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**January 29, 2007**

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Dow Industrials - 12495

Philadelphia 22 Electric Index - 486

RESEARCH MARKET NOTE

## ELECTRIC UTILITIES Market Performance Consensus Opinions and Report Card for 2006

Although recommendations aren't static, it's always interesting to see how analysts' favorites compared to performance. In this exercise we calculated buy (or equivalent) ratings as a percentage total recommendations and ranked each company from the highest (#1) to lowest (#49). The theory, of course, is that the most loved should outperform and vice versa. Recommendations are abstracted from Bloomberg Financial Service.

For the first step, we took 12-month-to-date percentage price changes for the 49 companies we monitor and ranked them from the best (#1) to the poorest (#49). Next we compared the actual relative gain to the predictive performance based on recommendations as of December 31, 2005. For the group of 49 companies, we found little predictive value. Of the top 10 performers, only 3 were among the analysts' top 10 picks: OGE Energy (OGE-not rated by Shields), Allegheny Energy (AYE-not rated) and Entergy (ETR-not rated). Poorer performers that were expected to do well but underperformed include Edison International (EIX-not rated) and Exelon (EXC-Hold). Our buy rating on Scana (SCG) also performed poorly following cuts in earnings guidance by management.

**Table 1**  
**Actual versus Predicted Performance**  
**Year-end 2005 thru 1/26/07**  
**(49 Companies Screened)**

Column	(1) Rank Predicted	(2) Rank Actual		(3) Rank Predicted	(4) Rank Actual
Best			Poorest		
Reliant Engy	30	1	WPS Res	29	49
OGE Engy	9	2	PS Ent.	34	48
Noeast Util.	25	3	Energy East	43	47
Alleg. Engy	4	4	Teco Engy	38	46
FPL Group	18	5	Scana	14	45
Entergy	7	6	Edison Intl.	5	44
Avista	31	7	ConEd.	35	43
Westar	27	8	Haw. Elect.	42	42
Sierra Pacific	23	9	Exelon	7	41
Alliant	32	10	Southern Co.	40	40

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Next, we screened the 20 largest companies, limiting recommendations to the more closely followed companies. It's not perfect, but analysts' recommendations tended to outperform. Among the top 10 is American Electric Power (AEP-not rated), which posted the 9<sup>th</sup> best performance versus a forecast of 17<sup>th</sup>, reflecting upward revisions on earnings and earnings growth during the period. Disappointing price actions versus expectations were posted by Edison International and Exelon. Exelon's price action probably reflected controversy in Illinois over Commonwealth Edison rates and the failed bid to acquire Public Service Enterprises. On balance though, it appears that analysts' recommendations seemed predictive for the larger-capitalized companies.

**Table 2**  
**Actual versus Predicted Performance**  
**Year-end 2005 thru 1/26/07**  
**(20 Companies Screened)**

Column	(1) Rank Predicted	(2) Rank Actual		(3) Rank Predicted	(4) Rank Actual
Best			Poorest		
Alleg. Engy	1	1	PS Ent.	15	20
FPL Group	8	2	Edison Intl	3	19
Entergy	2	3	ConEd.	16	18
Constellation	11	4	Exelon	5	17
PG&E	6	5	Southern Co.	18	16
Xcel Energy	12	6	Ameren	14	15
PPL Corp.	7	7	TXU Corp.	4	14
First Engy	9	8	DTE Engy	19	13
Aep	17	9	Pgrss Erg.	20	12
Duke	13	10	Dom.Res.	10	11

Table 3 arrays the 20-largest companies percent positive bias as of January 26, 2007 and ranks them from highest (#1) to lowest (#20).

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Table 3  
Predicted Relative Performance  
12-Months - Based on Current Bias Ratings

Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
		2007 Rank Predicted	% Chg. 12-mos.	Mkt \$-bil.	Recommendations				
	1/26				Total	Buy	Hold	Sell	
Constellation	ceg	72	1	23	13	8	7	1	0
Edison Intl	eix	45	2	(0)	15	12	10	2	0
PPL Corp.	ppl	35	3	17	13	10	8	2	0
Alleg. Engy	aye	47	4	35	8	12	8	4	0
Exelon	exc	59	5	3	40	17	10	7	0
Entergy	etr	92	6	32	19	14	8	6	0
First Engy	fe	59	7	16	19	12	6	6	0
TXU Corp.	txu	54	8	5	25	18	9	8	1
Dom.Res.	d	82	9	9	28	20	9	8	3
FPL Group	fpl	56	10	34	22	16	7	9	0
Duke	duk	19	11	14	18	20	8	12	0
Ameren	aee	53	12	4	11	10	4	6	0
Aep	aep	43	13	16	17	16	5	11	0
PG&E	pcg	46	14	23	16	15	3	12	0
Xcel Energy	xel	23	15	19	9	12	2	10	0
DTE Engy	dte	46	16	8	8	12	2	9	1
ConEd.	ed	48	17	2	12	13	2	9	2
PS Ent.	peg	67	18	(4)	17	7	1	6	0
Pgrss Erg.	pgn	47	19	8	12	15	2	13	0
Southern Co.	so	36	20	3	27	19	1	17	1

Table 4 recaps 49 companies and ranks the companies based on the most favorable percentage of buy ratings based on current recommendations.

