timely stock has a dividend yield that is above average for a utility.** Total return potential to 2019-2021 is well above the utility norm. Paul E. Debbas, CFA November 18, 2016

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup> †				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.355	.355	.355	.355	1.42
2013	.36	.36	.36	.36	1.44
2014	.37	.37	.37	.37	1.48
2015	.39	.39	.39	.39	1.56
2016	.41	.41	.41		

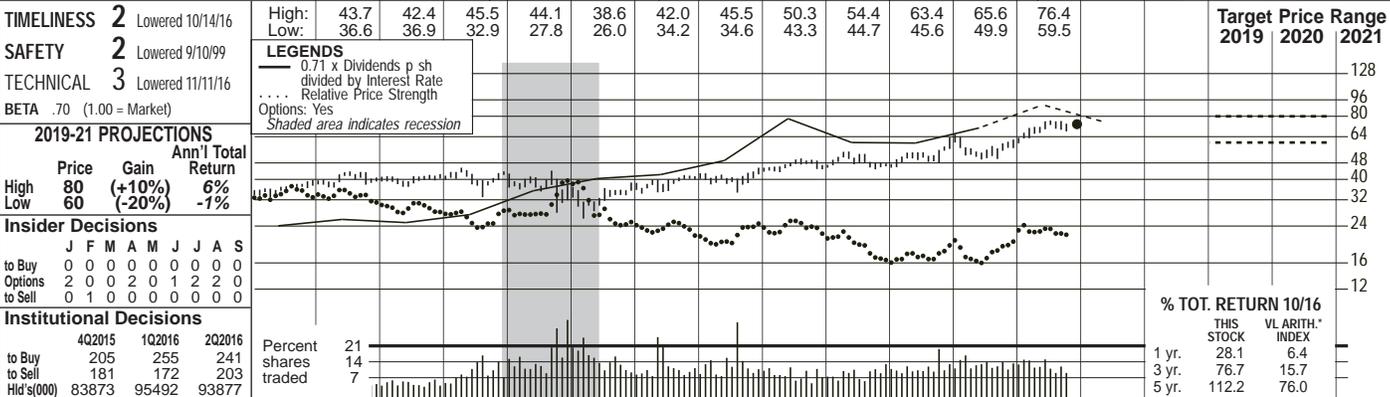
(A) Diluted EPS. Excl. nonrecurr. gain (losses): '02, (\$1.30); '05, (3¢); '06, (35¢); '08, (96¢); '09, 6¢; '11, (34¢); '12, 7¢; '16, (30¢); gains (loss) from disc. ops.: '05, (33¢); '06, 12¢; '07, 3¢; '08, 40¢; '11, 13¢. Next egs. report due early Feb. (B) Div'ds histor. paid in late Mar., June, Sept., and Dec. † Div'd reinvestment plan avail. ‡ Shareholder investment plan avail. (C) Incl. intang. In '15: \$6.56/sh. (D) In mill., adj. for split. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '10: 10.3%; earned on avg. com. eq., '15: 13.2%. Reg. Climate: Avg.

Company's Financial Strength		A++
Stock's Price Stability		95
Price Growth Persistence		20
Earnings Predictability		70

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# SCANA CORP. NYSE:SCG

RECENT PRICE **73.26** P/E RATIO **17.5** (Trailing: 18.4 Median: 14.0) RELATIVE P/E RATIO **0.97** DIV'D YLD **3.3%** VALUE LINE



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
32.78	32.95	26.65	30.85	34.53	41.66	39.11	39.61	45.16	34.35	36.10	33.95	31.63	31.88	34.70	30.65	<b>28.65</b>	<b>29.00</b>	Revenues per sh	<b>32.00</b>
4.43	4.55	4.56	4.95	5.28	7.43	5.68	5.73	5.86	5.63	5.91	6.01	6.30	6.53	6.91	6.70	<b>6.80</b>	<b>7.15</b>	"Cash Flow" per sh	<b>8.25</b>
2.12	2.15	2.38	2.50	2.67	2.78	2.59	2.74	2.95	2.85	2.98	2.97	3.15	3.39	3.79	3.81	<b>4.00</b>	<b>4.20</b>	Earnings per sh <sup>A</sup>	<b>4.75</b>
1.15	1.20	1.30	1.38	1.46	1.56	1.68	1.76	1.84	1.88	1.90	1.94	1.98	2.03	2.10	2.18	<b>2.30</b>	<b>2.42</b>	Div'd Decl'd per sh <sup>B</sup>	<b>2.80</b>
3.28	4.99	6.41	6.94	4.86	3.38	4.52	6.21	7.68	7.41	6.87	6.81	8.16	7.84	7.65	8.07	<b>11.90</b>	<b>15.05</b>	Cap'l Spending per sh	<b>8.75</b>
19.40	20.95	19.64	20.82	21.78	23.35	24.39	25.37	25.85	27.63	29.05	29.94	31.47	33.08	34.95	38.09	<b>39.75</b>	<b>41.60</b>	Book Value per sh <sup>C</sup>	<b>47.75</b>
104.73	104.73	110.83	110.74	112.52	114.67	116.67	116.67	117.78	123.34	127.45	129.88	132.01	141.00	142.70	142.90	<b>143.00</b>	<b>143.00</b>	Common Shs Outst'g <sup>D</sup>	<b>148.00</b>
12.5	12.6	12.2	13.0	13.6	14.4	15.4	15.0	12.7	11.6	12.9	13.7	14.8	14.4	13.7	14.7	<b>14.7</b>	<b>14.7</b>	Avg Ann'l P/E Ratio	<b>14.5</b>
.81	.65	.67	.74	.72	.77	.83	.80	.76	.77	.82	.86	.94	.81	.72	.75	<b>3.9%</b>	<b>3.9%</b>	Relative P/E Ratio	<b>.90</b>
4.3%	4.4%	4.5%	4.2%	4.0%	3.9%	4.2%	4.3%	4.9%	5.7%	4.9%	4.8%	4.2%	4.2%	4.1%	3.9%	<b>4.1%</b>	<b>4.1%</b>	Avg Ann'l Div'd Yield	<b>4.0%</b>

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
4563.0	4621.0	5319.0	4237.0	4601.0	4409.0	4176.0	4495.0	4951.0	4380.0	<b>4100</b>	<b>4150</b>	Revenues (\$mill)	<b>4750</b>						
306.0	327.0	353.0	357.0	376.0	387.0	420.0	471.0	538.0	544.0	<b>570</b>	<b>605</b>	Net Profit (\$mill)	<b>720</b>						
26.5%	29.2%	35.4%	32.0%	29.8%	30.3%	30.2%	32.1%	31.6%	31.8%	<b>32.0%</b>	<b>32.0%</b>	Income Tax Rate	<b>33.0%</b>						
2.6%	4.6%	8.5%	14.3%	8.0%	5.4%	7.6%	8.7%	9.1%	7.7%	<b>9.0%</b>	<b>10.0%</b>	AFUDC % to Net Profit	<b>3.0%</b>						
50.9%	48.4%	58.0%	56.8%	52.9%	54.3%	54.4%	53.6%	51.9%	52.6%	<b>53.5%</b>	<b>53.5%</b>	Long-Term Debt Ratio	<b>54.5%</b>						
47.2%	49.7%	40.5%	43.2%	47.1%	45.7%	45.6%	46.4%	47.4%	48.1%	<b>46.5%</b>	<b>46.5%</b>	Common Equity Ratio	<b>45.5%</b>						
6027.0	5952.0	7519.0	7891.0	7854.0	8511.0	9103.0	10059	10518	11325	<b>12175</b>	<b>12725</b>	Total Capital (\$mill)	<b>15600</b>						
7007.0	7538.0	8305.0	9009.0	9662.0	10047	10896	11643	12232	13425	<b>14725</b>	<b>16450</b>	Net Plant (\$mill)	<b>19325</b>						
6.8%	7.3%	6.2%	6.1%	6.5%	6.2%	6.3%	6.2%	6.6%	6.2%	<b>6.0%</b>	<b>6.0%</b>	Return on Total Cap'l	<b>6.0%</b>						
10.3%	10.6%	11.2%	10.5%	10.2%	10.0%	10.1%	10.1%	10.8%	10.0%	<b>10.0%</b>	<b>10.0%</b>	Return on Shr. Equity	<b>10.0%</b>						
10.5%	10.8%	11.4%	10.2%	10.2%	10.0%	10.1%	10.1%	10.8%	10.0%	<b>10.0%</b>	<b>10.0%</b>	Return on Com Equity <sup>E</sup>	<b>10.0%</b>						
3.8%	4.0%	4.4%	3.6%	3.8%	3.6%	3.9%	4.1%	4.9%	4.3%	<b>4.5%</b>	<b>4.5%</b>	Retained to Com Eq	<b>4.5%</b>						
65%	64%	62%	66%	63%	64%	61%	60%	55%	57%	<b>57%</b>	<b>57%</b>	All Div'ds to Net Prof	<b>57%</b>						

**CAPITAL STRUCTURE as of 6/30/16**  
 Total Debt \$7253 mill. Due in 5 Yrs \$1900 mill.  
 LT Debt \$6468 mill. LT Interest \$355 mill.  
 (LT interest earned: 3.4x)

**Leases, Uncapitalized** Annual rentals \$10 mill.  
**Pension Assets-12/15** \$781.7 mill.  
**Oblig** \$855.4 mill.

**Pfd Stock** None

**Common Stock** 142,916,917 shs.  
 as of 7/31/16  
**MARKET CAP: \$10 billion (Large Cap)**

**ELECTRIC OPERATING STATISTICS**

	2013	2014	2015
% Change Retail Sales (KWH)	+3	+4.7	-9
Avg. Indust. Use (MWH)	8180	NA	NA
Avg. Indust. Revs. per KWH (c)	7.27	NA	NA
Capacity at Yearend (Mw)	5237	5237	5234
Peak Load, Summer (Mw)	4574	4853	4970
Annual Load Factor (%)	58.8	NA	NA
% Change Customers (yr-end)	+1.2	+1.4	+1.5

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	1311	1016	1051	1117	4495.0
2014	1590	1026	1121	1214	4951.0
2015	1389	967	1068	956	4380.0
2016	1172	905	1093	<b>930</b>	<b>4100</b>
2017	<b>1200</b>	<b>950</b>	<b>1000</b>	<b>1000</b>	<b>4150</b>

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	1.11	.60	.94	.73	3.39
2014	1.37	.68	1.01	.73	3.79
2015	1.39	.69	1.04	.69	3.81
2016	1.23	.74	1.32	.71	<b>4.00</b>
2017	<b>1.35</b>	<b>.80</b>	<b>1.25</b>	<b>.80</b>	<b>4.20</b>

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.485	.495	.495	.495	1.97
2013	.495	.507	.507	.507	2.02
2014	.508	.525	.525	.525	2.08
2015	.525	.545	.545	.545	2.16
2016	.545	.575	.575	.575	

**BUSINESS:** SCANA Corporation is a holding company for South Carolina Electric & Gas Company, which supplies electricity to 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, 44%; commercial, 33%; industrial, 18%; other, 5%. Generating sources: coal, 48%; oil & gas, 28%; nuclear, 19%; hydro, 3%; purchased, 2%. Fuel costs: 46% of revenues. '15 reported depreciation rate: 2.6%. Has 5,800 employees. Chairman, CEO & President: Kevin B. Marsh. Incorporated: South Carolina. Address: 100 SCANA Parkway, Cayce, South Carolina 29033. Telephone: 803-217-9000. Internet: www.scana.com.

**SCANA's electric utility subsidiary received a regulatory decision from the Public Service Commission of South Carolina.** South Carolina 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 \$7.6 billion, with the contractor responsible for any excess costs. This option will raise the cost by \$831 million, but the utility reached a settlement with the commission's staff and some intervenors agreeing to this, and to a cut in the allowed return on equity in Base Load Rate Act (BLRA, see below) cases from 10.5% to 10.25%, beginning with filings made in 2017.

**SCE&G was granted a rate hike under the BLRA.** This law provides annual rate relief to enable the utility to recover its construction work in progress for the new nuclear units. The \$64.4 million increase will take effect in late November. **SCE&G and PSNC Energy received**

**rate relief in South Carolina and North Carolina, respectively.** Each utility needs rate relief. For the 12-month period that ended on June 30th, SCE&G earned a return on equity that was more than one percentage point below the allowed level. For PSNC, the gap was more than two percentage points. SCE&G was granted a \$4.1 million boost, and PSNC received a \$19.1 million increase, based on a 9.7% return on equity. Each increase took effect in November. **Rate relief should produce higher profits in 2017.** SCANA's utilities are also benefiting from strong customer growth. We forecast a profit increase within the company's targeted range of 4%-6% a year. Note: We raised our 2016 estimate by a nickel a share, thanks to a hotter-than-normal summer, and boosted our 2017 forecast by the same amount, reflecting lower financing costs. **This stock is timely, but has a yield that is slightly below the utility mean.** With the recent quotation above the midpoint of our 2019-2021 Target Price Range, total return potential is low. *Paul E. Debbas, CFA November 18, 2016*

(A) Diluted eps. Excl. nonrec. gains (losses): '00, 23c; '01, \$3.00; '02, (\$3.72); '03, 31c; '04, (23c); '05, 3c; '06, 9c; '15, \$1.41. '13 EPS don't add due to rounding. Next earnings report due mid-Feb. (B) Div'ds historically paid in early Jan., Apr., July, & Oct. = Div'd reinvestment plan avail. (C) Incl. intang. In '15: \$13.55/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in SC: 10.25% elec. in '13, 10.25% gas in '05; in NC: 10.6% in '08; earned on avg. com. eq., '15: 10.6%. Regulatory Climate: Above Average.

**Company's Financial Strength** B++  
**Stock's Price Stability** 95  
**Price Growth Persistence** 55  
**Earnings Predictability** 100

# SOUTHERN COMPANY NYSE-SO

RECENT PRICE **50.76** P/E RATIO **18.3** (Trailing: 17.4 Median: 16.0) RELATIVE P/E RATIO **1.02** DIV'D YLD **4.5%** VALUE LINE

TIMELINESS <b>2</b> Raised 3/18/16	High: 36.5	37.4	39.3	40.6	37.6	38.6	46.7	48.6	48.7	51.3	53.2	54.6	Target Price Range 2019 2020 2021	
SAFETY <b>2</b> Lowered 2/21/14	Low: 31.1	30.5	33.2	29.8	26.5	30.8	35.7	41.8	40.0	40.3	41.4	46.0		128
TECHNICAL <b>3</b> Lowered 11/18/16	LEGENDS 0.66 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession													96
BETA .55 (1.00 = Market)	2019-21 PROJECTIONS												80	
Price Gain Ann'l Total													64	
High <b>60</b>	<b>(+20%)</b>		<b>8%</b>											48
Low <b>45</b>	<b>(-10%)</b>		<b>2%</b>											40
Insider Decisions													32	
to Buy 0 0 1 0 0 0 0 0 0 0 0 0 0													24	
Options 10 3 0 1 1 2 4 3 0													16	
to Sell 3 3 0 1 1 2 4 3 0													12	
Institutional Decisions													% TOT. RETURN 10/16	
4Q2015 1Q2016 2Q2016													THIS STOCK	
to Buy 495 587 564													VL ARITH. INDEX	
to Sell 408 403 422													1 yr. 19.6 6.4	
Hld's(000) 450436 470025 478780													3 yr. 43.2 15.7	
													5 yr. 49.7 76.0	

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
14.78	14.54	14.73	15.31	16.05	18.28	19.24	20.12	22.04	19.21	20.70	20.41	19.06	19.26	20.34	19.18	19.35	21.75	Revenues per sh	24.00
3.89	3.55	3.46	3.53	3.65	4.03	4.01	4.22	4.43	4.43	4.51	4.91	5.18	5.27	5.28	5.47	5.30	5.85	"Cash Flow" per sh	6.50
2.01	1.61	1.85	1.97	2.06	2.13	2.10	2.28	2.25	2.32	2.36	2.55	2.67	2.70	2.77	2.84	2.70	2.95	Earnings per sh <sup>A</sup>	3.50
1.34	1.34	1.36	1.39	1.42	1.48	1.54	1.60	1.66	1.73	1.80	1.87	1.94	2.01	2.08	2.15	2.22	2.30	Div'd Decl'd per sh <sup>B</sup> = †	2.54
3.27	3.75	3.79	2.72	2.85	3.20	4.01	4.65	5.10	5.70	4.85	5.23	5.54	6.16	6.58	6.22	10.30	8.85	Cap'l Spending per sh	7.25
15.69	11.43	12.16	13.13	13.86	14.42	15.24	16.23	17.08	18.15	19.21	20.32	21.09	21.43	21.98	22.59	28.60	29.55	Book Value per sh <sup>C</sup>	32.25
681.16	698.34	716.40	734.83	741.50	741.45	746.27	763.10	777.19	819.65	843.34	865.13	867.77	887.09	907.78	911.72	991.00	1003.00	Common Shs Outst'g <sup>D</sup>	1019.00
13.2	14.6	14.6	14.8	14.7	15.9	16.2	16.0	16.1	13.5	14.9	15.8	17.0	16.2	16.0	15.8	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	15.0
.86	.75	.80	.84	.78	.85	.87	.85	.97	.90	.95	.99	1.08	.91	.84	.80			Relative P/E Ratio	.95
5.0%	5.7%	5.0%	4.7%	4.7%	4.4%	4.5%	4.4%	4.6%	5.5%	5.1%	4.6%	4.3%	4.6%	4.7%	4.8%			Avg Ann'l Div'd Yield	4.9%

CAPITAL STRUCTURE as of 6/30/16		2013	2014	2015	BUSINESS:									
Total Debt \$39464 mill. Due in 5 Yrs \$10746 mill.	14356	15353	17127	15743	17456	17657	16537	17087	18467	17489	19200	21800	Revenues (\$mill)	24500
LT Debt \$35368 mill. LT Interest \$1232 mill.	1608.0	1782.0	1807.0	1910.0	2040.0	2268.0	2415.0	2439.0	2567.0	2647.0	2675	3050	Net Profit (\$mill)	3635
(LT interest earned: 5.0x)	32.7%	31.9%	33.6%	31.9%	33.5%	35.0%	35.6%	34.8%	33.8%	33.4%	33.5%	33.5%	Income Tax Rate	33.5%
Leases, Uncapitalized Annual rentals \$121 mill.	4.8%	9.5%	12.3%	14.9%	13.7%	10.2%	9.4%	11.6%	13.9%	13.2%	13.0%	12.0%	AFUDC % to Net Profit	10.0%
Pension Assets-12/15 \$9234 mill. Ob \$10542 mill.	50.8%	51.2%	53.9%	53.2%	51.2%	50.0%	49.9%	51.5%	49.5%	52.8%	56.0%	56.5%	Long-Term Debt Ratio	57.5%
Pfd Stock \$1508 mill. Pfd Div'd \$44 mill.	46.2%	44.9%	42.6%	43.6%	45.7%	47.1%	47.3%	45.8%	47.3%	44.0%	42.0%	41.5%	Common Equity Ratio	40.5%
Incl. 1 mill. shs. 4.2%-5.44% cum. pfd. (\$100 par);	24618	27608	31174	34091	35438	37307	38653	41483	42142	46788	67850	71400	Total Capital (\$mill)	80800
1.52 mill. shs. 5.2%-5.83% cum. pfd. (\$1 par);	31092	33327	35878	39230	42002	45010	48390	51208	54868	61114	78675	84650	Net Plant (\$mill)	98500
2 mill. shs. 6.0% noncum. pfd. (\$25 par); 4 mill. shs.	8.2%	7.9%	7.1%	6.9%	7.0%	7.2%	7.3%	6.8%	7.1%	6.6%	5.0%	5.0%	Return on Total Cap'l	5.5%
5.6%-6.5% noncum. pfd. (\$100 par); 8 mill. shs.	13.3%	13.2%	12.6%	12.0%	11.8%	12.2%	12.5%	12.1%	12.1%	12.0%	9.0%	10.0%	Return on Shr. Equity	10.5%
5.63%-6.5% noncum. pfd. (\$1 par).	13.8%	14.0%	13.1%	12.4%	12.2%	12.5%	12.8%	12.5%	12.5%	12.6%	9.0%	10.0%	Return on Com Equity <sup>E</sup>	11.0%
Common Stock 941,598,673 shs.	3.8%	4.3%	3.5%	3.2%	3.0%	3.4%	3.6%	3.2%	3.2%	3.1%	1.5%	2.0%	Retained to Com Eq	3.0%
MARKET CAP: \$48 billion (Large Cap)	73%	70%	74%	75%	77%	73%	73%	75%	75%	76%	81%	77%	All Div'ds to Net Prof	72%

ELECTRIC OPERATING STATISTICS		2013	2014	2015
% Change Retail Sales (KWH)		+3	+3.3	-7
Avg. Indust. Use (MWH)		3277	3384	3371
Avg. Indust. Revs. per KWH (c)		6.08	6.37	5.88
Capacity at Yearend (Mw)		45502	46549	44223
Peak Load, Summer (Mw) <sup>F</sup>		33557	37234	36794
Annual Load Factor (%)		63.2	59.6	59.9
% Change Customers (yr-end)		+7	+8	+9

**Southern Company's Georgia Power utility has reached a settlement regarding the construction of two units at the site of its Vogtle nuclear station.** The two units are expected to begin operating in June 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 forecast would be raised from \$4.418 billion to \$5.68 billion (including a \$240 million contingency). 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 to calculate rates for nuclear construction cost recovery would be cut from 10.95% to 10%. The Georgia commission must still rule on the settlement. The utility is hoping for an order by yearend.

**Completion of Mississippi Power's coal gasification plant might occur by yearend.** This project has had extensive 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 (\$0.13 a share) in the first nine months of 2016.

**Gulf Power has asked the Florida commission 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 July 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 about average for a utility, however.

*Paul E. Debbas, CFA November 18, 2016*

Cal-endar	QUARTERLY REVENUES (mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	3897	4246	5017	3927	17087
2014	4644	4467	5339	4017	18467
2015	4183	4337	5401	3568	17489
2016	3965	4453	6264	4518	19200
2017	5800	5200	6200	4600	21800

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.47	.66	1.08	.49	2.70
2014	.66	.68	1.08	.36	2.77
2015	.56	.71	1.16	.42	2.84
2016	.57	.71	1.22	.20	2.70
2017	.65	.70	1.15	.45	2.95

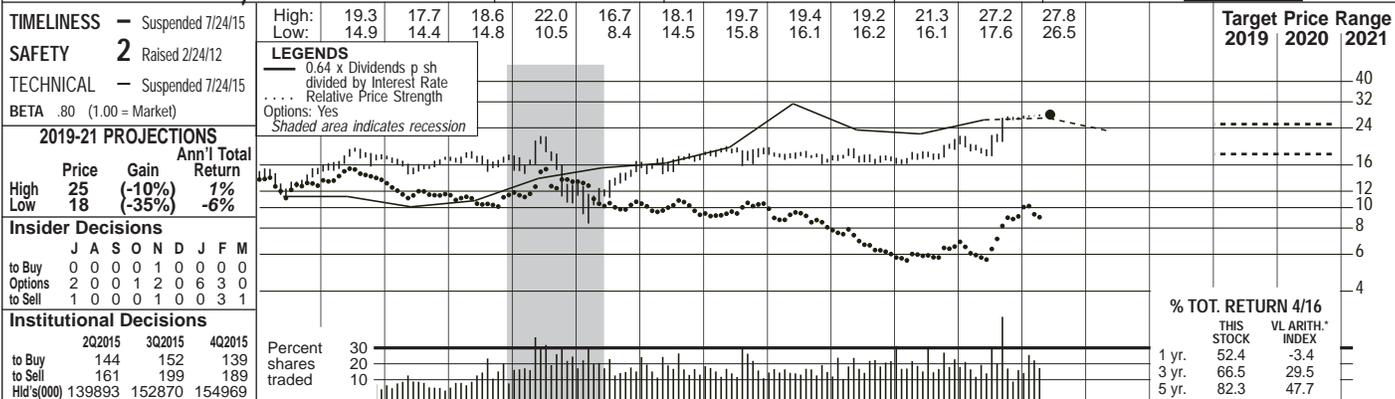
Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup> = †				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.4725	.49	.49	.49	1.94
2013	.49	.5075	.5075	.5075	2.01
2014	.5075	.525	.525	.525	2.08
2015	.525	.5425	.5425	.5425	2.15
2016	.5425	.56	.56		

(A) Dil. EPS. Excl. nonrec. gain (losses): '03, 6c; '09, (25c); '13, (83c); '14, (59c); '15, (25c); '16, (13c). '14 & '15 EPS don't add due to rounding. Next earnings report due late Jan. (B) Div's paid in early Mar., June, Sept., and Dec. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. def'd chgs. In '15: \$8.24/sh. (D) In mill. (E) Rate base: AL, MS, fair value; FL, GA, orig. cost. All'd return on com. eq. (blended): 12.5%; earn. on avg. com. eq., '15: 12.7%. Regul. Climate: GA, AL Above Avg.; MS, FL Avg. (F) Winter peak in '14 & '15.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	40
Earnings Predictability	100

# TECO ENERGY, INC. NYSE-TE

RECENT PRICE **27.76** P/E RATIO **24.1** (Trailing: 25.9 Median: 16.0) RELATIVE P/E RATIO **1.32** DIV'D YLD **3.4%** VALUE LINE



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
18.17	18.97	15.22	14.59	13.37	14.46	16.46	16.77	15.85	15.48	16.23	15.49	13.83	13.12	10.93	11.66	11.00	11.40	Revenues per sh	12.50
4.11	4.31	3.20	1.96	2.14	2.37	2.51	2.51	2.01	2.35	2.59	2.77	2.69	2.43	2.36	2.51	2.65	2.90	"Cash Flow" per sh	3.50
1.97	2.24	1.95	d.08	.71	1.00	1.17	1.27	.77	1.00	1.13	1.27	1.14	.92	.95	1.03	1.15	1.25	Earnings per sh <sup>A</sup>	1.50
1.33	1.37	1.41	.93	.76	.76	.76	.78	.80	.80	.82	.85	.88	.88	.88	.90	.92	.94	Div'd Decl'd per sh <sup>B</sup>	1.00
5.45	6.92	6.06	3.14	1.37	1.42	2.18	2.34	2.77	2.99	2.28	2.10	2.33	2.45	3.04	3.14	3.00	2.35	Cap'l Spending per sh	2.25
11.93	14.12	14.86	8.93	6.43	7.65	8.25	9.56	9.43	9.75	10.10	10.50	10.58	10.74	10.96	10.88	11.05	11.35	Book Value per sh <sup>C</sup>	12.50
126.30	139.60	175.80	187.80	199.70	208.20	209.50	210.90	212.90	213.90	214.90	215.80	216.60	217.30	234.90	235.30	236.00	237.00	Common Shs Outst'g <sup>D</sup>	240.00
11.9	12.9	11.0	--	19.3	17.1	13.8	13.3	21.2	12.6	14.6	14.4	15.5	18.9	18.8	21.4	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	14.5
.77	.66	.60	--	1.02	.91	.75	.71	1.28	.84	.93	.90	.99	1.06	.99	1.08			Relative P/E Ratio	.90
5.7%	4.8%	6.6%	7.4%	5.5%	4.4%	4.7%	4.6%	4.9%	6.3%	4.9%	4.6%	5.0%	5.1%	4.9%	4.1%			Avg Ann'l Div'd Yield	4.8%

CAPITAL STRUCTURE as of 3/31/16		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Debt	\$4086.0 mill. Due in 5 Yrs \$1800.5 mill.	3448.1	3536.1	3375.3	3310.5	3487.9	3343.4	2996.6	2851.3	2566.4	2743.5	2600	2700	Revenues (\$mill)	3000				
LT Debt	\$3489.7 mill. LT Interest \$159.8 mill. (LT interest earned: 3.2x)	244.4	265.8	162.4	213.9	242.9	272.6	246.0	197.8	213.1	241.2	265	290	Net Profit (\$mill)	360				
Leases, Uncapitalized	Annual rentals \$7.7 mill.	40.4%	40.7%	36.8%	31.6%	34.8%	36.1%	35.9%	35.5%	38.3%	39.2%	38.5%	38.5%	Income Tax Rate	38.5%				
Pension Assets-12/15	\$625.4 mill. Oblig \$732.9 mill.	1.6%	2.3%	5.4%	6.5%	1.2%	.6%	1.7%	5.0%	7.4%	10.8%	11.0%	2.0%	AFUDC % to Net Profit	1.0%				
Pfd Stock	None	65.0%	61.0%	61.5%	60.6%	59.2%	54.2%	56.5%	54.9%	56.6%	57.9%	58.5%	58.5%	Long-Term Debt Ratio	58.0%				
Common Stock	235,550,000 shs. as of 4/29/16	35.0%	39.0%	38.5%	39.4%	40.8%	45.8%	43.5%	45.1%	43.4%	42.1%	41.5%	41.5%	Common Equity Ratio	42.0%				
MARKET CAP:	\$6.5 billion (Large Cap)	4941.6	5175.4	5214.3	5287.0	5317.8	4953.9	5264.5	5171.5	5928.7	6075.9	6280	6450	Total Capital (\$mill)	7175				
ELECTRIC OPERATING STATISTICS		4766.9	4888.2	5221.3	5544.1	5841.0	5967.8	5990.1	6170.1	7088.2	7481.8	7820	7985	Net Plant (\$mill)	8275				
% Change Retail Sales (KWH)		7.3%	7.3%	5.1%	6.0%	6.4%	7.4%	6.1%	5.4%	5.0%	5.3%	5.5%	6.0%	Return on Total Cap'l	6.5%				
Avg. Indust. Use (Mw)		14.1%	13.2%	8.1%	10.3%	11.2%	12.0%	10.7%	8.5%	8.3%	9.4%	10.0%	11.0%	Return on Shr. Equity	12.0%				
Avg. Indust. Revs. per KWH (c)		14.1%	13.2%	8.1%	10.3%	11.2%	12.0%	10.7%	8.5%	8.3%	9.4%	10.0%	11.0%	Return on Com Equity <sup>E</sup>	12.0%				
Capacity at Peak (Mw)		5.0%	5.1%	NMF	2.1%	3.1%	3.9%	2.4%	.3%	.5%	1.2%	2.0%	2.5%	Retained to Com Eq	4.0%				
Peak Load, Winter (Mw)		65%	61%	104%	80%	72%	67%	77%	97%	93%	88%	82%	76%	All Div'ds to Net Prof	66%				
Annual Load Factor (%)																			
Annual Load Factor (%)																			
% Change Customers (avg.)																			

**BUSINESS:** TECO Energy, Inc. is a holding company for Tampa Electric, which serves 706,000 customers in west central Florida, and Peoples Gas, which serves 354,000 customers in Florida. Acq'd New Mexico Gas (513,000 customers) 9/14. Sold TECO Transport 12/07; discontinued generation investments in Guatemala in '12; discontinued TECO Coal in '14. Electric revenue break-down: residential, 50%; commercial, 30%; industrial, 8%; other, 12%. Generating sources: coal, 59%; gas, 36%; purchased, 5%. Fuel costs: 38% of revs. '14 reported deprec. rate (utility): 3.6%. Has 4,400 employees. Chairman: Sherrill W. Hudson. Pres. & CEO: John B. Ramil, Inc.: FL. Address: TECO Plaza, 702 N. Franklin St., Tampa, FL 33602. Tel.: 813-228-1111. Web: www.tecoenergy.com.

ANNUAL RATES		Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)				to '19-'21
Revenues	-1.5%	-5.5%	1.0%	
"Cash Flow"	1.0%	1.0%	6.5%	
Earnings	6.0%	--	7.5%	
Dividends	1.0%	2.0%	2.0%	
Book Value	3.5%	2.0%	2.5%	

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	661.1	735.9	765.9	688.4	2851.3
2014	578.0	605.7	687.2	695.5	2566.4
2015	693.0	680.6	693.8	676.1	2743.5
2016	659.5	640.5	650	650	2600
2017	675	675	675	675	2700

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.19	.24	.29	.20	.92
2014	.22	.27	.28	.18	.95
2015	.27	.26	.28	.22	1.03
2016	.31	.24	.34	.26	1.15
2017	.35	.26	.36	.28	1.25

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.22	.22	.22	.22	.88
2013	.22	.22	.22	.22	.88
2014	.22	.22	.22	.22	.88
2015	.225	.225	.225	.225	.90
2016	.23				

**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, a hearing examiner conducted hearings on the proposed combination, and will make a recommendation by early June, before the NMPRC issues its ruling. The current time line suggests that July is the best estimate for the closing date of the transaction. Thus, this might well be our last full-page report on TECO Energy.

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

the pending acquisition. **TECO Energy's utilities are performing well.** Tampa Electric and Peoples Gas are benefiting from healthy customer growth, thanks to the solid economy in the utilities' service territory, and each utility is likely to earn a return on equity in the upper half of its allowed ROE range in 2016. (The allowed ROEs are shown in Footnote E.) New Mexico Gas, which TECO Energy bought in September of 2014, is benefiting from effective cost controls. Because first-quarter results were better than we expected, we have raised our 2016 share-earnings estimate by a nickel, to \$1.15. A continuation of current trends, plus rate relief that Tampa Electric will receive for a project to expand a gas-fired power plant, points to higher profits in 2017.

**Our earnings presentation includes costs associated with the Emera deal.** These were negligible in the first period of 2016, but reduced the bottom line by \$0.06 a share in 2015. We are not estimating any such expenses over the remainder of 2016.

Paul E. Debbas, CFA  
May 20, 2016

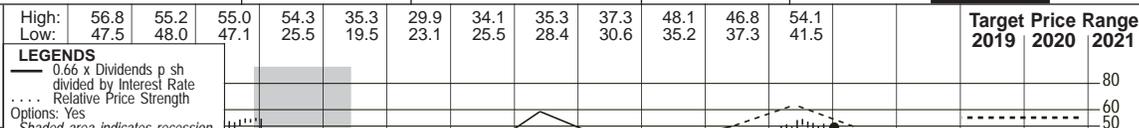
(A) Diluted EPS. Excl. nonrec. gain (losses): '03, (\$4.97); '07, 63c; '10, (2c); '14, (3c); gains (losses) on disc. ops.: '04, (77c); '05, 31c; '06, 1c; '07, 7c; '12, (15c); '14, (34c); '15, (29c).	Next earnings report due early Aug. (B) Div'ds paid in late Feb., May, Aug., & Nov. Div'd re-invest. plan avail. (C) Incl. intangibles. In '15: \$3.86/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '13 (elec.): 10.25%-12.25%; in '09 (gas): 9.75%-11.75%; in NM in '12: 10% (implied); earned on avg. com. eq., '15: 9.4%. Regulatory Climate: Avg.	Company's Financial Strength B++ Stock's Price Stability 90 Price Growth Persistence 50 Earnings Predictability 80
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# AMEREN NYSE-AEE

RECENT PRICE **49.34** P/E RATIO **17.9** (Trailing: 18.4 Median: 15.0) RELATIVE P/E RATIO **0.92** DIV'D YLD **3.6%** VALUE LINE

**TIMELINESS** 3 Lowered 8/19/16  
**SAFETY** 2 Raised 6/20/14  
**TECHNICAL** 3 Lowered 11/11/16  
**BETA** .65 (1.00 = Market)

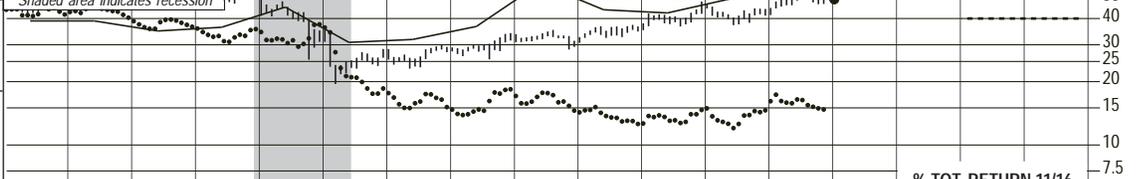


**2019-21 PROJECTIONS**

	Price	Gain	Ann'l Total Return
High	55	(+10%)	7%
Low	40	(-20%)	Nil

**Insider Decisions**

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	12	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	2	0	1	1	0



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
28.10	32.64	24.93	28.20	26.43	33.12	33.30	36.23	36.92	29.87	31.77	31.04	28.14	24.06	24.95	25.13	<b>24.95</b>	<b>25.75</b>	Revenues per sh	<b>28.25</b>
6.11	6.33	5.28	6.29	5.57	6.10	6.02	6.76	6.44	6.06	6.33	5.87	5.87	5.25	5.77	6.08	<b>6.70</b>	<b>7.10</b>	"Cash Flow" per sh	<b>8.50</b>
3.33	3.41	2.66	3.14	2.82	3.13	2.66	2.98	2.88	2.78	2.77	2.47	2.41	2.10	2.40	2.38	<b>2.70</b>	<b>2.80</b>	Earnings per sh <sup>A</sup>	<b>3.25</b>
2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	1.54	1.54	1.56	1.60	1.60	1.61	1.66	<b>1.72</b>	<b>1.78</b>	Div'd Decl'd per sh <sup>B</sup>	<b>2.05</b>
6.77	7.99	5.11	4.19	4.13	4.63	4.99	6.96	9.75	7.51	4.66	4.50	5.49	5.87	7.66	8.12	<b>8.90</b>	<b>9.00</b>	Cap'l Spending per sh	<b>9.50</b>
23.30	24.26	24.93	26.73	29.71	31.09	31.86	32.41	32.80	33.08	32.15	32.64	27.27	26.97	27.67	28.63	<b>29.60</b>	<b>30.65</b>	Book Value per sh <sup>C</sup>	<b>34.00</b>
137.22	138.05	154.10	162.90	195.20	204.70	206.60	208.30	212.30	237.40	240.40	242.60	242.63	242.63	242.63	242.63	<b>242.63</b>	<b>242.63</b>	Common Shs Outst'g <sup>D</sup>	<b>242.63</b>
11.0	12.1	15.8	13.5	16.3	16.7	19.4	17.4	14.2	9.3	9.7	11.9	13.4	16.5	16.7	17.5	<b>17.5</b>	<b>17.5</b>	Avg Ann'l P/E Ratio	<b>15.0</b>
.72	.62	.86	.77	.86	.89	1.05	.92	.85	.62	.62	.75	.85	.93	.88	.88	<b>0.88</b>	<b>0.88</b>	Relative P/E Ratio	<b>.95</b>
6.9%	6.2%	6.1%	6.0%	5.5%	4.9%	4.9%	4.9%	6.2%	6.0%	5.8%	5.3%	5.0%	4.6%	4.0%	4.0%	<b>4.0%</b>	<b>4.0%</b>	Avg Ann'l Div'd Yield	<b>4.2%</b>

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

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Revenues (\$mill)	6850
6880.0	7546.0	7839.0	7090.0	7638.0	7531.0	6828.0	5838.0	6053.0	6098.0	<b>6050</b>	<b>6250</b>	Revenues (\$mill)	<b>6850</b>						
547.0	629.0	615.0	624.0	669.0	602.0	589.0	518.0	593.0	585.0	<b>660</b>	<b>690</b>	Net Profit (\$mill)	<b>800</b>						
32.7%	33.5%	33.7%	34.7%	36.8%	37.3%	36.9%	37.5%	38.9%	38.3%	<b>36.0%</b>	<b>38.0%</b>	Income Tax Rate	<b>38.0%</b>						
.7%	.8%	4.6%	5.8%	7.8%	5.6%	6.1%	7.1%	5.7%	5.1%	<b>5.0%</b>	<b>4.0%</b>	AFUDC % to Net Profit	<b>4.0%</b>						
43.8%	45.0%	47.8%	49.7%	48.2%	45.3%	49.5%	45.2%	47.2%	49.3%	<b>48.5%</b>	<b>48.0%</b>	Long-Term Debt Ratio	<b>49.0%</b>						
54.6%	53.4%	50.8%	49.1%	50.9%	53.7%	49.4%	53.7%	51.7%	49.7%	<b>50.5%</b>	<b>51.0%</b>	Common Equity Ratio	<b>50.0%</b>						
12063	12654	13712	15991	15185	14738	13384	12190	12975	13968	<b>14225</b>	<b>14650</b>	Total Capital (\$mill)	<b>16500</b>						
14286	15069	16567	17610	17853	18127	16096	16205	17424	18799	<b>20000</b>	<b>21125</b>	Net Plant (\$mill)	<b>24300</b>						
5.7%	6.2%	5.7%	5.3%	6.0%	5.6%	6.0%	5.6%	5.8%	5.3%	<b>6.0%</b>	<b>6.0%</b>	Return on Total Cap'l	<b>6.0%</b>						
8.1%	9.0%	8.6%	7.8%	8.5%	7.5%	8.7%	7.7%	8.7%	8.3%	<b>9.0%</b>	<b>9.0%</b>	Return on Shr. Equity	<b>9.5%</b>						
8.1%	9.2%	8.7%	7.8%	8.6%	7.5%	8.8%	7.8%	8.7%	8.3%	<b>9.0%</b>	<b>9.0%</b>	Return on Com Equity <sup>E</sup>	<b>9.5%</b>						
.2%	1.3%	1.0%	3.5%	3.8%	2.8%	3.0%	1.9%	2.9%	2.5%	<b>3.5%</b>	<b>3.5%</b>	Retained to Com Eq	<b>3.5%</b>						
97%	86%	88%	56%	56%	63%	66%	76%	67%	70%	<b>64%</b>	<b>63%</b>	All Div'ds to Net Prof	<b>63%</b>						

**Leases, Uncapitalized** Annual rentals \$13 mill.  
**Pension Assets-12/15** \$365.3 mill. **Oblig** \$419.7 mill.

**Pfd Stock** \$142 mill. **Pfd Div'd** \$6 mill.  
 807,595 sh. \$3.50 to \$5.50 cum. (no par), \$100 stated val., redeem. \$102.176-\$110/sh.; 616,323 sh. 4.00% to 6.625%, \$100 par, redeem. \$100-\$104/sh.

**Common Stock** 242,634,798 sh. as of 10/31/16  
**MARKET CAP: \$12 billion (Large Cap)**

**ELECTRIC OPERATING STATISTICS**

	2013	2014	2015
% Change Retail Sales (KWH)	-5	-1	-1.1
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (c)	5.41	5.46	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	NA	NA	NA

**BUSINESS:** Ameren Corporation is a holding company formed through the merger of Union Electric and CIPSCO. Acq'd CILCORP 1/03; Illinois Power 10/04. Has 1.2 mill. electric and 127,000 gas customers in Missouri; 1.2 mill. electric and 813,000 gas customers in Illinois. Discontinued nonregulated power-generation operation in '13. Electric rev. breakdown: residential, 45%; commercial, 33%; industrial, 12%; other, 10%. Generating sources: coal, 67%; nuclear, 23%; hydro, 4%; purchased & other, 6%. Fuel costs: 30% of revs. '15 reported deprec. rates: 3%-4%. Has 8,500 employees. Chairman, President & CEO: Warner L. Baxter. Inc.: MO. Address: One Ameren Plaza, 1901 Chouteau Ave., P.O. Box 66149, St. Louis, MO 63166-6149. Tel.: 314-621-3222. Internet: www.ameren.com.

**Ameren has a rate case pending in Missouri.** The utility filed for an electric increase of \$206 million, based on a 9.9% return on a 51.8% common-equity ratio. The application reflects the effect of the lost 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.

**Frequent rate filings are necessary in Missouri.** The state uses a historical (rather than a forward-looking) test year, and grants few regulatory mechanisms like the one Ameren is seeking. By contrast, Illinois uses a formula rate plan that lessens the effects of regulatory lag.

**We have raised our 2016 earnings estimate by \$0.10 a share.** One of the hottest summers on record in Ameren's service territory added a dime to the bottom line, compared with normal weather patterns. Our revised profit estimate is at the midpoint of the company's targeted range of \$2.65-\$2.75 a share.

**We have 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.

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '13-'15 of change (per sh)

	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
Revenues	-1.5%	-5.5%	2.5%
"Cash Flow"	-5%	-2.0%	7.0%
Earnings	-2.5%	-4.0%	6.0%
Dividends	-4.5%	-3.0%	4.0%
Book Value	-5%	-3.0%	3.5%

**QUARTERLY REVENUES (\$ mill.)**

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	1475	1403	1638	1322	5838.0
2014	1594	1419	1670	1370	6053.0
2015	1556	1401	1833	1308	6098.0
2016	1434	1427	1859	1330	6050
2017	1500	1450	1900	1400	6250

**EARNINGS PER SHARE <sup>A</sup>**

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.22	.44	1.25	.19	2.10
2014	.40	.62	1.20	.19	2.40
2015	.45	.40	1.41	.12	2.38
2016	.43	.61	1.52	.14	2.70
2017	.45	.65	1.50	.20	2.80

**QUARTERLY DIVIDENDS PAID <sup>B</sup>**

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.40	.40	.40	.40	1.60
2013	.40	.40	.40	.40	1.60
2014	.40	.40	.40	.41	1.61
2015	.41	.41	.41	.425	1.66
2016	.425	.425	.425	.44	

**(A)** Diluted EPS. Excl. nonrecurr. gain (losses): '05, (11¢); '10, (\$2.19); '11, (32¢); '12, (\$6.42); gain (loss) from disc. ops.: '13, (92¢); '15, 21¢. '14 EPS don't add due to rounding. Next eps. report due mid-Feb. **(B)** Div'ds histor. paid in late Mar., June, Sept., & Dec. **(C)** Div'd reinvest. plan avail. **(D)** Incl. intang. In '15: \$7.39/sh. **(E)** In mill. **(F)** Rate base: Orig. cost depr. Rate all'd on com. eq. in MO in '15: elec., 9.53%; in '11: gas, none specified; in IL in '14: elec., 8.7%; in '16: gas, 9.6%; earned on avg. com. eq., '15: 8.5%. Regulatory Climate: Below Avg.