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Table 4  
 Predicted Relative Performance  
 12-Months - Based on Current Bias Ratings

		1/26	2007 Rank Predicted	% Chg. 12-mos.	2006		Mkt \$-bil.	Recommendations			
					Rank Actual	Rank Predicted		Total	Buy	Hold	Sell
Constellation	ceg	72	1	23	13	17	13	8	7	1	0
Edison Intl	eix	45	2	(0)	44	5	15	12	10	2	0
PPL Corp.	ppl	35	3	17	19	11	13	10	8	2	0
Alleg. Egy.	aye	47	4	35	4	47	8	12	8	4	0
Exelon	exc	59	5	3	41	7	40	17	10	7	0
MDU Res.	mdu	25	6	9	31	2	5	12	7	5	0
Entergy	etr	92	7	32	6	4	19	14	8	6	0
TXU Corp.	txu	54	8	5	37	6	25	18	9	8	1
OGE Energy	oge	38	9	42	2	24	3	2	1	1	0
Aquila	ila	5	10	24	11	18	2	4	1	2	1
El Paso El.	ee	24	11	17	20	1	1	6	3	3	0
CMS	cms	17	12	13	28	23	4	12	7	4	1
Emp.District	ede	24	13	9	34	20	1	4	2	2	0
WPS Res	wps	53	14	(7)	49	29	2	8	4	4	0
Dom. Res	d	82	15	9	32	15	28	20	9	8	3
First Energy	fe	59	16	16	21	13	19	12	6	6	0
Scana	scg	40	17	(1)	45	14	5	9	4	5	0
FPL Group	fpl	56	18	34	5	12	22	16	7	9	0
Duke Energy	duk	19	19	14	25	30	18	20	8	12	0
Cleco	cnl	25	20	13	27	33	1	8	3	4	1
PNM Res.	pnm	30	21	23	15	16	2	11	4	5	2
Ameren	aee	53	22	4	38	31	11	10	4	6	0
Sierra Pacific	srp	17	23	26	9	25	3	8	3	5	0
Aep	aep	43	24	16	23	39	17	16	5	11	0
Norest Util.	nu	28	25	38	3	8	4	10	3	6	1
Nstar	nst	33	26	15	24	22	4	10	3	7	0
Westar	wr	26	27	28	8	36	2	7	2	5	0
Puget Energy	psd	25	28	18	18	44	3	7	2	5	0
Wis.Erg.	wec	46	29	12	29	19	5	14	4	10	0
Reliant Egy.	rri	15	30	43	1	9	4	17	4	12	1
Avista	ava	25	31	29	7	3	1	4	1	2	1
Alliant	lnt	36	32	25	10	26	4	4	1	3	0
Black Hills	bkh	37	33	4	39	28	1	4	1	3	0
PG&E Corp.	pcg	46	34	23	14	10	16	15	3	12	0
IDACORP	ida	37	35	14	26	49	2	5	1	2	2
Teco Energy	te	17	36	(2)	46	38	4	10	2	8	0
DTE Energy	dte	46	37	8	36	45	8	12	2	9	1
Hawaiian El.	he	27	38	2	42	42	2	6	1	4	1
Xcel Energy	xel	23	39	19	16	21	9	12	2	10	0
ConEd.	ed	48	40	2	43	35	12	13	2	9	2
Enrgy East	eas	24	41	(3)	47	43	4	8	1	3	4
PS Ent.	peg	67	42	(4)	48	34	17	7	1	6	0
Progress Erg.	pgn	47	43	8	35	46	12	15	2	13	0
Great Plains	gxp	31	44	10	30	37	2	9	1	6	2
Southern Co.	so	36	45	3	40	40	27	19	1	17	1
PinWest	pnw	51	46	16	22	32	5	11	1	10	0
NiSource	ni	24	47	18	17	41	7	11	1	8	2
Central Vt.	cv	24	48	23	12	48	0	0	0	0	0
Duquesne	dqe	20	49	9	33	27	2	4	0	3	1
Average		38		13			9	10	4	6	1

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Hold	82%	0%
Sell	6%	0%

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