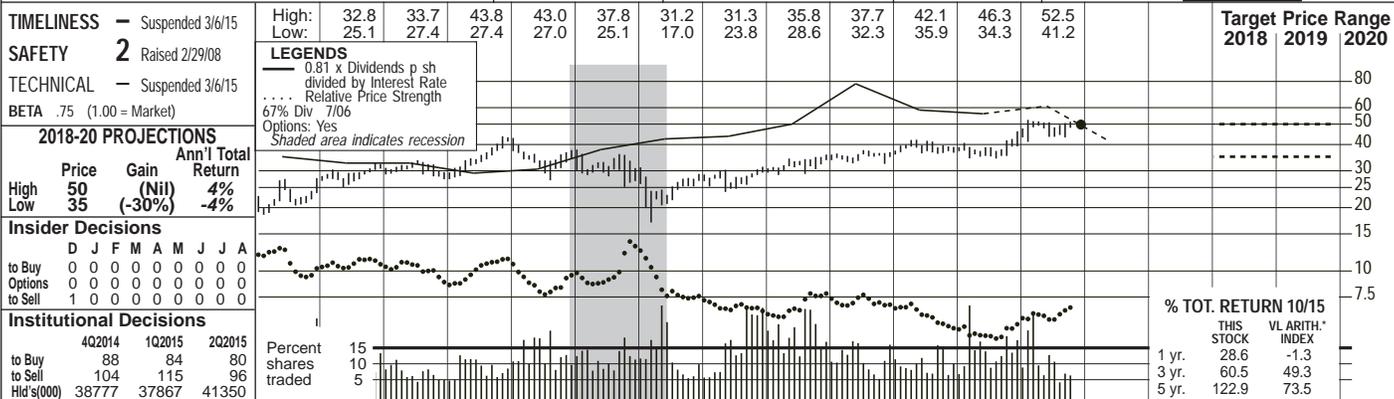
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**Company's Financial Strength** A  
**Stock's Price Stability** 95  
**Price Growth Persistence** 30  
**Earnings Predictability** 85

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# UIL HOLDINGS NYSE-UIL

RECENT PRICE **49.75** P/E RATIO **21.1** (Trailing: 23.5; Median: 17.0) RELATIVE P/E RATIO **1.19** DIV'D YLD **3.5%** VALUE LINE



1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
29.01	37.54	46.15	47.55	40.39	45.87	49.88	34.03	39.23	37.69	29.91	19.75	31.01	29.22	28.52	28.70	<b>29.45</b>	<b>31.70</b>	Revenues per sh	37.00
4.67	5.53	6.61	5.89	4.69	4.37	4.13	4.65	5.48	5.93	5.09	3.65	5.33	5.65	5.51	4.64	<b>6.00</b>	<b>6.30</b>	"Cash Flow" per sh	6.90
2.23	2.56	2.53	1.85	1.24	1.54	1.30	1.86	1.87	1.89	1.94	1.99	1.96	2.04	2.28	1.92	<b>2.25</b>	<b>2.60</b>	Earnings per sh <sup>A</sup>	2.75
1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	<b>1.73</b>	<b>1.73</b>	Div'd Decl'd per sh <sup>B</sup>	1.73
1.48	2.31	2.01	2.41	2.19	2.04	2.25	3.09	9.92	8.57	4.12	4.03	6.48	5.67	5.38	5.49	<b>5.45</b>	<b>6.15</b>	Cap'l Spending per sh	7.90
19.55	20.42	21.25	20.28	20.65	22.84	22.39	18.53	18.55	18.85	19.15	21.31	21.61	21.95	23.85	24.07	<b>25.40</b>	<b>26.50</b>	Book Value per sh <sup>C</sup>	30.45
23.44	23.46	23.53	23.79	23.86	24.01	24.32	24.86	25.03	25.17	29.98	50.51	50.65	50.87	56.75	56.85	<b>56.75</b>	<b>56.75</b>	Common Shs Outst'g <sup>E</sup>	56.75
12.6	10.8	11.5	15.0	18.0	18.7	23.5	18.7	18.4	16.7	12.7	14.0	16.4	17.2	16.9	19.8	<b>16.0</b>	<b>16.0</b>	Avg Ann'l P/E Ratio	16.0
.72	.70	.59	.82	1.03	.99	1.25	1.01	.98	1.01	.85	.89	1.03	1.09	.95	1.05	<b>1.00</b>	<b>1.00</b>	Relative P/E Ratio	1.00
6.2%	6.2%	5.9%	6.2%	7.7%	6.0%	5.7%	5.0%	5.0%	5.5%	7.0%	6.2%	5.4%	4.9%	4.5%	4.6%	<b>4.5%</b>	<b>4.6%</b>	Avg Ann'l Div'd Yield	3.9%

CAPITAL STRUCTURE as of 9/30/15		1213.1	846.0	982.0	948.7	896.6	997.7	1570.4	1486.5	1618.7	1631.9	1670	1800	Revenues (\$mill)	2100
Total Debt	\$1821.8 mill. Due in 5 Yrs. \$131.9 mill.	31.4	45.4	46.7	48.1	54.3	70.3	99.7	103.7	120.3	109.6	130	150	Net Profit (\$mill)	170
LT Debt	\$1730.3 mill. LT Interest \$75.0 mill. (LT interest earned: 3.0x)	44.1%	31.2%	39.5%	42.2%	38.0%	38.6%	38.5%	41.9%	37.7%	34.4%	38.0%	38.0%	Income Tax Rate	40.0%
Leases, Uncapitalized:	Ann. rentals \$4.5 mill.	9.0%	8.0%	8.3%	8.3%	10.0%	26.3%	12.1%	--	12.1%	10.0%	10.0%	10.0%	AFUDC % to Net Profit	10.0%
Pension Assets-12/14	\$722 mill. Oblig. \$987 mill.	47.2%	47.0%	50.8%	53.6%	54.0%	58.4%	58.6%	58.9%	56.0%	55.6%	58.0%	58.0%	Long-Term Debt Ratio	58.0%
Pfd Stock	None	52.8%	53.0%	49.2%	46.4%	46.0%	41.6%	41.4%	41.1%	44.0%	44.4%	42.0%	42.0%	Common Equity Ratio	42.0%
Common Stock	56,629,377 shs. as of 10/29/15	1031.5	869.2	943.6	1023.6	1247.7	2587.9	2642.7	2716.9	3077.7	3079.6	3430	3595	Total Capital (\$mill)	4145
MARKET CAP:	\$2.7 billion (Mid Cap)	592.1	647.0	878.4	1073.6	1153.0	2327.5	2570.4	2787.4	3068.7	3292.7	3380	3550	Net Plant (\$mill)	4110
ELECTRIC OPERATING STATISTICS		4.1%	6.5%	6.2%	6.1%	5.8%	3.7%	5.2%	5.4%	5.3%	5.0%	5.5%	5.5%	Return on Total Cap'l	5.5%
% Change Retail Sales (KWH)	2012 -2.6 2013 -1.6 2014 -1.4	5.8%	9.9%	10.1%	10.1%	9.5%	6.5%	9.1%	9.3%	8.9%	8.0%	10.0%	10.0%	Return on Shr. Equity	10.0%
Avg. Indust. Use (MWH)	NA NA NA	5.8%	9.9%	10.1%	10.1%	9.5%	6.5%	9.1%	9.3%	8.9%	8.0%	10.0%	10.0%	Return on Com Equity <sup>D</sup>	10.0%
Avg. Indust. Revs. per KWH (c)	7.1 7.8 7.9	NMF	NMF	3.1%	1.0%	1.2%	1.7%	1.1%	1.5%	2.4%	9%	3.5%	4.0%	Retained to Com Eq	4.5%
Capacity at Peak (Mw)	NA NA NA	NMF	117%	70%	90%	88%	74%	88%	84%	73%	89%	65%	60%	All Div'ds to Net Prof	50%
Annual Load Factor (%)	NA NA NA	Fixed Charge Cov. (%)	249	262	257	<b>BUSINESS:</b> UIL Holdings, through its subsidiaries, operates as one of the largest regulated utility companies in Connecticut. Business consists of electric distribution/transmission operations of The United Illuminating Company and natural gas transportation/distribution operations of The Southern Connecticut Gas Company, The Connecticut Natural Gas Company, and The Berkshire									
% Change Customers (yr-end)	+2 +1.6 +1.8	<b>Gas Company.</b> Revenue distribution by class: residential, 53%; commercial, 28%; industrial, 4%; other, 15%. Fuel costs: 36% of revenues; O&M costs, 24%. Has 1,902 employees as of 12/14. President & Chief Executive Officer: James P. Torgerson, Inc. CT. Address: 157 Church Street, P.O. Box 1564, New Haven, CT. 06506-0901. Telephone: 203-499-2000. Internet: www.uil.com.													

**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 the Spanish company's U.S. unit (Iberdrola U.S.), which includes New York State Electric & Gas and the second-largest wind-power portfolio in the United States. Under terms of the proposed transaction, investors are slated to receive \$10.50 in cash and one share of newly issued stock in the merged company, worth up to \$44.03, for each share of UIL that they own. Current UIL stakeholders would own 18.5% of the yet-to-be-named newco, which plans to list on the New York Stock Exchange, while Iberdrola S.A. would control the remaining 81.5%. **Left standing in the merger's way is, among other things, approval by the Connecticut Public Utility Regulatory Authority (CPURA).** That body's draft decision in July would have denied the change of control, which prompted UIL to withdraw its original submission. A subsequent settlement agreement, promising concessions to ratepayers and other constituencies, should help clear the path for approval. That said, CPURA is expected to issue a final ruling on December 9th. **Reported earnings rose sharply in the September quarter, as a one-time reserve made for an easy year-ago comparison.** Still, the headline growth figure was significantly less than we envisioned, due to higher uncollectable billings at the utility's gas distribution unit. Ahead of the merger, UIL has also put off a rate case, further limiting near-term growth. **Shares of UIL remain unranked for year-ahead Timeliness due to the utility's pending merger with Iberdrola.** Investors may want to stay pat here with the intention of participating in the cash-and-stock exchange. That option, in our view, will provide good exposure to what looks to be a relatively fast-growing, shareholder-friendly newco. Indeed, earnings at the merged company are expected to increase approximately 10% per year through 2019, partly reflecting the accelerated utilization of existing tax benefits. A competitive dividend and above-average payout increases also appear to be in the cards.

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	458.3	283.5	323.8	420.9	1486.5
2013	548.0	319.1	316.5	435.1	1618.7
2014	571.2	334.8	293.0	432.9	1631.9
2015	584.1	312.0	330.5	<b>443.4</b>	<b>1670</b>
2016	<b>605</b>	<b>350</b>	<b>370</b>	<b>475</b>	<b>1800</b>

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.92	.23	.31	.56	2.04
2013	1.01	.35	.31	.61	2.28
2014	.97	.16	.22	.57	1.92
2015	1.01	.28	.27	.69	2.25
2016	<b>1.00</b>	<b>.40</b>	<b>.45</b>	<b>.75</b>	<b>2.60</b>

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	.432	.432	.432	.432	1.73
2012	.432	.432	.432	.432	1.73
2013	.432	.432	.432	.432	1.73
2014	.432	.432	.432	.432	1.73
2015	.432	.432	.432	.432	1.73

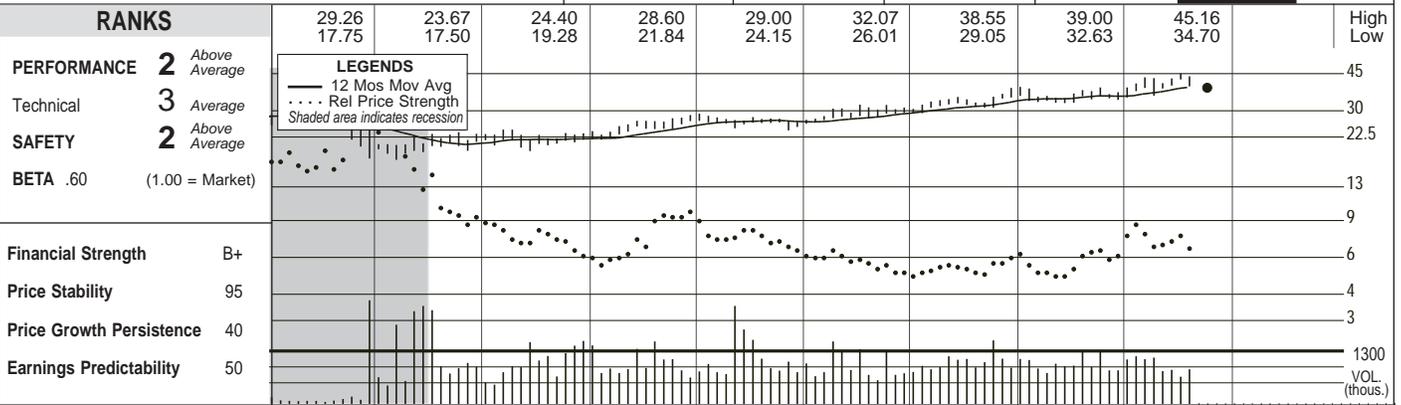
**Approval.** That said, CPURA is expected to issue a final ruling on December 9th. **Reported earnings rose sharply in the September quarter, as a one-time reserve made for an easy year-ago comparison.** Still, the headline growth figure was significantly less than we envisioned, due to higher uncollectable billings at the utility's gas distribution unit. Ahead of the merger, UIL has also put off a rate case, further limiting near-term growth. **Shares of UIL remain unranked for year-ahead Timeliness due to the utility's pending merger with Iberdrola.** Investors may want to stay pat here with the intention of participating in the cash-and-stock exchange. That option, in our view, will provide good exposure to what looks to be a relatively fast-growing, shareholder-friendly newco. Indeed, earnings at the merged company are expected to increase approximately 10% per year through 2019, partly reflecting the accelerated utilization of existing tax benefits. A competitive dividend and above-average payout increases also appear to be in the cards.

*Nils C. Van Liew* November 20, 2015

(A) EPS basic. Excl. nonrecur. gains (losses): '00, '04, '03, '26c; '04, \$2.14; '06, (\$5.07); '10, '47c. Next exs. report due in early February	June, Sept., and Dec. ■ Div'd reinvest. plan avail. (C) Incl. deferred charges. In '14: \$321.9 mill. or \$5.66/sh. (D) Rate base: orig. cost. Rate allowed on common equity in '13: 9.15%.	Earned on average common equity in '14: 8.0%. Regul. Clim.: Below Average. (E) In millions. Adjusted for stock dividend.	Company's Financial Strength B++
(B) Div'ds historically paid in early March.			Stock's Price Stability 90
			Price Growth Persistence 50
			Earnings Predictability 85

# UNITIL CORP. AMEX--UTL

RECENT PRICE **38.64** TRAILING P/E RATIO **22.1** RELATIVE P/E RATIO **1.16** DIV'D YLD **3.7%** VALUE LINE



© VALUE LINE PUBLISHING LLC	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017/2018
SALES PER SH	36.99	33.87	32.91	32.21	25.62	26.51	30.60	30.51	--	
"CASH FLOW" PER SH	3.68	3.44	3.52	4.16	3.86	4.28	4.80	5.15	--	
EARNINGS PER SH	1.65	1.03	.88	1.50	1.43	1.57	1.79	1.89	<b>1.81</b> <sup>A,B</sup>	<b>2.02</b> <sup>C</sup> /NA
DIV'DS DECL'D PER SH	1.38	1.38	1.38	1.38	1.38	1.38	1.38	1.40	--	
CAP'L SPENDING PER SH	3.63	5.42	4.55	5.21	4.97	6.47	6.65	7.43	--	
BOOK VALUE PER SH	17.90	17.82	17.36	17.50	18.90	19.15	19.62	20.20	--	
COMMON SHS OUTST'G (MILL)	7.79	10.84	10.89	10.95	13.78	13.84	13.92	13.99	--	
AVG ANN'L P/E RATIO	15.8	20.3	25.1	16.8	18.7	18.5	18.4	18.5	<b>21.3</b>	<b>19.1</b> /NA
RELATIVE P/E RATIO	.95	1.35	1.60	1.05	1.20	1.04	.97	.95	--	
AVG ANN'L DIV'D YIELD	5.3%	6.6%	6.2%	5.5%	5.2%	4.8%	4.2%	4.0%	--	
SALES (\$MILL)	288.2	367.0	358.4	352.8	353.1	366.9	425.8	426.8	--	<b>Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.</b>
OPERATING MARGIN	18.5%	20.2%	22.7%	27.8%	27.4%	28.9%	28.0%	29.6%	--	
DEPRECIATION (\$MILL)	19.1	27.4	28.9	29.3	35.1	37.7	42.1	45.7	--	
NET PROFIT (\$MILL)	9.7	10.0	9.6	16.4	18.2	21.6	24.7	26.3	--	
INCOME TAX RATE	31.2%	34.2%	31.9%	37.9%	37.7%	37.0%	36.2%	36.9%	--	
NET PROFIT MARGIN	3.4%	2.7%	2.7%	4.6%	5.2%	5.9%	5.8%	6.2%	--	
WORKING CAP'L (\$MILL)	d38.3	d22.9	d9.8	d23.2	7.2	d4.7	15.8	d18.7	--	
LONG-TERM DEBT (\$MILL)	250.0	249.8	289.0	288.5	287.7	284.8	336.4	319.1	--	
SHR. EQUITY (\$MILL)	141.5	195.1	191.0	193.7	260.6	265.2	273.3	282.8	--	
RETURN ON TOTAL CAP'L	4.0%	4.3%	4.1%	5.5%	5.2%	5.8%	5.7%	6.2%	--	
RETURN ON SHR. EQUITY	6.9%	5.1%	5.0%	8.5%	7.0%	8.1%	9.0%	9.3%	--	
RETAINED TO COM EQ	1.1%	NMF	NMF	.6%	.4%	.9%	2.0%	2.4%	--	
ALL DIV'DS TO NET PROF	84%	NMF	NMF	93%	95%	88%	78%	75%	--	

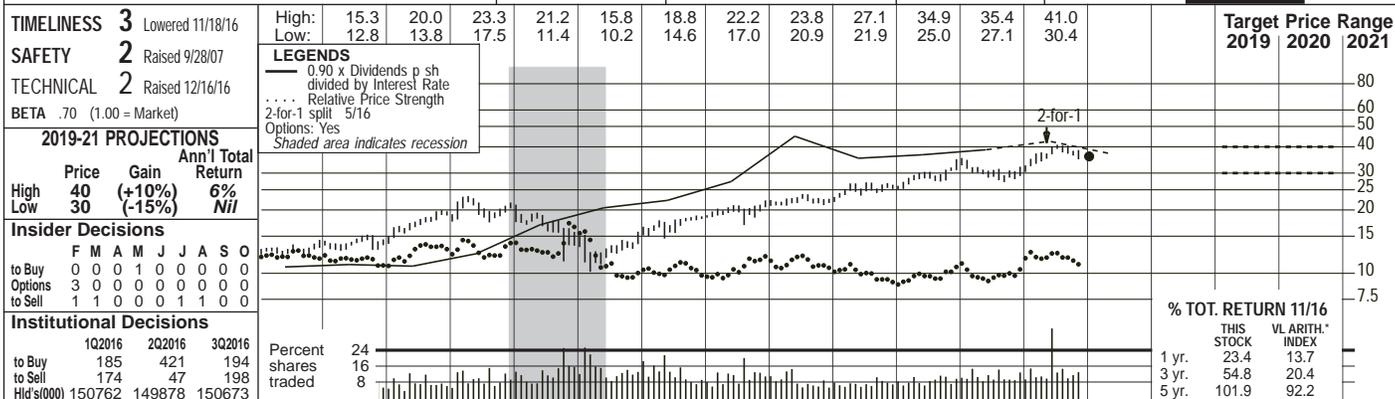
<sup>A</sup>No. of analysts changing earn. est. in last 12 days: 0 up, 0 down, consensus 5-year earnings growth not available. <sup>B</sup>Based upon one analyst's estimate. <sup>C</sup>Based upon one analyst's estimate.

ANNUAL RATES				ASSETS (\$mill.)			INDUSTRY: Electric Utility (East)					
of change (per share)	5 Yrs.	1 Yr.		2014	2015	6/30/16	<b>BUSINESS:</b> 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 industrial 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: <a href="http://www.unitil.com">http://www.unitil.com</a> . N.A.					
Sales	-3.5%	-0.5%		8.4	8.7	7.9						
"Cash Flow"	6.0%	7.0%		109.2	49.8	42.9						
Earnings	8.0%	5.5%		22.4	.8	.4						
Dividends	--	1.0%		5.2	66.6	54.5						
Book Value	2.0%	3.0%		145.2	125.9	105.7						
Fiscal Year	QUARTERLY SALES (\$mill.)			LIABILITIES (\$mill.)								
	1Q	2Q	3Q	4Q	Full Year							
12/31/14	156.1	73.3	76.6	119.8	425.8	Property, Plant & Equip, at cost				988.8	1080.6	--
12/31/15	170.6	77.1	74.7	104.4	426.8	Accum Depreciation				255.1	271.7	--
12/31/16	125.8	74.5				Net Property	733.7	808.9	834.6			
12/31/17						Other	121.3	111.6	111.4			
						Total Assets	1000.2	1046.4	1051.7			
Fiscal Year	EARNINGS PER SHARE			Full Year		LONG-TERM DEBT AND EQUITY as of 6/30/16						
	1Q	2Q	3Q	4Q		Total Debt \$389.4 mill.	Due in 5 Yrs. NA					
12/31/13	.79	d.01	.04	.75	1.57	LT Debt \$314.9 mill.						
12/31/14	.91	.08	.11	.69	1.79	Including Cap. Leases NA						
12/31/15	.98	.12	.12	.67	1.89	(52% of Cap'l)						
12/31/16	.78	.18	.14	.72		Leases, Uncapitalized Annual rentals NA						
12/31/17	.86					Pension Liability \$124.4 mill. in '15 vs. \$118.6 mill. in '14						
Cal-endar	QUARTERLY DIVIDENDS PAID			Full Year		Pfd Stock None	Pfd Div'd Paid None					
	1Q	2Q	3Q	4Q		Common Stock 14,052,000 shares	(48% of Cap'l)					
2013	.345	.345	.345	.345	1.38							
2014	.345	.345	.345	.345	1.38							
2015	.35	.35	.35	.35	1.40							
2016	.355	.355	.355									
INSTITUTIONAL DECISIONS							TOTAL SHAREHOLDER RETURN					
				4Q'15	1Q'16	2Q'16	Dividends plus appreciation as of 8/31/2016					
				to Buy	60	74	54	3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
				to Sell	41	39	56	0.65%	2.30%	13.85%	56.54%	86.02%
				Hld's(000)	7691	8116	8435					

September 23, 2016

# ALLIANT ENERGY NYSE-LNT

RECENT PRICE **36.08** P/E RATIO **22.1** (Trailing: 20.5 Median: 15.0) RELATIVE P/E RATIO **1.13** DIV'D YLD **3.3%** VALUE LINE



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
Revenues per sh	14.46	15.57	16.67	15.51	15.40	16.51	13.94	14.77	15.10	14.34	14.45	15.20	Revenues per sh	17.40
"Cash Flow" per sh	2.16	2.56	2.28	2.10	2.60	2.75	2.95	3.34	3.44	3.45	3.45	4.00	"Cash Flow" per sh	4.95
Earnings per sh <sup>A</sup>	1.03	1.35	1.27	.95	1.38	1.38	1.53	1.65	1.74	1.69	1.65	2.00	Earnings per sh <sup>A</sup>	2.45
Div'd Decl'd per sh <sup>B</sup> = †	.58	.64	.70	.75	.79	.85	.90	.94	1.02	1.10	1.18	1.26	Div'd Decl'd per sh <sup>B</sup> = †	1.50
Cap'l Spending per sh	1.71	2.46	3.98	5.43	3.91	3.03	5.22	3.32	3.78	4.25	4.50	5.00	Cap'l Spending per sh	6.15
Book Value per sh <sup>C</sup>	11.42	12.15	12.78	12.54	13.05	13.57	14.12	14.79	15.54	16.41	18.05	18.75	Book Value per sh <sup>C</sup>	20.00
Common Shs Outst'g <sup>D</sup>	232.25	220.72	220.90	221.31	221.79	222.04	221.97	221.89	221.87	226.92	230.00	230.00	Common Shs Outst'g <sup>D</sup>	230.00
Avg Ann'l P/E Ratio	16.8	15.1	13.4	13.9	12.5	14.5	14.5	15.3	16.6	18.1	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	15.0
Relative P/E Ratio	.91	.80	.81	.93	.80	.91	.92	.86	.87	.92			Relative P/E Ratio	.95
Avg Ann'l Div'd Yield	3.3%	3.1%	4.1%	5.7%	4.6%	4.3%	4.1%	3.7%	3.5%	3.6%			Avg Ann'l Div'd Yield	4.3%

CAPITAL STRUCTURE as of 9/30/16				BUSINESS: Alliant Energy Corp., formerly named Interstate Energy, is a holding company formed through the merger of WPL Holdings, IES Industries, and Interstate Power. Supplies electricity, gas, and other services in Wisconsin, Iowa, and Minnesota. Elect. revs. by state: WI, 44%; IA, 55%; MN, 1%. Elect. rev.: residential, 39%; commercial, 24%; industrial, 30%; wholesale, 6%; other, 1%. Fuel sources, 2015: coal, 46%; gas, 19%; other, 35%. Fuel costs: 49% of revs. 2015 depreciation rate: 5.7%. Estimated plant age: 13 years. Has 4,070 employees. Chairman & Chief Executive Officer: Patricia L. Kampling. Incorporated: Wisconsin. Address: 4902 N. Biltmore Lane, Madison, Wisconsin 53718. Telephone: 608-458-3311. Internet: www.alliantenergy.com.													
Total Debt	\$4130.9 mill.	Due in 5 Yrs	\$1200.0 mill.	3359.4	3437.6	3681.7	3432.8	3416.1	3665.3	3094.5	3276.8	3350.3	3253.6	3325	3500	Revenues (\$mill)	4000
LT Debt	\$3816.9 mill.	LT Interest	\$180.0 mill.	260.1	320.8	280.0	208.6	303.9	304.4	337.8	382.1	385.5	380.7	380	460	Net Profit (\$mill)	565
LT interest earned:	4.1x			43.8%	44.4%	33.4%	--	30.1%	19.0%	21.5%	12.4%	10.1%	15.3%	15.0%	15.0%	Income Tax Rate	15.0%
Pension Assets-12/15	\$895.0 mill.	Oblig.	\$1206.3 mill.	3.1%	2.4%	--	--	--	--	--	--	6.5%	7.0%	7.5%	7.0%	AFUDC % to Net Profit	7.0%
Pfd Stock	\$400.0 mill.	Pfd Div'd	\$10.2 mill.	31.4%	32.4%	36.3%	44.3%	46.3%	45.7%	48.4%	46.1%	49.7%	48.6%	49.5%	49.5%	Long-Term Debt Ratio	49.5%
Common Stock	227,500,428 shs.	Adjusted for 2-for-1 split	4/20/16	62.9%	61.9%	58.6%	51.2%	49.5%	50.9%	48.4%	50.8%	47.5%	51.4%	49.5%	49.5%	Common Equity Ratio	49.5%
MARKET CAP:	\$8.2 billion (Large Cap)			4218.4	4329.5	4815.6	5423.0	5840.8	5921.2	6476.6	6461.0	7257.2	7246.3	7600	7800	Total Capital (\$mill)	8200
ELECTRIC OPERATING STATISTICS				4944.9	4679.9	5353.5	6203.0	6730.6	7037.1	7838.0	7147.3	6442.0	8970.2	8200	8200	Net Plant (\$mill)	8800
% Change Retail Sales (KWH)	+1	+1	-1	7.5%	8.6%	7.0%	5.1%	6.6%	6.4%	6.3%	7.0%	5.3%	5.1%	5.0%	6.0%	Return on Total Cap'l	7.0%
Avg. Indust. Use (MWH)	11471	11821	11735	9.0%	11.0%	9.1%	6.9%	9.7%	9.5%	10.1%	11.0%	10.6%	9.7%	9.0%	10.5%	Return on Shr. Equity	12.0%
Avg. Indust. Revs. per KWH (¢)	6.75	6.85	6.92	9.1%	11.3%	9.3%	6.8%	9.9%	9.5%	10.3%	11.3%	10.9%	10.0%	10.0%	11.0%	Return on Com Equity <sup>E</sup>	12.5%
Capacity at Peak (Mw)	5820	5426	5385	4.0%	5.9%	3.8%	.9%	3.8%	3.3%	3.9%	4.9%	4.3%	3.4%	3.5%	4.5%	Retained to Com Eq	5.5%
Peak Load, Summer (Mw)	5820	5426	5385	59%	50%	62%	88%	64%	67%	64%	57%	59%	65%	72%	63%	All Div'ds to Net Prof	61%
Annual Load Factor (%)	NA	NA	NA														
% Change Customers (yr-end)	+4	+4	+3														

**Alliant Energy's third-quarter results were hurt by an impairment charge.** The company recorded a noncash valuation adjustment worth \$0.23 a share after an analysis on the Franklin County wind farm concluded a valuation of approximately \$33 million, down from \$86 million previously. The inquiry was done in conjunction with a potential transfer to Interstate Power and Light (IPL), a subsidiary of Alliant Energy. The valuation analysis will help determine the level of IPL's future rate requests. The transfer is being reviewed by the Federal Energy Regulatory Commission, but is expected to close by the first quarter of 2017.

**Earnings should advance nicely in 2017.** LNT received a rate order from the Public Service Commission of Wisconsin that will gradually increase monthly charges for residents between now and 2018. Wisconsin regulators trimmed the original request (\$12.9 million, or 1.1% for electric revenues), but still approved a hike that allowed Alliant to raise rates by 0.83%, or \$9.5 million. The agreement is expected to add around \$4/month to residential power bills and nearly double fixed charges from \$7.67/month to \$15/month by 2018.

**Management updated its capital expenditures plan.** The forecast calls for \$6.6 billion in total capex through 2020. The funds will mostly go toward upgrading the electric distribution system, implementing new gas-fired plants, and building up the renewable energy portfolio. This includes the recently approved 500-megawatt Iowa wind farm, which is expected to cost around \$1 billion.

**We look for a dividend hike at the board meeting in January.** This has been the pattern in recent years. We estimate that the directors will raise the quarterly distribution by \$0.02 a share (7.0%), the same increase as in each of the past three years. Alliant is targeting a payout ratio of 60%-70%.

**This stock offers a solid dividend yield and Above-Average Safety rank.** However, following a run-up in the share price over the past 12 months, the recent quotation is well within our 3- to 5-year Target Price Range. Accordingly, total return potential is unappealing.

*Daniel Henigson December 16, 2016*

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	859.6	718.0	866.6	832.6	3278.8
2014	952.8	750.3	843.1	804.1	3350.3
2015	897.4	717.2	898.9	740.1	3253.6
2016	843.8	754.2	924.6	802.4	3325
2017	895	785	960	860	3500

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.36	.30	.72	.27	1.65
2014	.49	.28	.70	.27	1.74
2015	.44	.30	.80	.15	1.69
2016	.43	.37	.57	.28	1.65
2017	.48	.30	.90	.32	2.00

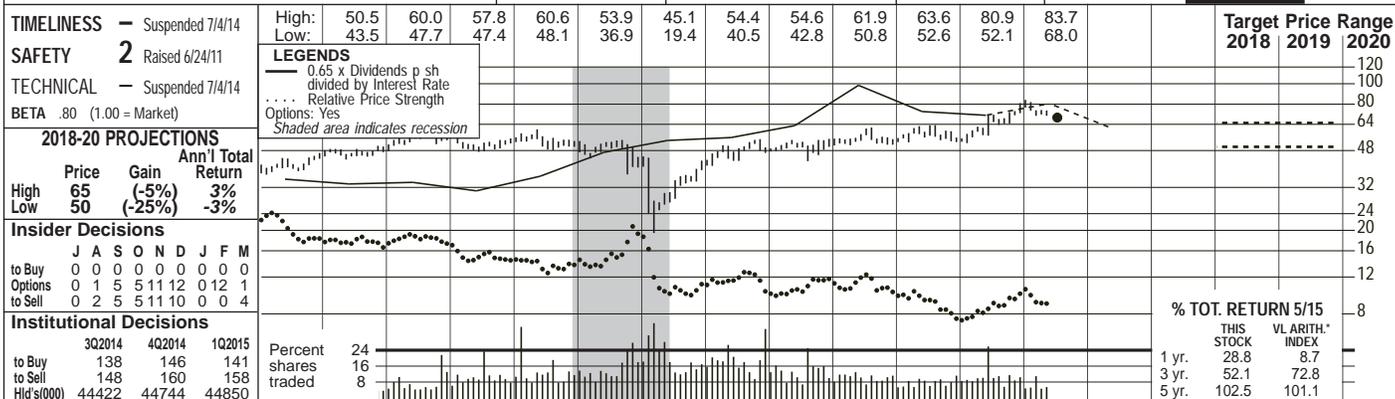
  

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup> = †				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.225	.225	.225	.225	.90
2013	.235	.235	.235	.235	.94
2014	.255	.255	.255	.255	1.02
2015	.275	.275	.275	.275	1.10
2016	.295	.295	.295	.295	

(A) Diluted EPS. Excl. nonrecr. gains (losses): '06, 42¢; '07, 55¢; '08, 4¢; '09, (44¢); '10, (8¢); '11, (1¢); '12, (8¢). Next earnings report due early February. (B) Dividends historically paid in mid-Feb., May, Aug., and Nov. † Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. deferred chgs. In '15: \$95.0 mill. \$0.42/sh. (D) In millions, adjusted for split. (E) Rate base: Orig. cost. Rates all'd on com. eq. in IA in '15: 10.9%; in WI in '15 Regul. Clim.: WI, Above Avg.; IA, Avg.

# INTEGRYS ENERGY NYSE-TEG

RECENT PRICE **68.88** P/E RATIO **24.2** (Trailing: 26.1 Median: 15.0) RELATIVE P/E RATIO **1.27** DIV'D YLD **3.9%** VALUE LINE



Integrys Energy Group was created as a holding company on February 21, 2007 to oversee the entire operations of the recently merged WPS Resources and Peoples Energy. WPS acquired Peoples in an agreement under which each common share of Peoples was converted into .825 share of WPS common. The combination took the new name of Integrys Energy Group. All data on this page prior to 2/21/07 are for WPS Resources only.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
Revenues per sh	173.37	160.01	135.44	184.86	98.71	67.27	60.44	54.07	70.92	52.11	45.30	47.80		53.50
"Cash Flow" per sh	7.40	6.33	5.19	4.69	5.34	6.70	6.13	6.95	7.72	6.46	6.60	7.30		8.25
Earnings per sh <sup>A</sup>	4.09	3.51	2.48	1.58	2.28	3.24	2.88	3.67	4.33	2.77	2.85	3.05		4.00
Div'd Decl'd per sh <sup>B</sup>	2.24	2.28	2.56	2.68	2.72	2.72	2.72	2.72	2.72	2.72	2.72	2.72		2.80
Cap'l Spending per sh	10.31	7.94	5.17	7.01	5.85	3.35	4.00	7.63	8.42	10.88	12.05	12.00		13.50
Book Value per sh <sup>C</sup>	32.47	35.61	42.58	40.79	37.62	37.57	38.01	38.84	41.05	41.49	41.65	42.05		44.75
Common Shs Outst'g <sup>D</sup>	40.16	43.06	75.99	75.99	75.98	77.35	77.91	77.90	79.45	79.53	79.50	79.50		79.50
Avg Ann'l P/E Ratio	13.4	14.7	21.4	30.7	14.8	14.7	17.5	14.8	13.3	23.1				14.0
Relative P/E Ratio	.71	.79	1.14	1.85	.99	.94	1.10	.94	.75	1.22				.90
Avg Ann'l Div'd Yield	4.1%	4.4%	4.8%	5.5%	8.1%	5.7%	5.4%	5.0%	4.7%	4.2%				5.0%

**CAPITAL STRUCTURE as of 3/31/15**  
 Total Debt \$3398.9 mill. Due in 5 Yrs \$568.3 mill.  
 LT Debt \$2956.3 mill. LT Interest \$147.8 mill.  
 (LT interest earned: 3.3x)  
 Leases, Uncapitalized Annual rentals \$4.7 mill.  
 Pension Assets-12/14 \$1495.6 mill.  
 Pfd Stock \$51.1 mill. Pfd Div'd \$3.1 mill.  
 510,626 shs. 5.00% to 6.88%, callable \$101 to \$107.50; sinking fund began 11/1/79. All cumulative, \$100 par.  
 Common Stock 79,963,091 shs. as of 5/4/15  
 MARKET CAP: \$5.5 billion (Large Cap)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		18-20
Revenues (\$mill)	6962.7	6890.7	10292	14048	7499.8	5203.2	4708.7	4212.4	5634.6	4144.2	3600	3800		4250
Net Profit (\$mill)	157.4	151.6	181.1	124.8	178.2	255.9	230.9	294.2	350.1	227.0	230	250		320
Income Tax Rate	22.9%	22.9%	32.2%	29.1%	41.5%	40.4%	36.7%	33.8%	37.6%	41.2%	41.0%	41.0%		41.0%
AFUDC % to Net Profit	1.0%	.5%	.7%	5.8%	4.5%	.7%	.4%	1.3%	4.3%	7.8%	6.0%	6.0%		5.0%
Long-Term Debt Ratio	39.0%	44.8%	40.8%	42.1%	45.1%	42.2%	38.3%	38.6%	47.2%	46.9%	49.5%	50.0%		49.5%
Common Equity Ratio	58.7%	53.4%	58.3%	57.0%	53.9%	56.8%	60.6%	60.4%	52.0%	52.3%	49.5%	49.5%		49.5%
Total Capital (\$mill)	2222.4	2871.9	5552.0	5438.7	5304.4	5118.5	4884.5	5008.6	6268.6	6307.1	6670	6775		7150
Net Plant (\$mill)	2049.4	2534.8	4463.8	4773.3	4945.1	5013.4	5199.1	5501.9	6410.5	6859.8	7525	8140		10275
Return on Total Cap'l	8.0%	6.4%	4.5%	3.5%	4.6%	6.2%	5.9%	6.9%	6.5%	4.8%	4.5%	5.0%		6.0%
Return on Shr. Equity	11.6%	9.6%	5.5%	4.0%	6.1%	8.7%	7.7%	9.6%	10.6%	6.8%	7.0%	7.5%		9.0%
Return on Com Equity <sup>E</sup>	11.8%	9.7%	5.5%	3.9%	6.1%	8.7%	7.7%	9.6%	10.6%	6.8%	7.0%	7.5%		9.0%
Retained to Com Eq	5.3%	3.4%	.0%	NMF	NMF	2.3%	.7%	2.6%	4.4%	.2%	.5%	1.0%		2.5%
All Div'ds to Net Prof	56%	65%	99%	NMF	NMF	118%	74%	73%	59%	97%	94%	88%		70%

**ELECTRIC OPERATING STATISTICS**

	2012	2013	2014
% Change Retail Sales (KWH)	+2	-4	+6.0
Avg. C & I Use (KWH)	NA	NA	NA
Avg. C & I Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	3173	3344	NA
Peak Load, Summer (Mw)	2347	2400	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+4	+4	-9.5

**BUSINESS:** Integrys Energy Group, Inc. is a holding company for Wisconsin Public Service, Peoples Gas, and four other utility subsidiaries. Has 450,000 electric customers in WI, 1.7 million gas customers in WI, IL, MN, and MI. Sold Upper Peninsula Power and retail electric and gas marketing operations in '14. Elec. rev. breakdown: residential, 29%; small commercial & industrial, 29%; large commercial & industrial, 19%; other, 23%. Generating sources: coal, 49%; gas, 12%; other, 5%; purchased, 34%. Fuel costs: 51% of revs. '14 depr. rates (utility): 2.2%-3.2%. Has 4,600 employees. Chairman & CEO: Charles A. Schrock. President & COO: Lawrence T. Borgard. Inc.: WI. Address: 130 East Randolph St., Chicago, IL 60601-6207. Tel.: 312-228-5400. Internet: www.integrystgroup.com.

Fixed Charge Cov. (%) 367 410 254

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14
of change (per sh)			to '18-'20
Revenues	-6.0%	-16.0%	NMF
"Cash Flow"	1.0%	7.0%	2.5%
Earnings	1.0%	11.0%	2.0%
Dividends	2.5%	.5%	.5%
Book Value	4.0%	--	1.5%

**Integrys Energy is awaiting two more regulatory approvals before the acquisition of the company by Wisconsin Energy can be completed.** Integrys stockholders would receive \$18.58 a share in cash and 1.128 shares of Wisconsin Energy stock for each of their shares, valuing the deal at \$69.57 a share at Wisconsin Energy's recent price. The regulatory commissions in Minnesota and Illinois still need to rule on the combination. The due date for a decision in Illinois is July 6th, and the companies hope to get a written order in Minnesota by then. If all goes well, the transaction will close shortly thereafter. Accordingly, this might well be our last full-page report on Integrys. The stock's Timeliness rank is suspended due to the pending takeover.

**We think shareholders should sell their stock on the open market.** The stock price of Integrys is now just 1% below the value of the buyout, leaving little upside potential for shareholders. Integrys holders also have some downside risk that the deal will fall through, or that the price of Wisconsin Energy stock (like that of most utility equities) continues to weaken.

Like many electric utility issues, Wisconsin Energy'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 when it was proposed several years ago. A consultant made 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 new parent company for Peoples Gas.

**Rate relief should help earnings advance this year and next.** Tariffs of Peoples Gas and North Shore Gas (also in Illinois) were raised in early 2015. Wisconsin Public Service has filed for electric and gas rate hikes of \$96.9 million and \$9.1 million, respectively, based on a return of 10.2% on a common-equity ratio of 50.52%. New rates should take effect in early 2016.

*Paul E. Debbas, CFA June 19, 2015*

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	1247.9	839.6	927.7	1197.2	4212.4
2013	1678.2	1116.0	1129.7	1710.7	5634.6
2014	1638.0	836.8	657.1	1012.3	4144.2
2015	1163.2	800	636.8	1000	3600
2016	1250	825	675	1050	3800

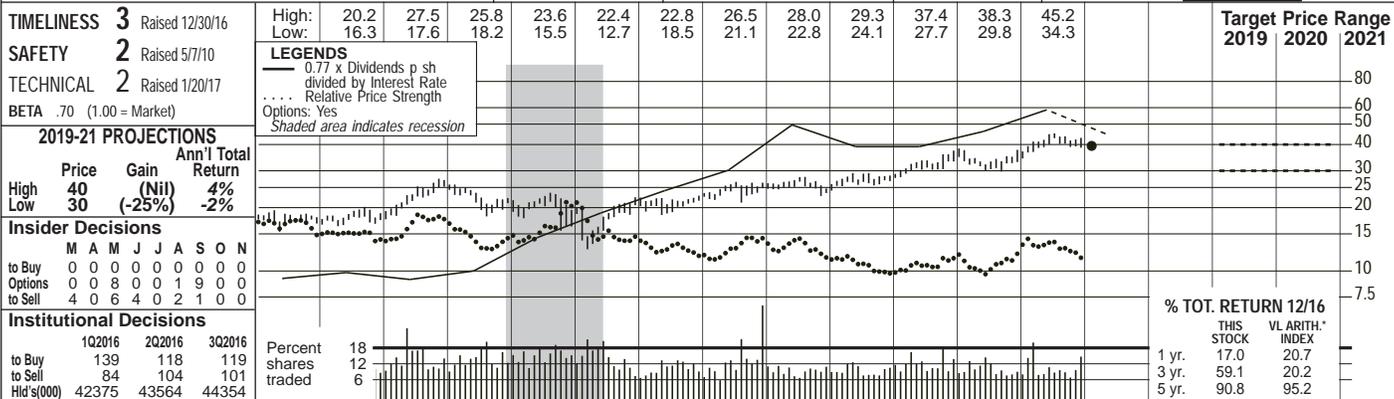
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	1.24	.65	.93	.86	3.67
2013	2.29	d.06	.47	1.63	4.33
2014	1.73	.10	.27	.66	2.77
2015	1.61	.10	.29	.85	2.85
2016	1.70	.10	.35	.90	3.05

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.68	.68	.68	.68	2.72
2012	.68	.68	.68	.68	2.72
2013	.68	.68	.68	.68	2.72
2014	.68	.68	.68	.68	2.72
2015	.68	.68	.68	.68	2.72

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	55
Earnings Predictability	45

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2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
167.59	126.17	20.41	23.24	23.76	27.98	28.68	26.80	30.77	27.58	27.29	27.73	25.86	26.94	23.66	23.83	22.10	21.90	Revenues per sh	23.75
3.31	2.71	2.19	2.63	2.35	2.72	4.27	2.93	3.98	4.45	3.62	3.78	3.70	4.36	4.36	4.92	4.90	5.00	"Cash Flow" per sh	5.75
1.76	1.20	.67	1.02	.73	.92	1.47	.72	1.36	1.58	1.65	1.72	1.32	1.85	1.84	1.89	2.05	1.95	Earnings per sh <sup>A</sup>	2.25
.48	.48	.48	.49	.52	.55	.57	.60	.69	.81	1.00	1.10	1.16	1.22	1.27	1.32	1.37	1.37	Div'd Decl'd per sh <sup>B</sup>	1.50
4.24	5.92	1.74	2.21	2.47	3.23	3.14	4.04	4.09	3.86	3.64	4.20	4.61	5.05	5.47	6.46	6.25	6.60	Cap'l Spending per sh	6.75
15.34	15.12	14.84	15.54	15.54	15.87	17.46	17.27	18.30	19.17	19.71	20.30	21.06	21.61	23.84	24.53	25.55	26.10	Book Value per sh <sup>C</sup>	28.00
47.21	47.63	48.04	48.34	48.47	48.59	52.51	52.91	54.49	54.84	57.12	58.42	59.81	60.08	62.24	62.31	64.50	65.00	Common Shs Outst'g <sup>D</sup>	66.50
13.6	13.7	19.3	13.8	24.4	19.4	15.4	30.9	15.0	11.4	12.7	14.1	19.3	14.6	17.3	17.6	19.7	19.7	Avg Ann'l P/E Ratio	15.5
.88	.70	1.05	.79	1.29	1.03	.83	1.64	.90	.76	.81	.88	1.23	.82	.91	.89	1.05	1.05	Relative P/E Ratio	.95
2.0%	2.9%	3.7%	3.5%	2.9%	3.0%	2.5%	2.7%	3.4%	4.5%	4.8%	4.5%	4.6%	4.5%	4.0%	4.0%	3.4%	3.4%	Avg Ann'l Div'd Yield	4.3%

CAPITAL STRUCTURE as of 9/30/16		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Revenues (\$mill)	1575
Total Debt	\$1817.1 mill. Due in 5 Yrs \$606.7 mill.	1506.3	1417.8	1676.8	1512.6	1558.7	1619.8	1547.0	1618.5	1472.6	1484.8	1425	1425	1425	1425
LT Debt	\$1729.8 mill. LT Interest \$83.9 mill.	75.1	38.5	73.6	87.1	92.4	100.2	78.2	111.1	114.2	118.1	130	130	130	130
Incl.	\$51.5 mill. debt to affiliated trusts. (LT interest earned: 3.4x)	35.9%	38.7%	38.3%	34.3%	35.0%	35.4%	34.4%	36.0%	37.6%	36.3%	36.5%	36.5%	36.5%	36.5%
Pension Assets-12/15	\$517.2 mill. Oblig. \$613.5 mill.	3.9%	22.4%	14.0%	4.2%	4.0%	5.2%	8.3%	8.8%	11.1%	10.1%	9.0%	9.0%	9.0%	9.0%
Pfd Stock	None	53.7%	41.0%	48.1%	50.9%	51.6%	51.4%	50.8%	51.4%	51.0%	50.0%	51.0%	48.5%	48.5%	48.5%
Common Stock	64,184,399 shs. as of 10/28/16	46.3%	59.0%	51.9%	49.1%	48.4%	48.6%	49.2%	48.6%	49.0%	50.0%	49.0%	51.5%	51.5%	51.5%
MARKET CAP:	\$2.5 billion (Mid Cap)	1980.1	1548.9	1919.5	2139.0	2325.3	2439.9	2561.2	2669.7	3027.3	3060.3	3355	3280	3355	3280
ELECTRIC OPERATING STATISTICS		2215.0	2351.3	2492.2	2607.0	2714.2	2860.8	3023.7	3202.4	3620.0	3898.6	4115	4350	4115	4350
% Change Retail Sales (KWH)	2013 +4, 2014 +8, 2015 +2.0	6.1%	5.2%	5.8%	5.5%	5.4%	5.5%	4.3%	5.4%	4.9%	5.1%	5.0%	5.0%	5.0%	5.0%
Avg. Indust. Use (MWH)	1428, 1349, 1339	8.2%	4.2%	7.4%	8.3%	8.2%	8.5%	6.2%	8.6%	7.7%	7.7%	8.0%	7.5%	8.0%	7.5%
Avg. Indust. Revs. per KWH (c)	5.74, 5.93, 6.17	8.0%	4.2%	7.4%	8.3%	8.2%	8.5%	6.2%	8.6%	7.7%	7.7%	8.0%	7.5%	8.0%	7.5%
Capacity at Peak (Mw)	2767, 2594, NA	4.9%	.8%	3.7%	4.1%	3.3%	3.1%	.8%	2.9%	2.4%	2.3%	2.5%	2.5%	2.5%	2.5%
Peak Load, Winter (Mw)	2223, 2223, NA	40%	82%	50%	51%	60%	64%	88%	66%	69%	70%	67%	67%	67%	67%
Annual Load Factor (%)	59.0, 62.0, NA	<b>BUSINESS:</b> Avista Corporation (formerly The Washington Water Power Company) supplies electricity & gas in eastern Washington & northern Idaho. Supplies electricity to part of Alaska & gas to part of Oregon. Customers: 392,000 electric, 335,000 gas. Acq'd Alaska Electric Light and Power 7/14. Sold Ecova energy-management sub. 6/14. Electric rev. breakdown: residential, 34%; commercial, 31%; industrial, 11%; wholesale, 13%; other, 11%. Generating sources: gas & coal, 32%; hydro, 28%; purchased, 40%. Fuel costs: 44% of revs. '15 reported deprec. rate (Avista): 3.1%. Has 1,900 employees. Chairman, President & CEO: Scott L. Morris. Inc.: WA. Address: 1411 E. Mission Ave., Spokane, WA 99202-2600. Tel.: 509-489-0500. Web: www.avistacorp.com.													
% Change Customers (yr-end)	+1.1, +5.5, +1.3	<b>Avista was "extremely disappointed" by the rate decision it received in Washington in December.</b> 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. If this is fruitless, Avista may appeal this matter to the courts.													

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)			
Revenues	--	-3.0%	-5%
"Cash Flow"	6.0%	2.5%	4.0%
Earnings	7.5%	4.0%	3.0%
Dividends	9.5%	9.0%	3.0%
Book Value	4.0%	4.0%	3.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	Year
2013	482.9	352.0	335.9	447.7	1618.5
2014	446.6	312.6	301.6	411.8	1472.6
2015	446.5	337.3	313.7	387.3	1484.8
2016	418.2	318.8	303.3	384.7	1425
2017	420	315	305	385	1425

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	Year
2013	.71	.43	.19	.53	1.85
2014	.79	.43	.16	.48	1.84
2015	.74	.40	.21	.54	1.89
2016	.89	.43	.19	.54	2.05
2017	.85	.40	.15	.55	1.95

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	Year
2013	.305	.305	.305	.305	1.22
2014	.3175	.3175	.3175	.3175	1.27
2015	.33	.33	.33	.33	1.32
2016	.3425	.3425	.3425	.3425	1.37
2017					

(A) Dil. EPS. Excl. nonrec. gain (losses): '02, (9c); '03, (3c); '14, 9c; gains (losses) on disc. ops.: '01, (\$1.00); '02, 2c; '03, (10c); '14, \$1.17; '16, 8c. '13 & '14 EPS don't add due to rounding or change in shs. Next earnings report due late Feb. (B) Div'ds paid in mid-Mar., June, Sept. & Dec. (C) Div'd reinv. avail. (D) Incl. def'd chgs. In '15: \$9.89/sh. (E) Rate base: Net orig. cost. Rate all'd on com. eq. in WA in '16: 9.5%; in ID in '17: 9.5%; in OR in '15: 9.5%; earn. on avg. com. eq., '15: 8.2%. Regul. Clim.: WA, Avg.; ID, Above Avg.

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 (8.1%), based on a 13.8% return on a 58% common-equity ratio. (The cost-of-capital figures are high due to the utility's risks of operating in Juneau.) An interim hike of \$1.3 million (3.9%) took effect on November 23rd. The final order is expected in late 2017. In Oregon, Avista is seeking a gas rate boost of \$8.5 million (9%), based on a 9.9% return on a 50% 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. *Paul E. Debbas, CFA* *January 27, 2017*

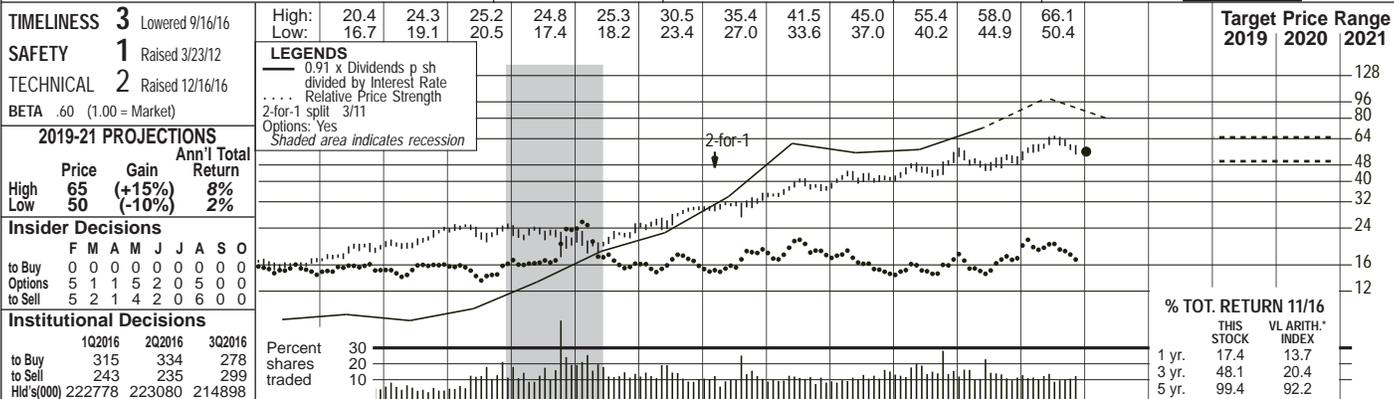
Company's Financial Strength		A
Stock's Price Stability		95
Price Growth Persistence		60
Earnings Predictability		75

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# WEC ENERGY GROUP NYSE-WEC

RECENT PRICE **55.42** P/E RATIO **18.2** (Trailing: 19.0; Median: 16.0) RELATIVE P/E RATIO **0.93** DIV'D YLD **3.8%** VALUE LINE



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
14.14	17.02	16.10	17.12	14.66	16.31	17.08	18.12	18.95	17.65	17.98	19.46	18.54	20.00	22.16	18.77	<b>23.45</b>	<b>24.25</b>	Revenues per sh	27.00
2.24	2.72	2.84	2.86	2.58	2.89	2.90	2.98	2.95	3.11	3.30	3.68	4.01	4.33	4.47	3.87	<b>5.45</b>	<b>5.65</b>	"Cash Flow" per sh	6.50
.54	.92	1.16	1.13	.93	1.28	1.32	1.42	1.52	1.60	1.92	2.18	2.35	2.51	2.59	2.34	<b>2.95</b>	<b>3.10</b>	Earnings per sh <sup>A</sup>	3.50
.69	4.0	4.0	4.0	4.2	4.4	4.6	.50	.54	.68	.80	1.04	1.20	1.45	1.56	1.74	<b>1.98</b>	<b>2.08</b>	Div'd Decl'd per sh <sup>B</sup>	2.40
2.64	3.01	2.54	2.95	2.85	3.40	4.17	5.28	4.86	3.50	3.41	3.60	3.09	3.04	3.26	4.01	<b>4.75</b>	<b>6.30</b>	Cap'l Spending per sh	6.00
8.50	8.91	9.22	9.96	10.65	11.46	12.35	13.25	14.27	15.26	16.26	17.20	18.05	18.73	19.60	27.42	<b>28.20</b>	<b>29.20</b>	Book Value per sh <sup>C</sup>	32.50
237.29	230.84	232.06	236.85	233.97	233.96	233.94	233.89	233.84	233.82	233.77	230.49	229.04	225.96	225.52	315.68	<b>315.65</b>	<b>315.65</b>	Common Shs Outst'g <sup>D</sup>	315.65
18.7	12.1	10.5	12.4	17.5	14.5	16.0	16.5	14.8	13.3	14.0	14.2	15.8	16.5	17.7	21.3	<b>21.3</b>	<b>21.3</b>	Avg Ann'l P/E Ratio	16.5
1.22	.62	.57	.71	.92	.77	.86	.88	.89	.89	.89	.89	1.01	.93	.93	1.07	<b>1.07</b>	<b>1.07</b>	Relative P/E Ratio	1.05
6.8%	3.6%	3.3%	2.8%	2.6%	2.4%	2.2%	2.1%	2.4%	3.2%	3.0%	3.3%	3.2%	3.5%	3.4%	3.5%	<b>3.5%</b>	<b>3.5%</b>	Avg Ann'l Div'd Yield	4.2%

CAPITAL STRUCTURE as of 9/30/16		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	
Total Debt	\$9966.9 mill. Due in 5 Yrs \$3158.7 mill.	3996.4	4237.8	4431.0	4127.9	4202.5	4486.4	4246.4	4519.0	4997.1	5926.1	<b>7400</b>	<b>7650</b>	Revenues (\$mill)	8550
LT Debt	\$9088.1 mill. LT Interest \$460.7 mill.	313.7	337.7	359.8	378.4	455.6	514.0	547.5	578.6	589.5	640.3	<b>930</b>	<b>985</b>	Net Profit (\$mill)	1135
Incl.	\$59.9 mill. capitalized leases. (LT interest earned: 4.8x)	35.8%	39.1%	37.6%	36.5%	35.4%	33.9%	35.9%	36.9%	38.0%	40.4%	<b>38.0%</b>	<b>38.0%</b>	Income Tax Rate	38.0%
Leases, Uncapitalized	Annual rentals \$9.8 mill.	19.0%	23.8%	27.2%	25.0%	18.6%	16.8%	9.4%	4.5%	1.3%	4.5%	<b>3.0%</b>	<b>4.0%</b>	AFUDC % to Net Profit	3.0%
Pension Assets-12/15	\$2755.1 mill.	51.3%	50.3%	54.8%	51.9%	50.6%	53.6%	51.7%	50.6%	48.5%	51.2%	<b>50.5%</b>	<b>48.0%</b>	Long-Term Debt Ratio	48.0%
Oblig	\$3083.0 mill.	48.2%	49.2%	44.8%	47.7%	49.0%	46.0%	48.0%	49.1%	51.2%	48.6%	<b>49.5%</b>	<b>52.0%</b>	Common Equity Ratio	52.0%
Pfd Stock	\$30.4 mill. Pfd Div'd \$1.2 mill.	5992.8	6302.1	7442.0	7473.1	7764.5	8608.0	8619.3	8626.6	8636.5	17809	<b>18050</b>	<b>17775</b>	Total Capital (\$mill)	19775
260,000 shs.	3.60%, \$100 par, callable. \$101;	7052.5	7681.2	8517.0	9070.5	9601.5	10160	10572	10907	11258	19190	<b>19925</b>	<b>21100</b>	Net Plant (\$mill)	24350
44,498 shs.	6%, \$100 par.	6.6%	7.0%	6.3%	6.4%	7.5%	7.5%	7.9%	8.1%	8.1%	4.5%	<b>6.5%</b>	<b>7.0%</b>	Return on Total Cap'l	7.0%
Common Stock	315,617,299 shs.	10.7%	10.8%	10.7%	10.5%	11.9%	12.9%	13.1%	13.6%	13.2%	7.4%	<b>10.5%</b>	<b>10.5%</b>	Return on Shr. Equity	11.0%
MARKET CAP: \$17 billion (Large Cap)		10.8%	10.9%	10.7%	10.6%	12.0%	12.9%	13.2%	13.6%	13.3%	7.4%	<b>10.5%</b>	<b>10.5%</b>	Return on Com Equity <sup>E</sup>	11.0%

ELECTRIC OPERATING STATISTICS			
	2013	2014	2015
% Change Retail Sales (KWH)	-4.5	-5.9	+29.1
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Lg. C&I Revs. per KWH (\$)	8.21	8.62	7.71
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+2	+5	+40.2

**BUSINESS:** WEC Energy Group, Inc. (formerly Wisconsin Energy) is a holding company for utilities that provide electric, gas & steam service in WI & gas service in IL, MN, & MI. Customers: 1.6 mill. elec., 2.8 mill. gas. Acq'd Integrys Energy 6/15. Sold Point Beach nuclear plant in '07. Elec. rev. breakdown: residential, 35%; small commercial & industrial, 31%; large commercial & industrial, 21%; other, 13%. Generating sources: coal, 52%; gas, 16%; renewables, 3%; purchased, 29%. Fuel costs: 38% of revs. '15 reported deprec. rates (utility): 1.2%-3.0%. Has 8,400 employees. Chairman: Gale E. Klappa. President & CEO: Allen L. Leverett, Inc.: WI. Address: 231 W. Michigan St., P.O. Box 1331, Milwaukee, WI 53201. Tel.: 414-221-2345. Internet: www.wecenergygroup.com.

**WEC Energy Group has announced its expectation for a dividend increase in the first quarter of 2017.** This isn't official until declared by the company's board of directors in January, but WEC Energy intends to raise the annual disbursement by \$0.10 a share (5.1%), payable on March 1st. The company is targeting annual dividend hikes of 5%-7%—the same range as its goal for yearly earnings growth—and a payout ratio of 65%-70%.

**Earnings will almost certainly increase materially in 2016.** In fact, WEC Energy's share net for the first three quarters of this year equaled 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 the 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 profits in 2017.

**The company's gas utility in Minnesota received a rate order.** Earlier this quarter, an increase of \$6.8 million (3%) was granted, based on a return on equity of 9.11%. Otherwise, things have been quiet on the regulatory front. In early 2017, management plans to evaluate its rate case strategy for all of WEC Energy's utilities.

**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 plant. Before construction may begin, the utility needs to obtain a certificate of need from the Michigan Public Service Commission.

**This top-quality stock offers a dividend yield that is about equal to the utility average.** With the recent price within our 2019-2021 Target Price Range, total return potential is only average for this industry.

*Paul E. Debbas, CFA December 16, 2016*

(A) Diluted EPS. Excl. gains on disc. ops.: '04, '77; '05, 2c; '06, 2c; '09, 2c; '10, 1c; '11, 6c. '14 & '15 EPS don't add due to rounding or chng. in shs. Next egs. report due early Feb.	(B) Div's paid in early Mar., June, Sept. & Dec. ■ Div'd reinv. avail. (C) Incl. intang. In '15: \$19.29/sh. (D) In mill., adj. for split. (E) Rate base: Net orig. cost. Rates all'd on com. eq. in WI in '15: 10.0%-10.3%; in IL in '15: 9.05%; in MN in '16: 9.11%; in MI in '16: 9.9%; earned on avg. com. eq., '15: 10.0%. Regul. Climate: WI, Above Avg.; IL, Below Avg.; MN & MI, Avg.	Company's Financial Strength	A+
		Stock's Price Stability	95
		Price Growth Persistence	85
		Earnings Predictability	85

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 unsuc-

### INDUSTRY TIMELINESS: 13 (of 97)

cessful 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.

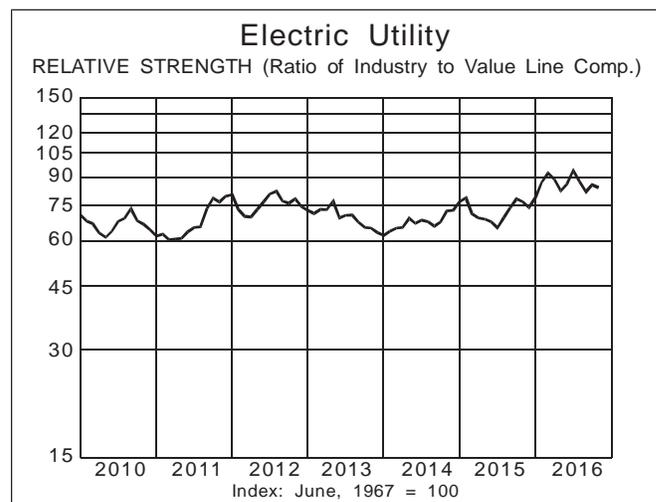
### The Dividend Line

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

#### INDUSTRY TIMELINESS: 33 (of 97)

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

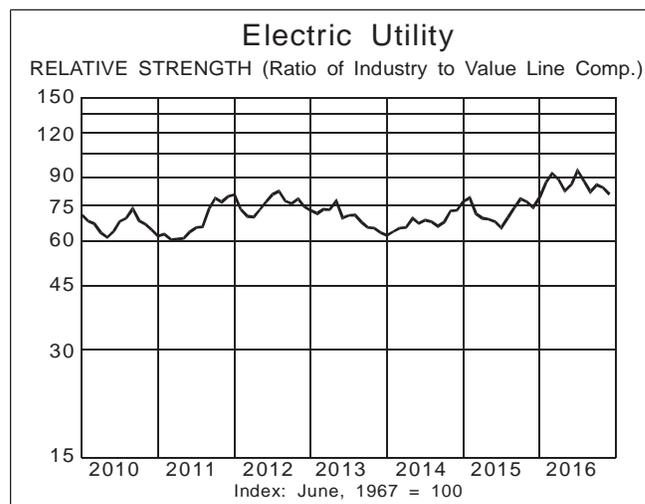
There has been a good deal of merger and acquisition activity in the Electric Utility Industry in recent years. Cleco Corporation and ITC Holdings, formerly covered in this Issue, are no longer independent entities. It looks as if the stock of *Empire District Electric* will only be trading for several 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 rest of the central utilities because the company completed the purchase of ITC in October. *Fortis* also owns U.S. utilities in New York and Arizona.

#### 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 gave 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 58.9% 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

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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.

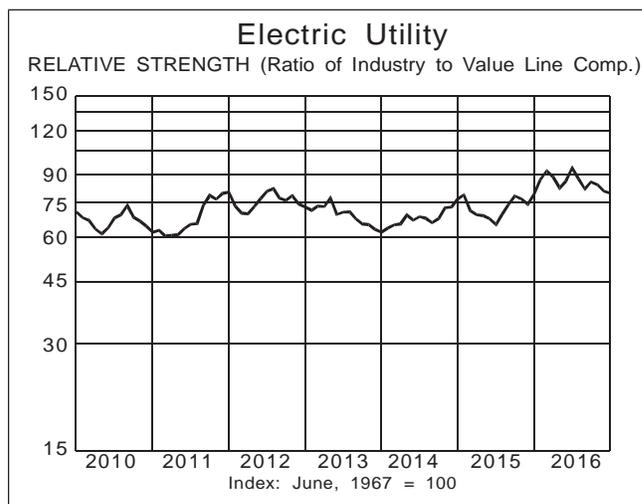
Tax reform is possible. If corporate tax rates are cut, this would not provide a windfall for the regulated utility business because companies would pass the savings through to customers. But any utility holding company with nonregulated operations would likely benefit from a reduction in tax rates. *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*, *Pinnacle West*, 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.

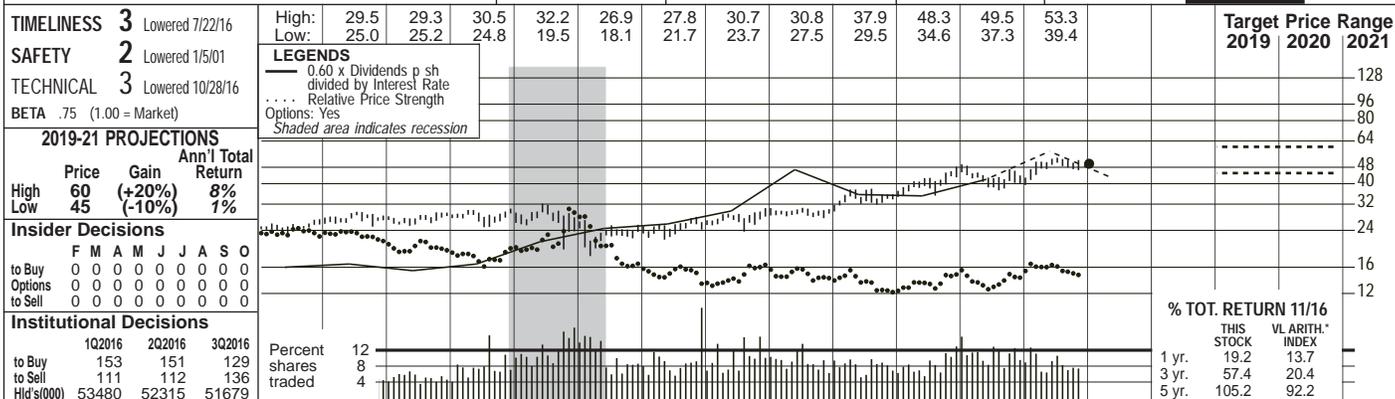
*Paul E. Debbas, CFA*





# VECTREN CORP. NYSE-VVC

RECENT PRICE **49.84** P/E RATIO **19.3** (Trailing: 19.9 Median: 16.0) RELATIVE P/E RATIO **0.99** DIV'D YLD **3.4%** VALUE LINE



Vectren was formed on March 31, 2000 through the merger of Indiana Energy and SIGCORP. The merger was consummated with a tax-free exchange of shares and has been accounted for as a pooling of interests. Indiana Energy common stockholders received one Vectren common share for each share held. SIGCORP stockholders exchanged each common share for 1.333 common shares of Vectren.

**CAPITAL STRUCTURE as of 9/30/16**  
 Total Debt \$1713.8 mill. Due in 5 Yrs \$350.0 mill.  
 LT Debt \$1713.8 mill. LT Interest \$84.0 mill.  
 (LT interest earned: 4.6x)

**Pension Assets-12/15** \$296.9 mill.  
 Oblig. \$348.3 mill.

**Pfd Stock** None

**Common Stock** 82,868,119 shs. as of 10/31/16

**MARKET CAP: \$4.1 billion (Mid Cap)**

**ELECTRIC OPERATING STATISTICS**

	2013	2014	2015
% Change Retail Sales (KWH)	+3	+2.0	-2.4
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	1384	1407	1357
Peak Load, Summer (Mw)	1102	1095	1088
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+6	+6	+7

Fixed Charge Cov. (%)	380	363	428
<b>ANNUAL RATES</b> Past 10 Yrs. change (per sh)	Past 5 Yrs.	Est'd '13-'15 to '19-'21	
Revenues	2.5%	2.0%	4.0%
"Cash Flow"	4.5%	4.5%	7.0%
Earnings	2.5%	3.5%	9.0%
Dividends	2.5%	2.0%	5.0%
Book Value	3.0%	2.5%	5.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun. 30	Sep. 30	Dec. 31	
2013	700.6	531.0	579.6	680.0	2491.2
2014	796.8	542.5	595.6	676.8	2611.7
2015	706.2	551.0	573.5	604.0	2434.7
2016	584.8	533.7	631.0	640.5	2390
2017	650	600	650	700	2600

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun. 30	Sep. 30	Dec. 31	
2013	.61	d.07	.52	.60	1.66
2014	.62	.14	.57	.69	2.02
2015	.69	.43	.48	.79	2.39
2016	.58	.39	.74	.79	2.50
2017	.60	.45	.75	.90	2.70

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B,†</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.350	.350	.350	.355	1.41
2013	.355	.355	.355	.360	1.43
2014	.360	.360	.360	.380	1.46
2015	.380	.380	.380	.400	1.54
2016	.400	.400	.400	.420	

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
26.83	29.88	30.67	25.76	26.06	28.39	27.16	30.23	31.62	29.40	28.50	30.95	Revenues per sh	38.95
3.69	4.29	3.97	4.40	4.44	4.71	5.03	5.03	5.33	5.48	5.55	6.15	"Cash Flow" per sh	8.00
1.44	1.83	1.63	1.79	1.65	1.73	1.94	1.66	2.02	2.39	2.45	2.65	Earnings per sh <sup>A</sup>	3.35
1.23	1.27	1.31	1.35	1.37	1.39	1.41	1.43	1.46	1.54	1.62	1.70	Div'd Decl'd per sh <sup>B,†</sup>	1.95
3.70	4.38	4.83	5.33	3.39	3.92	4.45	4.77	5.43	5.76	6.00	6.45	Cap'l Spending per sh	7.55
15.43	16.16	16.68	17.23	17.61	17.89	18.57	18.86	19.45	20.34	21.55	22.90	Book Value per sh <sup>C</sup>	26.15
76.10	76.36	81.03	81.10	81.70	81.90	82.20	82.40	82.60	82.80	83.50	84.00	Common Shs Outst'g <sup>D</sup>	86.00
18.9	15.3	16.8	12.9	15.0	15.8	15.0	20.7	20.0	17.9	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	15.0
1.02	.81	1.01	.86	.95	.99	.95	1.16	1.05	.91			Relative P/E Ratio	.95
4.5%	4.5%	4.8%	5.9%	5.5%	5.1%	4.8%	4.2%	3.6%	3.6%			Avg Ann'l Div'd Yield	3.9%
2041.6	2281.9	2484.7	2088.9	2129.5	2325.2	2232.8	2491.2	2611.7	2434.7	2380	2600	Revenues (\$mill)	3350
108.8	143.1	129.0	145.0	133.7	141.6	159.0	136.6	166.9	197.3	205	225	Net Profit (\$mill)	290
21.8%	34.7%	37.1%	26.5%	35.8%	37.9%	34.2%	32.9%	32.7%	33.6%	35.0%	35.0%	Income Tax Rate	35.0%
3.8%	2.8%	2.9%	4.1%	--	--	--	--	4.1%	4.0%	4.0%	4.0%	AFUDC % to Net Profit	4.0%
50.7%	50.2%	48.0%	52.4%	49.9%	51.6%	50.4%	53.3%	46.7%	50.6%	50.0%	49.5%	Long-Term Debt Ratio	49.0%
49.3%	49.8%	52.0%	47.6%	50.1%	48.4%	49.6%	46.7%	53.3%	49.4%	50.0%	50.5%	Common Equity Ratio	51.0%
2382.2	2479.1	2599.5	2937.7	2874.1	3025.1	3079.5	3331.4	3013.9	3406.6	3600	3825	Total Capital (\$mill)	4400
2385.5	2539.7	2720.3	2878.8	2955.4	3032.6	3119.6	3224.3	3439.0	4089.5	3850	4000	Net Plant (\$mill)	4450
6.0%	7.2%	6.5%	6.3%	6.1%	6.2%	6.4%	5.4%	6.8%	7.0%	7.0%	7.0%	Return on Total Cap'l	7.5%
9.3%	11.6%	9.5%	10.4%	9.3%	9.7%	10.4%	8.8%	10.4%	11.7%	11.5%	11.5%	Return on Shr. Equity	13.0%
9.3%	11.6%	9.5%	10.4%	9.3%	9.7%	10.4%	8.8%	10.4%	11.7%	11.5%	11.5%	Return on Com Equity <sup>E</sup>	13.0%
1.3%	3.8%	2.0%	2.6%	1.6%	1.9%	2.9%	1.2%	2.9%	4.2%	4.0%	4.5%	Retained to Com Eq	5.5%
86%	67%	80%	75%	83%	80%	73%	86%	72%	65%	66%	63%	All Div'ds to Net Prof	58%

**BUSINESS:** Vectren is a holding company formed through the merger of Indiana Energy and SIGCORP. Supplies electricity and gas to an area nearly two-thirds of the state of Indiana. Owns gas distribution assets in Ohio. Has a customer base exceeding 1.1 million. 2015 Electricity revenues: residential, 36%; commercial, 27%; industrial, 34%; other, 3%. 2015 Gas revenues: residential, 67%;

**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 largely by investment in gas infrastructure in both Indiana and Ohio. Elsewhere, the Nonutility group benefited from healthy results from the Energy Services business and the Infrastructure Services' distribution operation. But the Infrastructure Services transmission line has experienced challenges in recent times. Greater competition has driven margins lower for transmission pipeline maintenance work, and has also meant less business. Even so, revenue from a number of projects has provided support.

**We envision solid growth from 2017 onward.** The company's utility businesses remain well positioned in their service territories, and we expect 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 broader market averages 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 reflected in the recent stock price, and long-term total return potential is not particularly attractive at this juncture. Even so, conservative, income-seeking accounts may want to take a closer look. The shares offer a healthy dividend yield. Moreover, Vectren earns good marks for Safety, Financial Strength, Price Stability, and Earnings Predictability. Also, volatility is below average.

Michael Napoli, CFA December 16, 2016

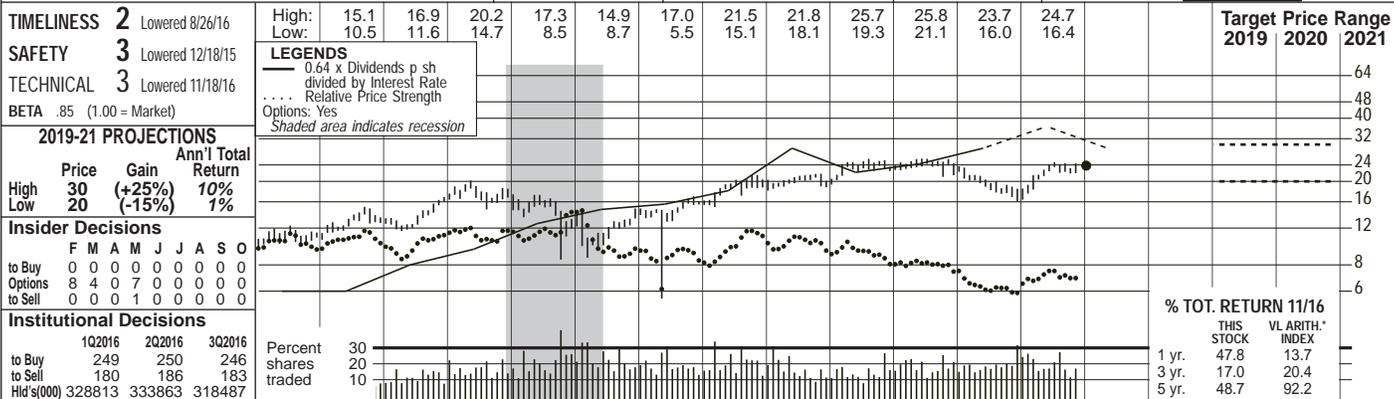
(A) Diluted EPS. Excl. nonrecurr. gain (loss): '09, 15¢. Next eps report due late February. (B) Div'ds historically paid in early March, June, September, and December. (C) Div'd rein-vest. plan avail. (D) Shareholder invest. plan avail. (E) Incl. intang. In '15, \$6.66/sh. (F) In millions. (G) Electric rate base determination: fair value. Rates allowed on elect. common equity range from 10.15% to 10.4%. Regulatory Climate: Above Average.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	70
Earnings Predictability	80

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# CENTERPOINT EN'RGY NYSE-CNP

RECENT PRICE **23.78** P/E RATIO **18.6** (Trailing: 23.3 Median: 15.0) RELATIVE P/E RATIO **0.95** DIV'D YLD **4.5%** VALUE LINE



	2000	2001A	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
Revenues per sh	--	35.18	26.40	31.87	27.63	31.33	29.71	29.82	32.71	21.14	20.69	19.83	17.43	18.90	21.51	17.18	16.95	17.40	Revenues per sh	19.00
"Cash Flow" per sh	--	3.69	3.34	3.98	2.56	2.72	3.47	3.39	3.42	2.94	3.14	3.43	3.89	3.54	3.85	3.40	3.45	3.80	"Cash Flow" per sh	4.25
Earnings per sh <sup>B</sup>	--	1.54	1.29	1.37	.61	.67	1.33	1.17	1.30	1.01	1.07	1.27	1.35	1.24	1.42	1.08	1.05	1.30	Earnings per sh <sup>B</sup>	1.40
Div'd Decl'd per sh <sup>C</sup>	--	1.50	1.07	.40	.40	.40	.60	.68	.73	.76	.78	.79	.81	.83	.95	.99	1.03	1.07	Div'd Decl'd per sh <sup>C</sup>	1.19
Cap'l Spending per sh	--	6.78	2.85	2.11	1.72	2.23	3.21	3.45	2.95	2.96	3.55	3.06	2.84	3.00	3.20	3.68	3.15	3.05	Cap'l Spending per sh	2.75
Book Value per sh <sup>D</sup>	--	22.24	4.74	5.75	3.59	4.18	4.96	5.61	5.89	6.74	7.53	9.91	10.06	10.09	10.60	8.05	8.05	8.25	Book Value per sh <sup>D</sup>	9.00
Common Shs Outst'g <sup>E</sup>	--	302.94	300.10	306.30	308.05	310.33	313.65	322.72	346.09	391.75	424.70	426.03	427.44	429.00	429.00	430.00	431.00	431.00	Common Shs Outst'g <sup>E</sup>	435.00
Avg Ann'l P/E Ratio	--	--	5.6	6.0	17.8	19.1	10.3	15.0	11.3	11.8	13.8	14.6	14.8	18.7	17.0	18.1	18.1	18.1	Avg Ann'l P/E Ratio	18.0
Relative P/E Ratio	--	--	.31	.34	.94	1.02	.56	.80	.68	.79	.88	.92	.94	1.05	.89	.91	.91	.91	Relative P/E Ratio	1.15
Avg Ann'l Div'd Yield	--	--	14.8%	4.8%	3.7%	3.1%	4.4%	3.9%	5.0%	6.4%	5.3%	4.3%	4.0%	3.6%	3.9%	5.1%	5.1%	5.1%	Avg Ann'l Div'd Yield	4.7%

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
Total Debt \$8551 mill. Due in 5 Yrs \$5015 mill.	9319.0	9623.0	11322	8281.0	8785.0	8450.0	7452.0	8106.0	9226.0	7386.0	7300	7500	7300	7500	7300	7500	7300	7500	Revenues (\$mill)	8300
LT Debt \$7736 mill. LT Interest \$383 mill.	432.0	399.0	447.0	372.0	442.0	546.0	581.0	536.0	611.0	465.0	430	555	430	555	430	555	430	555	Net Profit (\$mill)	610
Incl. \$1931 mill. securitized transition & system restoration bonds.	12.6%	32.8%	38.3%	32.1%	37.3%	33.6%	33.4%	31.4%	31.0%	35.1%	37.0%	36.0%	37.0%	36.0%	37.0%	36.0%	36.0%	36.0%	Income Tax Rate	36.0%
(LT interest earned: 2.6x)	2.3%	5.5%	2.7%	1.3%	2.7%	1.6%	2.6%	3.5%	4.1%	4.7%	6.0%	5.0%	6.0%	5.0%	6.0%	5.0%	6.0%	6.0%	AFUDC % to Net Profit	4.0%
Leases, Uncapitalized Annual rentals \$5 mill.	83.4%	82.2%	83.3%	77.6%	73.8%	67.2%	66.0%	64.4%	63.8%	69.5%	70.0%	69.0%	69.0%	69.0%	69.0%	69.0%	69.0%	69.0%	Long-Term Debt Ratio	68.0%
Pension Assets-12/15 \$1679 mill.	16.6%	17.8%	16.7%	22.4%	26.2%	32.8%	34.0%	35.6%	36.2%	30.5%	30.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	Common Equity Ratio	32.0%
Oblig \$2193 mill.	9358.0	10174	12218	11758	12199	12863	12658	12146	12557	11362	11525	11550	11525	11362	11525	11550	11525	11550	Total Capital (\$mill)	12400
	9204.0	9740.0	10296	10788	11732	12402	13597	9593.0	10502	11537	12100	12600	12100	11537	12100	12600	12100	12600	Net Plant (\$mill)	13200
Pfd Stock None	7.8%	6.9%	6.0%	5.8%	6.1%	6.4%	6.8%	6.3%	6.7%	6.1%	5.5%	6.5%	6.5%	6.1%	5.5%	6.5%	6.5%	6.5%	Return on Total Cap'l	6.5%
Common Stock 430,682,420 shs. as of 10/21/16	27.8%	22.0%	21.9%	14.1%	13.8%	12.9%	13.5%	12.4%	13.4%	13.4%	13.0%	15.5%	13.4%	13.4%	13.0%	15.5%	15.5%	15.5%	Return on Shr. Equity	15.5%
MARKET CAP: \$10 billion (Large Cap)	27.8%	22.0%	21.9%	14.1%	13.8%	12.9%	13.5%	12.4%	13.4%	13.4%	13.0%	15.5%	13.4%	13.4%	13.0%	15.5%	15.5%	15.5%	Return on Com Equity <sup>F</sup>	15.5%
	15.7%	10.0%	9.9%	3.6%	3.8%	5.0%	5.5%	4.2%	4.5%	1.1%	.5%	2.5%	4.5%	1.1%	.5%	2.5%	2.5%	2.5%	Retained to Com Eq	2.5%
	43%	55%	55%	74%	72%	62%	60%	66%	67%	92%	98%	83%	67%	92%	98%	83%	83%	83%	All Div'ds to Net Prof	85%

**ELECTRIC OPERATING STATISTICS**

	2013	2014	2015
% Change Retail Sales (KWH)	+1.8	+2.3	+2.9
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (c)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	+2.0	+2.4	+2.1

**ANNUAL RATES**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)			
Revenues	-4.5%	-5.0%	Nil
"Cash Flow"	1.5%	2.5%	3.0%
Earnings	3.5%	2.0%	-2.0%
Dividends	8.5%	4.0%	4.5%
Book Value	8.0%	7.5%	-1.0%

**QUARTERLY REVENUES (\$ mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	2388	1894	1640	2184	8106.0
2014	3163	1884	1807	2372	9226.0
2015	2433	1532	1630	1791	7386.0
2016	1984	1574	1889	1853	7300
2017	2200	1650	1750	1900	7500

**EARNINGS PER SHARE<sup>B</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.34	.29	.35	.26	1.24
2014	.43	.25	.33	.41	1.42
2015	.30	.18	.34	.26	1.08
2016	.36	d.01	.41	.29	1.05
2017	.36	.22	.40	.32	1.30

**QUARTERLY DIVIDENDS PAID<sup>C</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.2025	.2025	.2025	.2025	.81
2013	.2075	.2075	.2075	.2075	.83
2014	.2375	.2375	.2375	.2375	.95
2015	.2475	.2475	.2475	.2475	.99
2016	.2575	.2575	.2575	.2575	

**BUSINESS:** CenterPoint Energy, Inc. is a holding company for Houston Electric, which serves 2.4 million customers in Houston and environs, and gas utilities with 3.3 million customers in Texas, Minnesota, Arkansas, Louisiana, and Oklahoma. Owns 55.4% of Enable Midstream Partners. Discontinued Texas Genco Holdings in '04. Electric revenue breakdown: residential, 52%; commercial, 31%; industrial, 15%; other, 2%. Does not own generating assets. Gas costs: 42% of revenues. '15 depreciation rate: 6.0%. Has 7,500 employees. Chairman: Milton Carroll. President & CEO: Scott M. Prochazka. Incorporated: Texas. Address: 1111 Louisiana, P.O. Box 4567, Houston, Texas 77210-4567. Telephone: 713-207-1111. Internet: www.centerpointenergy.com.

**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 can be volatile, depending on fluctuations in commodity prices. This is undesirable 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's management to lessen the MLP's exposure to commodity prices. CenterPoint had intended to reach a decision by year-end, but the strategic review is taking longer than the company expected. Its decision might not happen until 2017.

**The company might come close to matching its 2015 profit in 2016, despite a weak June-quarter tally.** In the second period, CenterPoint recorded a \$0.17-a-share mark-to-market accounting charge associated with one of its securities. However, the benefits of rate relief and customer growth are being reflected in CenterPoint's profits. The company's utilities have been granted 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 respectable. These factors should produce 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 strategic 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 timely, and has a 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.

*Paul E. Debbas, CFA* December 16, 2016

(A) Pro forma data. (B) Diluted EPS. Excl. extraordinary gains (losses): '04, (\$2.72); '05, 9c; '11, \$1.89; '12, (38c) net; '13, (52c); '15, (\$2.69); losses on discontinued ops.: '04, 37c; '05, 1c. Next earnings report due late Feb. (C) Div'ds historically paid in early Mar., June, Sept. & Dec. = Div'd reinvestment plan avail. (D) Incl. intang. In '15: \$9.23/sh. (E) In mill. (F) Rate base: Net original cost. Rate allowed on com. eq. (elec.) in '11: 10%; (gas): 9.45%-11.25%; earned on avg. com. eq., '15: 10.1%. Regulatory Climate: Average.

**Company's Financial Strength** B+  
**Stock's Price Stability** 90  
**Price Growth Persistence** 45  
**Earnings Predictability** 85

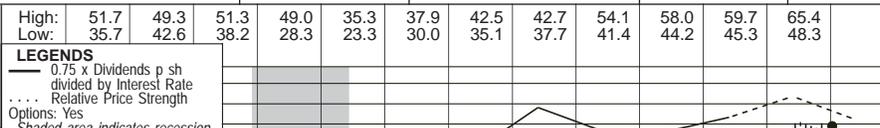


# ALLETE NYSE-ALE

RECENT PRICE **62.59** P/E RATIO **21.4** (Trailing: 20.4 Median: 16.0) RELATIVE P/E RATIO **1.10** DIV'D YLD **3.4%**

**VALUE LINE**

**TIMELINESS** 3 Lowered 9/16/16  
**SAFETY** 2 New 10/1/04  
**TECHNICAL** 3 Lowered 11/4/16  
**BETA** .75 (1.00 = Market)

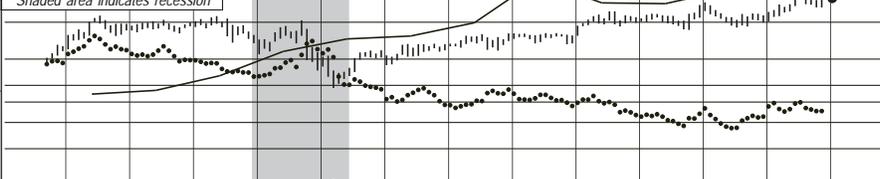


**2019-21 PROJECTIONS**

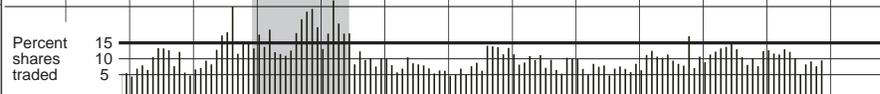
	Price	Gain	Ann'l Total Return
High	65	(+5%)	4%
Low	50	(-20%)	-1%

**Insider Decisions**

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	0	8	0	0	0	0
to Sell	0	1	0	1	0	0	0	0	0



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



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
--	--	--	--	25.30	24.50	25.23	27.33	24.57	21.57	25.34	24.75	24.40	24.60	24.77	30.27	<b>26.95</b>	<b>27.85</b>
--	--	--	--	2.97	3.85	4.14	4.42	4.23	3.57	4.35	4.91	5.01	5.35	5.68	6.79	<b>6.50</b>	<b>7.15</b>
--	--	--	--	1.35	2.48	2.77	3.08	2.82	1.89	2.19	2.65	2.58	2.63	2.90	3.38	<b>2.90</b>	<b>3.30</b>
--	--	--	--	.30	1.25	1.45	1.64	1.72	1.76	1.76	1.78	1.84	1.90	1.96	2.02	<b>2.08</b>	<b>2.14</b>
--	--	--	--	2.12	1.95	3.37	6.82	9.24	9.05	6.95	6.38	10.30	7.93	12.48	5.84	<b>3.95</b>	<b>5.60</b>
--	--	--	--	21.23	20.03	21.90	24.11	25.37	26.41	27.26	28.78	30.48	32.44	35.06	37.07	<b>37.90</b>	<b>39.05</b>
--	--	--	--	29.70	30.10	30.40	30.80	32.60	35.20	35.80	37.50	39.40	41.40	45.90	49.10	<b>49.50</b>	<b>49.90</b>
--	--	--	--	25.2	17.9	16.5	14.8	13.9	16.1	16.0	14.7	15.9	18.6	17.2	15.1	<i>Bold figures are Value Line estimates</i>	
--	--	--	--	1.33	.95	.89	.79	.84	1.07	1.02	.92	1.01	1.05	.91	.76		
--	--	--	--	.9%	2.8%	3.2%	3.6%	4.4%	5.8%	5.0%	4.6%	4.5%	3.9%	3.9%	4.0%		

	2019	2020	2021
Revenues per sh	30.00		
"Cash Flow" per sh	8.25		
Earnings per sh <sup>A</sup>	3.75		
Div'd Decl'd per sh <sup>B</sup> = †	2.40		
Cap'l Spending per sh	3.50		
Book Value per sh <sup>C</sup>	43.00		
Common Shs Outst'g <sup>D</sup>	51.10		
Avg Ann'l P/E Ratio	15.0		
Relative P/E Ratio	.95		
Avg Ann'l Div'd Yield	4.2%		

**CAPITAL STRUCTURE as of 9/30/16**  
 Total Debt \$1545.5 mill. Due in 5 Yrs \$389.2 mill.  
 LT Debt \$1358.9 mill. LT Interest \$58.0 mill.  
 (LT interest earned: 3.9x)  
 Leases, Uncapitalized Annual rentals \$14.0 mill.

**Pension Assets-12/15** \$521.3 mill. Oblig \$709.8 mill.

**Pfd Stock** None

**Common Stock** 49,462,700 shs.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
767.1	841.7	801.0	759.1	907.0	928.2	961.2	1018.4	1136.8	1486.4	1335	1390	Revenues (\$mill)	1535					
77.3	87.6	82.5	61.0	75.3	93.8	97.1	104.7	124.8	163.4	145	165	Net Profit (\$mill)	195					
37.5%	34.8%	34.3%	33.7%	37.2%	27.6%	28.1%	21.5%	22.6%	19.4%	13.0%	20.0%	Income Tax Rate	20.0%					
1.4%	6.6%	5.8%	12.8%	8.9%	2.7%	5.3%	4.4%	6.3%	2.0%	2.0%	2.0%	AFUDC % to Net Profit	2.0%					
35.1%	35.6%	41.6%	42.8%	44.2%	44.3%	43.7%	44.6%	44.2%	46.3%	45.5%	45.5%	Long-Term Debt Ratio	43.0%					
64.9%	64.4%	58.4%	57.2%	55.8%	55.7%	56.3%	55.4%	55.8%	53.7%	54.5%	54.5%	Common Equity Ratio	57.0%					
1025.6	1153.5	1415.4	1625.3	1747.6	1937.2	2134.6	2425.9	2882.2	3388.9	3445	3570	Total Capital (\$mill)	3850					
921.6	1104.5	1387.3	1622.7	1805.6	1982.7	2347.6	2576.5	3286.4	3669.1	3685	3775	Net Plant (\$mill)	3825					
8.6%	8.6%	6.7%	4.8%	5.4%	6.0%	5.6%	5.3%	5.2%	5.8%	5.0%	5.2%	Return on Total Cap'l	6.0%					
11.6%	11.8%	10.0%	6.6%	7.7%	8.7%	8.1%	7.8%	7.8%	9.0%	7.5%	8.5%	Return on Shr. Equity	9.0%					
11.6%	11.8%	10.0%	6.6%	7.7%	8.7%	8.1%	7.8%	7.8%	9.0%	7.5%	8.5%	Return on Com Equity <sup>E</sup>	9.0%					
5.0%	5.8%	3.9%	.5%	1.5%	2.9%	2.3%	2.2%	2.5%	3.6%	2.0%	3.0%	Retained to Com Eq	3.0%					
57%	51%	61%	93%	81%	66%	71%	72%	67%	60%	72%	64%	All Div'ds to Net Prof	62%					

**ELECTRIC OPERATING STATISTICS**

	2013	2014	2015
% Change Retail Sales (KWH)	-1.1	+5	-8.9
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (c)	5.45	6.09	6.40
Capacity at Peak (Mw)	1793	1985	1942
Peak Load, Winter (Mw) <sup>F</sup>	1646	1637	1631
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	NA	NA	NA

**BUSINESS:** ALLETE, Inc. is the parent of Minnesota Power, which supplies electricity to 146,000 customers in northeastern MN, & Superior Water, Light & Power in northwestern WI. Electric rev. breakdown: taconite mining/processing, 26%; paper/wood products, 9%; other industrial, 8%; residential, 12%; commercial, 13%; wholesale, 16% other, 16%. ALLETE Clean Energy owns renewable energy projects. Acq'd U.S. Water Services 2/15. Has real estate operation in FL. Generating sources: coal & lignite, 51%; wind, 11%; other, 3%; purchased, 35%. Fuel costs: 22% of revs. '15 deprec. rate: 3.3%. Has 1,600 employees. Chairman, President & CEO: Alan R. Hodnik. Inc.: MN. Address: 30 West Superior St., Duluth, MN 55802-2093. Tel.: 218-279-5000. Internet: www.allete.com.

Fixed Charge Cov. (%) 306 345 381

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)			
Revenues	5%	2.0%	2.0%
"Cash Flow"	5.5%	8.0%	5.5%
Earnings	4.5%	5.0%	4.0%
Dividends	9.5%	2.5%	3.5%
Book Value	5.5%	6.0%	3.5%

**ALLETE's primary utility subsidiary has filed a rate case.** Minnesota Power is seeking a rate hike of \$55 million (9%), based on a return of 10.25% on a common-equity ratio of 53.8%. It also wants to adjust rates by customer class to reflect the cost of service more closely. The utility is asking for an interim increase of \$49 million that would take effect at the start of 2017, with a final rate order expected by the end of next year.

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	263.8	235.6	251.0	268.0	1018.4
2014	296.5	260.7	288.9	290.7	1136.8
2015	320.0	323.3	462.5	380.6	1486.4
2016	333.8	314.8	349.6	<b>336.8</b>	<b>1335</b>
2017	<b>350</b>	<b>330</b>	<b>360</b>	<b>350</b>	<b>1390</b>

**A smaller rate case is pending in Wisconsin.** Superior Water, Light & Power filed for a total increase of \$2.7 million, based on a return of 10.9% on a common-equity ratio of 55%. New tariffs should take effect at the start of 2017.

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.83	.35	.63	.82	2.63
2014	.80	.40	.97	.73	2.90
2015	.85	.46	1.23	.83	3.38
2016	.93	.50	.81	.66	<b>2.90</b>
2017	<b>.95</b>	<b>.50</b>	<b>1.05</b>	<b>.80</b>	<b>3.30</b>

**We have cut our 2016 earnings estimate by \$0.25 a share, to \$2.90.** In the September quarter, ALLETE took an \$0.18-a-share charge to reverse some tax credits it had booked. This occurred because the Minnesota commission ordered Minnesota Power to pass these credits through to the utility's customers. (The company plans to appeal this order.) In addition, it appears as if fourth-period earnings will be lower than what we expected.

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup> = †				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.46	.46	.46	.46	1.84
2013	.475	.475	.475	.475	1.90
2014	.49	.49	.49	.49	1.96
2015	.505	.505	.505	.505	2.02
2016	.52	.52	.52	.52	

**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 sales to taconite (used in steel) producers. **ALLETE is taking steps to exit its real estate operation in Florida.** This was once a core business, but became noncore after the severe real estate downturn in the state. 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.

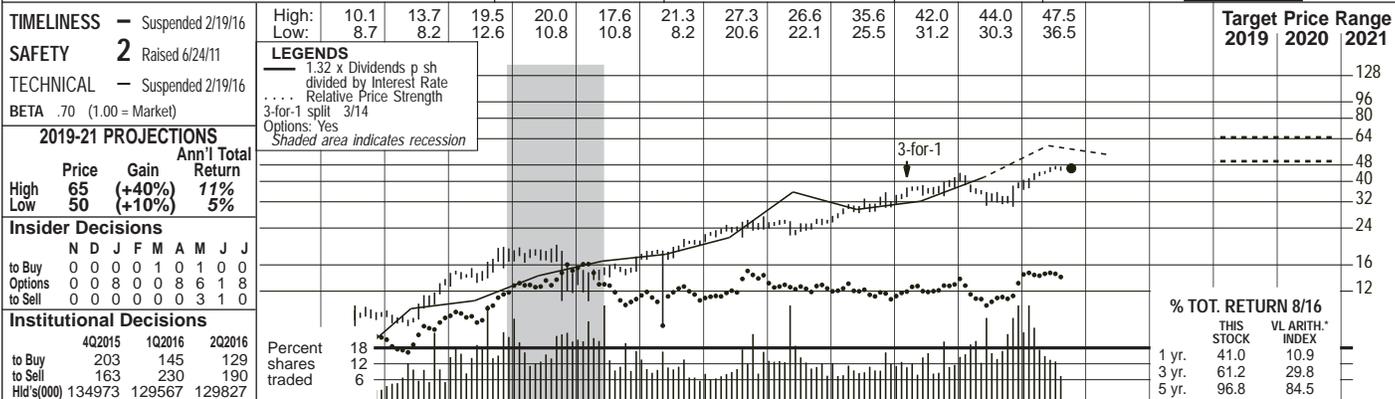
**We expect a dividend increase at the board meeting in January.** We estimate a boost of \$0.06 a share (2.9%) in the annual disbursement, continuing a pattern that has occurred in recent years. The company's payout ratio goal is 60%-65%. **This stock's dividend yield is slightly below the utility average.** With the recent quotation near the upper end of our 2019-2021 Target Price Range, total return potential is low.

(A) Diluted EPS. Excl. nonrec. losses: '04, 25¢ net; '05, \$1.84; '15, 46¢; gain (losses) on disc. ops.: '04, \$2.57, '05, (16¢), '06, (2¢), '15 EPS don't add due to rounding. Next earnings report due early Feb. (B) Div'ds historically paid in early Mar., June, Sept. and Dec. = Div'd reinvestment plan avail. † Shareholder investment plan avail. (C) Incl. deferred charges. In '15: \$11.96/sh. (D) In mill. (E) Rate base: Orig. cost deprec. Rate allowed on com. eq. in '10: 10.38%; earned on avg. com. eq., '15: 9.3%. Reg. Clim.: Avg. (F) Summer peak in '13.

Company's Financial Strength A  
 Stock's Price Stability 95  
 Price Growth Persistence 40  
 Earnings Predictability 90

# ITC HOLDINGS CORP. NYSE-ITC

RECENT PRICE **46.22** P/E RATIO **23.9** (Trailing: 30.0 Median: 22.0) RELATIVE P/E RATIO **1.26** DIV'D YLD **1.9%** VALUE LINE



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
--	--	--	--	1.37	2.06	1.76	3.31	4.15	4.13	4.58	4.92	5.30	5.98	6.59	6.84	<b>7.80</b>	<b>8.85</b>	Revenues per sh	11.75
--	--	--	--	.35	.68	.58	1.10	1.37	1.44	1.53	1.73	1.88	2.24	2.40	2.54	<b>2.95</b>	<b>3.35</b>	"Cash Flow" per sh	4.50
--	--	--	--	.03	.35	.31	.56	.73	.86	.95	1.10	1.20	1.47	1.54	1.56	<b>1.85</b>	<b>2.15</b>	Earnings per sh <sup>A</sup>	2.75
--	--	--	--	--	.18	.36	.38	.40	.42	.44	.46	.49	.54	.61	.70	<b>.81</b>	<b>.93</b>	Div'd Decl'd per sh <sup>B</sup> +	1.30
--	--	--	--	.83	1.19	1.32	2.23	2.70	2.69	2.55	3.62	5.12	5.22	4.73	4.48	<b>6.50</b>	<b>6.70</b>	Cap'l Spending per sh	6.75
--	--	--	--	2.14	2.64	4.18	4.37	6.24	6.73	7.34	8.18	9.03	10.25	10.76	11.19	<b>12.25</b>	<b>13.55</b>	Book Value per sh <sup>C</sup>	18.00
--	--	--	--	92.04	99.69	127.19	128.75	148.96	150.25	152.15	153.97	156.75	157.50	155.14	152.70	<b>154.00</b>	<b>155.00</b>	Common Shs Outst'g <sup>D</sup>	158.00
--	--	--	--	26.3	33.0	27.6	23.2	17.1	20.0	21.4	20.7	20.4	20.4	23.8	22.8	<b>20.0</b>	<b>20.0</b>	Avg Ann'l P/E Ratio	20.5
--	--	--	--	1.40	1.78	1.47	1.40	1.14	1.27	1.34	1.32	1.15	1.25	1.15	1.15	<b>1.15</b>	<b>1.15</b>	Relative P/E Ratio	1.30
--	--	--	--	1.9%	3.5%	2.4%	2.3%	2.8%	2.3%	1.9%	2.0%	1.8%	1.7%	2.0%	2.0%	<b>1.7%</b>	<b>1.7%</b>	Avg Ann'l Div'd Yield	2.3%

CAPITAL STRUCTURE as of 6/30/16				2014	2015	6/30/16	2014	2015	6/30/16	2014	2015	6/30/16	2014	2015	6/30/16	2014	2015	6/30/16	2014	2015	6/30/16
Total Debt \$4598.1 mill. Due in 5 Yrs \$1725.2 mill.				223.6	426.2	617.9	621.0	696.8	757.4	830.5	941.3	1023.0	1044.8	1200	1370	1875	Revenues (\$mill)				1875
LT Debt \$4146.9 mill. LT Interest \$185.0 mill.				33.2	73.3	109.2	130.9	145.7	171.7	187.9	233.5	244.1	242.4	290	335	460	Net Profit (\$mill)				460
(LT interest earned: 2.6x)				29.2%	33.3%	38.1%	37.2%	36.1%	35.6%	36.6%	33.7%	38.1%	36.9%	<b>38.0%</b>	<b>38.0%</b>	38.0%	Income Tax Rate				38.0%
Pension Assets-12/15 \$58.1 mill.				15.0%	14.7%	13.8%	13.1%	11.9%	12.5%	16.0%	16.3%	10.6%	14.4%	<b>14.0%</b>	<b>12.0%</b>	12.0%	AFUDC % to Net Profit				9.0%
Oblig \$97.2 mill.				70.3%	72.4%	70.8%	70.6%	69.1%	67.8%	63.8%	67.9%	70.2%	70.4%	<b>69.5%</b>	<b>67.0%</b>	67.0%	Long-Term Debt Ratio				64.5%
Pfd Stock None				29.7%	27.6%	29.2%	29.4%	30.9%	32.2%	36.2%	32.1%	29.8%	29.6%	<b>30.5%</b>	<b>33.0%</b>	33.0%	Common Equity Ratio				35.5%
Common Stock 153,372,055 shs. as of 7/22/16				1794.5	2041.5	3177.3	3445.9	3614.3	3903.9	3910.2	5025.8	5598.1	5770.0	<b>6200</b>	<b>6395</b>	8050	Total Capital (\$mill)				8050
MARKET CAP: \$7.1 billion (Large Cap)				1197.9	1960.4	2304.4	2542.1	2872.3	3415.8	4134.6	4846.5	5496.9	6109.6	<b>6945</b>	<b>7805</b>	10175	Net Plant (\$mill)				10175
CURRENT POSITION (\$MILL.)				3.0%	5.7%	5.4%	5.7%	6.1%	6.3%	6.7%	6.2%	6.0%	5.9%	<b>6.0%</b>	<b>6.0%</b>	7.0%	Return on Total Cap'l				7.0%
Cash Assets				6.2%	13.0%	11.8%	12.9%	13.0%	13.6%	13.3%	14.5%	14.6%	14.2%	<b>15.5%</b>	<b>16.0%</b>	16.0%	Return on Shr. Equity				16.0%
Receivables				6.2%	13.0%	11.8%	12.9%	13.0%	13.6%	13.3%	14.5%	14.6%	14.2%	<b>15.5%</b>	<b>16.0%</b>	16.0%	Return on Com Equity <sup>E</sup>				16.0%
Inventory (FIFO)				NMF	4.5%	5.4%	6.8%	7.1%	8.0%	8.0%	9.3%	8.9%	7.8%	<b>9.0%</b>	<b>9.0%</b>	9.0%	Retained to Com Eq				9.0%
Other				115%	66%	54%	48%	45%	41%	40%	36%	39%	45%	<b>43%</b>	<b>43%</b>	45%	All Div'ds to Net Prof				45%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	217.3	229.8	238.8	255.4	941.3
2014	258.6	263.2	270.1	231.1	1023.0
2015	272.5	275.1	273.2	224.0	1044.8
2016	280.1	298.0	<b>306.9</b>	<b>315</b>	<b>1200</b>
2017	<b>335</b>	<b>340</b>	<b>345</b>	<b>350</b>	<b>1370</b>

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.32	.30	.37	.48	1.47
2014	.43	.34	.47	.30	1.54
2015	.43	.46	.42	.24	1.56
2016	.42	.46	<b>.48</b>	<b>.49</b>	<b>1.85</b>
2017	<b>.50</b>	<b>.55</b>	<b>.55</b>	<b>.55</b>	<b>2.15</b>

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup> +				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.1175	.1175	.126	.126	.49
2013	.126	.126	.1425	.1425	.54
2014	.1425	.1425	.1625	.1625	.61
2015	.1625	.1625	.1875	.1875	.70
2016	.1875	.1875	.2155		

**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 \$47.00 a share. Each company's stockholders have approved the combination, as have the regulators in Oklahoma and Illinois. The Federal Energy Regulatory Commission (FERC) and the commissions in three other states must still rule on the deal. The companies expect it to be completed by yearend.

**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 downside risk if the deal fails to win regulatory approval, however. The Timeliness rank of ITC stock is suspended due to the pending acquisition.

**ITC is taking charges associated with**

12/07. Has assets in Michigan, Iowa, Minnesota, Illinois, Missouri, and Kansas. Operations are regulated by the Federal Energy Regulatory Commission (FERC). '15 reported depreciation rate: 2.1%. Has about 600 employees. Chairman, President & CEO: Joseph L. Welch, Inc.: Michigan. Address: 27175 Energy Way, Novi, Michigan 48377. Tel.: 248-946-3000. Internet: www.itctransco.com.

**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. More significantly, 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 two quarters of 2016. Transmission users have filed two complaints with FERC against transmission owners in the Midwest, contending that allowed returns on equity are too high and should be reduced. An administrative law judge has recommended cuts in the allowed ROEs, but FERC has yet to rule on either complaint. Each percentage point reduction in ITC's allowed ROE would reduce the company's earning power by \$30 million after taxes.

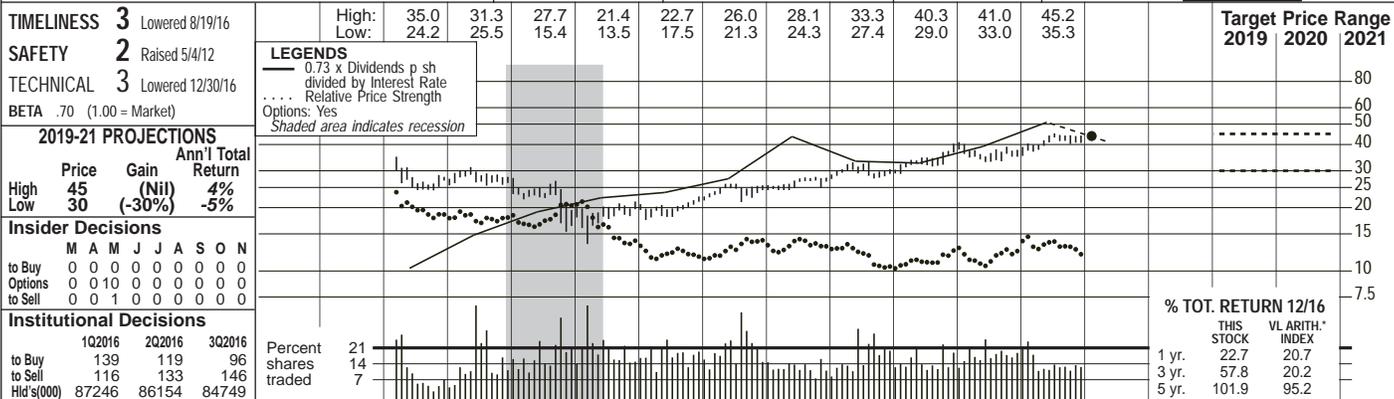
**The board of directors has raised the dividend.** The increase was \$0.11 a share (14.9%) annually. However, unlike most utilities, ITC's dividend yield is still below the market median. Of course, ITC is not like other utilities, being the sole publicly traded transmission-only company.

*Paul E. Debbas, CFA September 16, 2016*

(A) Diluted earnings. '15 earnings don't add to full-year total due to rounding. Next earnings report due late Oct. (B) Dividends historically paid in early March, June, Sept., and Dec. (C) Dividend reinvestment plan available. † Shareholder investment plan available. (D) Incl. intangibles. In '15: \$1.26 billion, \$8.24/sh. (E) Rates allowed on common equity: 12.16%-13.88%. Earned on avg. com. eq., '15: 14.2%. Regulatory Climate: Above Average.	Company's Financial Strength B++ Stock's Price Stability 95 Price Growth Persistence 90 Earnings Predictability 90
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# PORTLAND GENERAL NYSE-POR

RECENT PRICE **43.95** P/E RATIO **20.0** (Trailing: 21.4 Median: 15.0) RELATIVE P/E RATIO **1.01** DIV'D YLD **3.0%** VALUE LINE



2000	2001	2002	2003	2004	2005F	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
--	--	--	--	--	23.14	24.32	27.87	27.89	23.99	23.67	24.06	23.89	23.18	24.29	21.38	21.35	22.40	Revenues per sh	24.50
--	--	--	--	--	4.75	4.64	5.21	4.71	4.07	4.82	4.96	5.15	4.93	6.08	5.37	5.70	6.10	"Cash Flow" per sh	7.25
--	--	--	--	--	1.02	1.14	2.33	1.39	1.31	1.66	1.95	1.87	1.77	2.18	2.04	2.10	2.30	Earnings per sh A	2.50
--	--	--	--	--	--	.68	.93	.97	1.01	1.04	1.06	1.08	1.10	1.12	1.18	1.26	1.34	Div'd Decl'd per sh B = †	1.60
--	--	--	--	--	4.08	5.94	7.28	6.12	9.25	5.97	3.98	4.01	8.40	12.87	6.73	7.05	6.65	Cap'l Spending per sh	3.50
--	--	--	--	--	19.15	19.58	21.05	21.64	20.50	21.14	22.07	22.87	23.30	24.43	25.43	26.20	27.10	Book Value per sh C	30.00
--	--	--	--	--	62.50	62.50	62.53	62.58	75.21	75.32	75.36	75.56	78.09	78.23	88.79	89.00	89.20	Common Shs Outst'g D	89.80
--	--	--	--	--	23.4	11.9	16.3	14.4	12.0	12.4	14.0	16.9	15.3	17.7	19.6	19.6	19.6	Avg Ann'l P/E Ratio	15.0
--	--	--	--	--	1.26	.63	.98	.96	.76	.78	.89	.95	.81	.89	1.05	1.05	1.05	Relative P/E Ratio	.95
--	--	--	--	--	2.5%	3.3%	4.3%	5.4%	5.2%	4.4%	4.1%	3.7%	3.3%	3.3%	3.1%	3.1%	3.1%	Avg Ann'l Div'd Yield	4.2%

**CAPITAL STRUCTURE as of 9/30/16**  
 Total Debt \$2325 mill. Due in 5 Yrs \$698 mill.  
 LT Debt \$2325 mill. LT Interest \$112 mill.  
 (LT interest earned: 2.6x)  
 Leases, Uncapitalized Annual rentals \$10 mill.

**Pension Assets-12/15 \$550 mill. Oblig. \$758 mill.**

**Pfd Stock None**

**Common Stock 88,926,854 shs. as of 10/17/16**

**MARKET CAP: \$3.9 billion (Mid Cap)**

2013	2014	2015
1520.0	1743.0	1745.0
71.0	145.0	87.0
33.6%	33.8%	28.7%
33.8%	17.9%	17.2%
43.4%	49.9%	46.2%
56.6%	50.1%	53.8%
2161.0	2629.0	2518.0
2718.0	3066.0	3301.0
4.7%	6.9%	5.0%
5.8%	11.0%	6.4%
5.8%	11.0%	6.4%
3.5%	6.6%	2.0%
39%	40%	69%

**ELECTRIC OPERATING STATISTICS**

	2013	2014	2015
% Change Retail Sales (KWH)	+1.2	-8	+6
Avg. Indust. Use (MWH)	16258	16577	17827
Avg. Indust. Revs. per KWH (c)	4.84	5.13	5.01
Capacity at Peak (Mw)	4380	4910	4609
Peak Load, Winter (Mw)	3869	3866	3255
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+9	+7	+1.2

**BUSINESS:** Portland General Electric Company (PGE) provides electricity to 863,000 customers in 52 cities in a 4,000-square-mile area of Oregon, including Portland and Salem. The company is in the process of decommissioning the Trojan nuclear plant, which it closed in 1993. Electric revenue breakdown: residential, 47%; commercial, 35%; industrial, 12%; other, 6%. Generating sources: gas, 23%; coal, 19%; wind, 8%; hydro, 7%; purchased, 43%. Fuel costs: 35% of revenues. '15 reported depreciation rate: 3.6%. Has 2,600 employees. Chairman: Jack E. Davis. President and Chief Executive Officer: James J. Piro. Incorporated: Oregon. Address: 121 S.W. Salmon Street, Portland, Oregon 97204. Telephone: 503-464-8000. Internet: www.portlandgeneral.com.

**ANNUAL RATES**

Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
Revenues	-2.0%	1.0%
"Cash Flow"	1.5%	4.0%
Earnings	7.0%	6.5%
Dividends	-2.5%	6.0%
Book Value	2.5%	3.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	473.0	403.0	435.0	499.0	1810.0
2014	493.0	423.0	484.0	500.0	1900.0
2015	473.0	450.0	476.0	499.0	1898.0
2016	487.0	428.0	484.0	501	1900
2017	525	445	505	525	2000

Cal-endar	EARNINGS PER SHARE A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.65	.13	.40	.59	1.77
2014	.73	.43	.47	.55	2.18
2015	.62	.44	.40	.57	2.04
2016	.68	.42	.38	.62	2.10
2017	.75	.45	.45	.65	2.30

Cal-endar	QUARTERLY DIVIDENDS PAID B = †				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.27	.27	.275	.275	1.09
2014	.275	.275	.28	.28	1.11
2015	.28	.28	.30	.30	1.16
2016	.30	.30	.32	.32	1.24
2017	.32				

**Portland General Electric's earnings should advance in 2017.** The company is benefiting from an \$85 million rate increase that took effect in late July last year when the Carty gas-fired generating plant began operating. In addition, we assume normal weather patterns after unfavorable weather hurt the bottom line in 2016. The service area's solid economy is another positive factor. We have trimmed our 2017 share-profit estimate by a nickel, however, because interest expense will probably wind up higher than we had estimated. PGE will probably provide 2017 earnings guidance with its next earnings release in mid-February.

**The company is involved in litigation about the Carty plant.** Due to construction problems, in December of 2015 PGE declared the original contractor (now in bankruptcy protection) in default of the agreement and took over management of the project. The utility is trying to collect a performance bond of \$145.6 million plus additional damages, but the insurers have denied liability. Resolving this matter might well take two to four years. Only \$514 million of the facility's cost (esti-

ated at \$640 million-\$660 million) is in the rate base. Because the excess costs are not being recovered, this hurts annual earnings by \$0.05 a share. Litigation costs are also affecting the company. These amounted to \$3 million in the third quarter of 2016, and probably just as much in the fourth period, but aren't expected to be as high this year.

**The utility might file a general rate case this year.** PGE is evaluating the need for rate relief. It would have to put forth an application in February in order to have new tariffs take effect at the start of 2018. This is the typical timing for regulatory proceedings.

**This stock is priced expensively.** Its dividend yield is below the mean for electric utilities. What's more, the recent quotation is near the upper end of our 3- to 5-year Target Price Range. We think the high valuation reflects takeover speculation, but we advise against buying the equity in the hope of a buyout offer. Investors should note that a proposed acquisition of PGE was rejected by the Oregon regulators in 2005.

*Paul E. Debbas, CFA* *January 27, 2017*

(A) Diluted EPS. Excl. nonrecurring loss: '13, 42c. '15 earnings don't add due to rounding. Next earnings report due mid-Feb. (B) Dividends paid mid-Jan., Apr., July, and Oct. (C) Dividend reinvestment plan avail. (D) Shareholder investment plan avail. (E) Incl. deferred charges. In '15: \$5.90/sh. (F) In mill. com. eq. in '16: 9.6%; earned on avg. com. eq., '15: 8.3%. Regulatory Climate: Average. (G) '05 per-share data are pro forma, based on shares outstanding when stock began trading in '06.

# DUKE ENERGY NYSE-DUK

RECENT PRICE **79.65** P/E RATIO **17.9** (Trailing: 19.1 Median: NMF) RELATIVE P/E RATIO **0.99** DIV'D YLD **4.4%** VALUE LINE

TIMELINESS <b>1</b> Raised 11/18/16	High: 63.9	61.8	53.8	55.8	66.4	71.1	75.5	87.3	90.0	87.8	Target Price Range
SAFETY <b>2</b> New 6/1/07	Low: 50.7	40.5	35.2	46.4	50.6	59.6	64.2	67.1	65.5	70.2	2019 2020 2021
TECHNICAL <b>3</b> Lowered 11/11/16											
BETA .60 (1.00 = Market)	<p>LEGENDS</p> <ul style="list-style-type: none"> <li>0.56 x Dividends p sh divided by Interest Rate</li> <li>Relative Price Strength</li> <li>1-for-3 Rev split 7/12</li> <li>Options: Yes</li> <li>Shaded area indicates recession</li> </ul>										

**2019-21 PROJECTIONS**

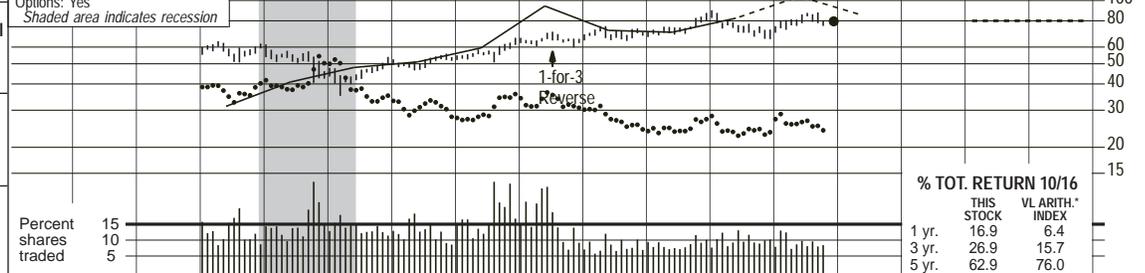
Price	Ann'l Total
High <b>105</b>	Gain <b>(+30%)</b>
Low <b>80</b>	Return <b>11%</b>
	<b>(Nil)</b>
	<b>5%</b>

**Insider Decisions**

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	0	10	1	0	2	0	0	0	1
to Sell	0	4	1	0	1	0	0	0	1

**Institutional Decisions**

	4Q2015	1Q2016	2Q2016
to Buy	525	582	569
to Sell	451	404	433
Hlds(000)	372001	405555	392385



Duke Energy Corporation, in its current configuration, began trading on January 3, 2007, the day after it spun off its midstream gas operations into a new company, Spectra Energy (NYSE: SE). Duke Energy shareholders received half a share of Spectra Energy for each Duke share held. In July of 2012, Duke acquired Progress Energy and effected a 1-for-3 reverse split. Data for the "old" Duke are not shown because they are not comparable.	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
	25.32	30.24	31.15	29.18	32.22	32.63	27.88	34.84	33.84	34.10	33.55	35.65	Revenues per sh	39.25
	7.86	8.11	7.34	7.58	8.49	8.68	6.80	8.56	9.11	9.40	9.60	10.45	"Cash Flow" per sh	11.50
	2.76	3.60	3.03	3.39	4.02	4.14	3.71	3.98	4.13	4.10	4.25	4.80	Earnings per sh <sup>A</sup>	5.25
	--	2.58	2.70	2.82	2.91	2.97	3.03	3.09	3.15	3.24	3.36	3.48	Div'd Decl'd per sh <sup>B</sup>	3.90
	8.07	7.43	10.35	9.85	10.84	9.80	7.81	7.83	7.62	9.83	13.20	12.40	Cap'l Spending per sh	12.25
	62.30	50.40	49.51	49.85	50.84	51.14	58.04	58.54	57.81	57.74	57.80	59.10	Book Value per sh <sup>C</sup>	63.00
	418.96	420.62	423.96	436.29	442.96	445.29	704.00	706.00	707.00	688.00	700.00	701.00	Common Shs Outst'g <sup>D</sup>	704.00
	--	16.1	17.3	13.3	12.7	13.8	17.5	17.4	17.9	18.2	<i>Bold figures are Value Line estimates</i>		Avg Ann'l P/E Ratio	17.5
	--	.85	1.04	.89	.81	.87	1.11	.98	.94	.92			Relative P/E Ratio	1.10
	--	4.4%	5.2%	6.2%	5.7%	5.2%	4.7%	4.4%	4.3%	4.3%			Avg Ann'l Div'd Yield	4.2%

**CAPITAL STRUCTURE as of 6/30/16**  
**Total Debt \$44585 mill. Due in 5 Yrs \$15408 mill.**  
**LT Debt \$39931 mill. LT Interest \$1829 mill.**  
 Incl. \$1336 mill. capitalized leases.  
 (LT interest earned: 3.0x)

**Leases, Uncapitalized** Annual rentals \$219 mill.  
**Pension Assets-12/15** \$8136 mill.  
**Oblig** \$7606 mill.

**Pfd Stock** None

**Common Stock** 688,933,508 shs.

**MARKET CAP: \$55 billion (Large Cap)**

**ELECTRIC OPERATING STATISTICS**

	2013	2014	2015
% Change Retail Sales (KWH)	+1.3	+2.2	+6
Avg. Indust. Use (MWH)	2687	2876	2883
Avg. Indust. Revs. per KWH (¢)	5.89	6.15	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	+8	+1.0	+1.2

Fixed Charge Cov. (%)	327	315	317
<b>ANNUAL RATES</b>	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15 to '19-'21
Revenues	--	2.0%	3.0%
"Cash Flow"	--	3.0%	5.0%
Earnings	--	3.0%	4.0%
Dividends	--	2.5%	3.5%
Book Value	--	3.0%	1.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	5898	5879	6709	6112	24598
2014	6263	5708	6395	5559	23925
2015	6065	5589	6483	5322	23459
2016	5622	5484	6821	5573	23500
2017	6250	5900	6900	5950	25000

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.89	.74	1.40	.94	3.98
2014	1.05	1.02	1.25	.81	4.13
2015	1.09	.87	1.44	.70	4.10
2016	1.00	.95	1.52	.78	4.25
2017	1.15	1.00	1.60	1.05	4.80

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.75	.75	.765	.765	3.03
2013	.765	.765	.78	.78	3.09
2014	.78	.78	.795	.795	3.15
2015	.795	.795	.825	.825	3.24
2016	.825	.825	.855		

**BUSINESS:** Duke Energy Corporation is a holding company for utilities with 7.4 mill. elec. customers in NC, FL, IN, SC, Oh, & KY, and 1.5 mill. gas customers in OH, KY, NC, SC, and TN. Owns independent power plants & has 25% stake in National Methanol in Saudi Arabia. Acq'd Progress Energy 7/12; Piedmont Natural Gas 10/16; discontinued most intl' ops. in '16. Elec. rev. breakdown:

**Duke Energy has completed its acquisition of Piedmont Natural Gas.** The company paid about \$5.0 billion in cash for Piedmont, which serves about a million customers in the Carolinas and Tennessee. Duke financed the purchase with debt, equity, and cash on hand. The addition of Piedmont should be accretive to earnings in 2017, so we have raised our estimate by \$0.10 a share. Due to merger-related expenses, however, the deal will be dilutive to profits this year. These costs reduced share net by \$0.28 in the first nine months of 2016.

**Duke is selling most of its international assets in two deals.** These operations lack the stability of the utility business. The sales are on track to be completed by the end of the first quarter of 2017. These assets are located in several countries in South America and Central America. The sale proceeds are estimated at \$1.7 billion-\$1.9 billion, and will be used to retire debt. Duke will not be out of the international business completely, as it retains its 25% stake in National Methanol in Saudi Arabia. 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.

**A settlement was reached in a rate case in South Carolina.** If the agreement is approved by the state commission, Duke's Progress Energy subsidiary will get a \$56 million (10%) increase, based on a return of 10.1% on a common-equity ratio of 53%. New tariffs should take effect at the start of 2017.

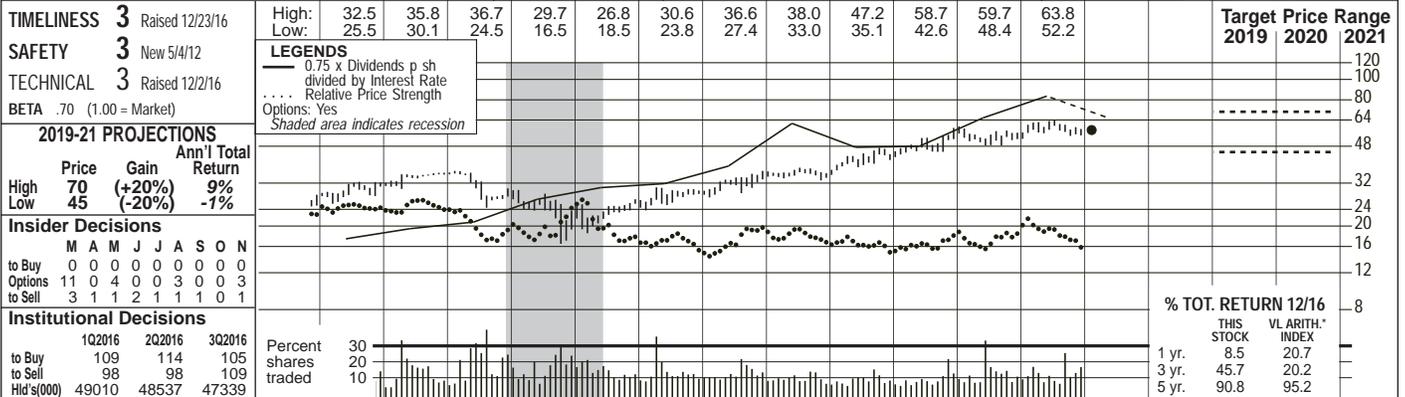
**Duke is building generating plants and investing in gas pipelines.** The utility is building a \$600 million gas-fired plant in South Carolina and a \$1.5 billion gas-fired facility in Florida. A pipeline to transport gas to Florida is under construction, and two other pipelines are in various stages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

**This timely stock has a dividend yield and 3- to 5-year total return potential that are above average for a utility.**  
 Paul E. Debbas, CFA November 18, 2016

(A) Diluted EPS. Excl. nonrec. losses: '12, 70¢; '13, 24¢; '14, 67¢; '16, 21¢; gains (loss) on disc. ops.: '12, 6¢; '13, 2¢; '14, (80¢); '15, 5¢; '16, 18¢. '13 EPS don't add due to rounding.	Next earnings report due mid-Feb. (B) Div'ds paid mid-Mar., June, Sept., & Dec. ■ Div'd re-inval. avail. (C) Incl. intang. In '15: \$40.35/sh. (D) In mill., adj. for rev. split. (E) Rate base: Net	orig. cost. Rates all'd on com. eq. in '13 in NC/SC: 10.2%; in '09 in OH: 10.63%; in '04 in IN: 10.3%; earned on avg. com. eq.: '15: 7.1%. Reg. Climate: NC Avg.; SC, OH, IN Above Avg.	Company's Financial Strength <b>A</b> Stock's Price Stability <b>100</b> Price Growth Persistence <b>50</b> Earnings Predictability <b>80</b>
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# NORTHWESTERN NYSE-NWE

RECENT PRICE **57.34** P/E RATIO **16.5** (Trailing: 17.0 Median: 16.0) RELATIVE P/E RATIO **0.83** DIV'D YLD **3.6%** VALUE LINE



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
--	--	--	--	29.18	32.57	31.49	30.79	35.09	31.72	30.66	30.80	28.76	29.80	25.68	25.21	25.75	26.65	Revenues per sh	30.25
--	--	--	--	3.20	4.00	3.62	3.70	4.40	4.62	4.76	5.42	5.18	5.45	5.39	5.92	6.60	6.85	"Cash Flow" per sh	8.00
--	--	--	--	d14.32	1.71	1.31	1.44	1.77	2.02	2.14	2.53	2.26	2.46	2.99	2.90	3.40	3.45	Earnings per sh <sup>A</sup>	4.00
--	--	--	--	--	1.00	1.24	1.28	1.32	1.34	1.36	1.44	1.48	1.52	1.60	1.92	2.00	2.08	Div'd Decl'd per sh <sup>B</sup> = †	2.32
--	--	--	--	2.25	2.26	2.81	3.00	3.47	5.26	6.30	5.20	5.89	5.95	5.76	5.89	6.35	6.65	Cap'l Spending per sh	5.50
--	--	--	--	19.92	20.60	20.65	21.12	21.25	21.86	22.64	23.68	25.09	26.60	31.50	33.22	34.40	35.60	Book Value per sh <sup>C</sup>	40.25
--	--	--	--	35.60	35.79	35.97	38.97	35.93	36.00	36.23	36.28	37.22	38.75	46.91	48.17	48.50	48.75	Common Shs Outst'g <sup>D</sup>	49.50
--	--	--	--	17.1	26.0	21.7	13.9	11.5	12.9	12.6	15.7	16.9	16.2	18.4	17.1			Avg Ann'l P/E Ratio	14.0
--	--	--	--	.91	1.40	1.15	.84	.77	.82	.79	1.00	.95	.85	.93	.90			Relative P/E Ratio	.90
--	--	--	--	3.4%	3.6%	4.1%	5.4%	5.7%	4.9%	4.5%	4.2%	3.7%	3.3%	3.6%	3.4%			Avg Ann'l Div'd Yield	4.1%

CAPITAL STRUCTURE as of 9/30/16				2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Revenues (\$mill)	1500
Total Debt \$2043.6 mill. Due in 5 Yrs \$477.6 mill.				1132.7	1200.1	1260.8	1141.9	1110.7	1117.3	1070.3	1154.5	1204.9	1214.3	1250	1300	Revenues (\$mill)	1500						
LT Debt \$1819.4 mill. LT Interest \$83.7 mill.				49.2	53.2	67.6	73.4	77.4	92.6	83.7	94.0	120.7	138.4	165	170	Net Profit (\$mill)	200						
Incl. \$25.4 mill. capitalized leases. (LT interest earned: 2.9x)				40.3%	37.8%	37.3%	17.2%	25.0%	9.8%	9.6%	13.2%	13.2%	13.7%	Nil	12.0%	Income Tax Rate	20.0%						
Pension Assets-12/15 \$500.0 mill. Oblig. \$628.9 mill.				3.3%	2.5%	2.3%	7.2%	22.7%	5.4%	15.2%	14.1%	14.4%	16.1%	9.0%	9.0%	AFUDC % to Net Profit	5.0%						
Pfd Stock None				49.9%	50.1%	46.8%	56.4%	57.2%	52.2%	53.8%	53.5%	53.4%	53.1%	54.0%	53.1%	Long-Term Debt Ratio	50.5%						
Common Stock 48,327,642 shs. as of 10/14/16				50.1%	49.9%	53.2%	43.6%	42.8%	47.8%	46.2%	46.5%	46.6%	46.9%	46.0%	47.0%	Common Equity Ratio	49.5%						
MARKET CAP: \$2.8 billion (Mid Cap)				1482.2	1648.4	1434.3	1803.9	1916.4	1797.1	2020.7	2215.7	3168.0	3408.6	3630	3700	Total Capital (\$mill)	4000						
ELECTRIC OPERATING STATISTICS				1491.9	1770.9	1839.7	1964.1	2118.0	2213.3	2435.6	2690.1	3758.0	4059.5	4215	4375	Net Plant (\$mill)	4850						
% Change Retail Sales (KWH)				5.2%	5.0%	7.0%	6.0%	6.0%	7.1%	5.5%	5.5%	4.8%	5.2%	5.5%	6.0%	Return on Total Cap'l	6.0%						
Avg. Indust. Use (MWH)				6.6%	6.5%	8.9%	9.3%	9.4%	10.8%	9.0%	9.1%	8.2%	8.6%	10.0%	9.5%	Return on Shr. Equity	10.0%						
Avg. Indust. Revs. per KWH (c)				6.6%	6.5%	8.9%	9.3%	9.4%	10.8%	9.0%	9.1%	8.2%	8.6%	10.0%	9.5%	Return on Com Equity <sup>E</sup>	10.0%						
Capacity at Peak (Mw)				7.0%	7.9%	2.3%	3.2%	3.5%	4.7%	3.2%	3.5%	3.8%	3.0%	4.0%	4.0%	Retained to Com Eq	4.0%						
Peak Load, Winter (Mw)				90%	89%	74%	66%	63%	56%	65%	61%	54%	65%	59%	60%	All Div'ds to Net Prof	58%						
Annual Load Factor (%)																							
% Change Customers (yr-end)																							
Fixed Charge Cov. (%)				217	201	232																	

**BUSINESS:** NorthWestern Corporation (doing business as NorthWestern Energy) supplies electricity & gas in the Upper Midwest and Northwest, serving 422,000 electric customers in Montana and South Dakota and 279,000 gas customers in Montana (87% of gross margin), South Dakota (12%), and Nebraska (1%). Electric revenue breakdown: residential, 40%; commercial, 51%; industrial, 5%; other, 4%. Generating sources are not provided by company. Fuel costs: 31% of revenues. '15 reported depreciation rate: 3.3%. Has 1,600 employees. Chairman: Dr. E. Linn Draper Jr. President & CEO: Robert C. Rowe. Incorporated: Delaware. Address: 3010 West 69th Street, Sioux Falls, South Dakota 57108. Telephone: 605-978-2900. Internet: www.northwesternenergy.com.

**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 hike of \$10.9 million (8.0%), 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 (4.9%). When the MPSC will rule on the interim request is unknown.

that, NorthWestern asked FERC to reconsider, but was unsuccessful. Separately, the utility appealed to the Montana District Court after the MPSC disallowed some costs stemming from a plant outage in 2013. This forced NorthWestern to take a \$0.13-a-share charge (included in our presentation) in the first period of 2016. It will likely be several more months—perhaps not until 2018—before a ruling is received.

**The company has some legal matters pending, as well.** NorthWestern has taken the Federal Reserve Energy Commission (FERC) to the U.S. Circuit Court of Appeals. FERC had ruled that just 4% of the cost of a new gas-fired generating facility could be allocated to wholesale customers. NorthWestern wants an allocation of 20%, with the other 80% allocated to the company's customers in Montana. This resulted in a \$0.12-a-share charge (included in our earnings presentation) in 2012. A ruling is unlikely before the second half of 2017, and might come much later than

**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 within the company's preliminary guidance of \$3.30-\$3.50.

**We expect a dividend hike in the current quarter.** This has been the board's practice. We estimate a raise of two cents a share (4%) in the quarterly payout.

**NorthWestern stock has a dividend yield that is about equal to the utility average.** With the recent quotation near the midpoint of our 2019-2021 Target Price Range, total return potential over that time frame is unremarkable.

Paul E. Debbas, CFA January 27, 2017

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	313.0	260.2	262.2	319.1	1154.5
2014	369.7	270.3	251.9	313.0	1204.9
2015	346.0	270.6	272.7	325.0	1214.3
2016	332.5	293.1	301.0	323.4	1250
2017	350	310	310	330	1300

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	1.01	.37	.40	.68	2.46
2014	1.17	.20	.77	.85	2.99
2015	1.09	.38	.51	.93	2.90
2016	.79	.73	.92	.96	3.40
2017	1.10	.50	.75	1.10	3.45

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.38	.38	.38	.38	1.52
2014	.40	.40	.40	.40	1.60
2015	.48	.48	.48	.48	1.92
2016	.50	.50	.50	.50	2.00
2017					