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Electric Utilities Comparative Market Performance & Recommendations versus the Dow Industrials

	Year-to-Date		12-Mos. Trailing
	5/7/07	%	%
Dow Jones Industrials	13,313	7%	14%
Philadelphia 22 Electric Index	568	15%	31%

Market

Electric companies continue to far outperform the market as measured by the Dow Jones Industrials. For the year-to-date and trailing 12 months, the Philadelphia 22 Electric Stock Index registered increases of 15% and 31%, respectively, more than double the 7% and 14% advances recorded by the Dow Industrials. Among the larger electric companies (Table 4), the best year-to-date performers were Public Service Enterprises (37%, not rated), Constellation Energy (36, rated hold), Entergy (29%, not rated), Exelon (27%, rated hold) and PPL Corp. (26%, rated hold). The poorest performer was Ameren (1%, not rated) whose price reflects legislative efforts to squash rate increases following expiration of the rate freeze as of December 31, 2006. Other poor performers include Southern Co. (2%, rated hold), Wisconsin Energy (3%, not rated), NiSource (5%, not rated) and Xcel (5%, not rated) but each of these companies have P/E multiples of 16 times or higher, compared to 14 times for the Dow Industrials.

The Dow Industrials' leading performer was Alcoa (29%, not rated), followed by Honeywell (22%, not rated), Merck (19%, not rated), Caterpillar (18%, not rated) and McDonald's (12%, not rated). The poorer performers were Home Depot (-3%, not rated), CitiGroup (-3%, not rated), Procter & Gamble (-3%, not rated), Johnson & Johnson (-3%, not rated) and General Motors (-2%, not rated).

Price/Earnings Multiples (Based on Bloomberg Consensus)

The average electric company's 2008 price/earnings multiple is 16.3 times, compared to the Dow multiple of 14.1 times. Allegheny Energy's (not rated) 21.0 times P/E is the group's highest followed by PPL Corp (18.9 times, rated hold), Wisconsin Energy (17.7 times), PG&E (17.6 times, not rated) and Progress Energy (17.3 times, rated hold). The lowest P/E is TXU Corp. (12.4 times, rated hold), soon to be bought by KKR/TPG. Ameren is next with a 14.5 times multiple followed by Dominion Resources (14.9 times, rated buy), Public Service Enterprises (15.2 times) and Pepco Holdings (15.2 times, not rated).

The Dow's higher P/Es are conservative names (Disney may be an exception) that, like utilities, are fairly predictable: Coca Cola (18.9 times, not rated), Microsoft (18.1 times, not rated), Procter & Gamble (17.9 times) and Merck (17.3 times). Lower multiples include GM (8.1 times), AIG (10.4 times, not rated), CitiGroup (10.7 times), JP Morgan (11.0 times, not rated) and Caterpillar (11.6 times).

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Table 1
Electric versus the Dow
2008 Price/Earnings Ratios

Electric		Dow	
Highest			
Allegheny Energy	21.0	Coca Cola	18.9
PPL Corp.	18.9	Microsoft	18.1
Wisconsin Energy	17.7	P&G	17.9
PG&E Corp.	17.6	Disney	17.8
Progress Energy	17.3	Merck	17.3
Lowest			
TXU Corp.	12.4	GM	8.1
Ameren	14.5	AIG	10.4
Dominion Res.	14.9	CitiGroup	10.7
PS Enterprises	15.2	JP Morgan	11.0
Pepco Holdings	15.2	Caterpillar	11.6

Street Recommendations

Electric Coverage: The average electric company listed in Table 2 (Bloomberg Financial Service) is followed by 14 analysts and includes 5 buys (37%), 8 holds (60%) and only 3% sells. Of 25 electric companies there are only 9 sells: Dominion Resources (1), Con Edison (2-rated hold), Xcel (1), TXU (2), Southern Co. (1) and NiSource (2). Companies in Table 2 are sorted according to the percentage of buy recommendation to total (positive bias). In recent years, names with the higher positive biases have tended to significantly outperform the average, thus leaving little opportunity for the contrarian investor. Currently, the highest positive biases are held by Constellation Energy (80%), PPL Corp (75%), Allegheny Energy (73%), Exelon (68%), MDU Resources (67%, not rated) and Edison International (67%, not rated).

Least favored names include NiSource (9%), Southern Co. (11%), Progress Energy (13%), TXU (13%), Con.Ed. (14%) and DTE Energy (14%). The low bias for TXU is an anomaly since several firms are participants in the \$44 billion buyout by KKR/TPG and have suspended coverage.

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Table 2
25-Electric Companies
Recommendations
Sorted by Positive Bias

Column		(1)	(2)	(3)	(4)	(5)
Company	Sym	Bias %	Total	Buy	Hold	Sell
Constellation Energy	Ceg	80%	10	8	2	0
PPL Corp.	Ppl	75%	8	6	2	0
Allegheny Energy	Aye	73%	11	8	3	0
Exelon	Exc	68%	19	13	6	0
MDU Resources	Mdu	67%	12	8	4	0
Edison Intl.	Eix	67%	12	8	4	0
Entergy	Etr	57%	14	8	6	0
First Energy	Fe	50%	12	6	6	0
Dominion Res.	D	48%	21	10	10	1
Pepeco Holdings	Pom	44%	9	4	5	0
FPL Group	Fpl	41%	17	7	10	0
PG&E Corp.	Pcg	40%	15	6	9	0
PS Enterprises	Peg	33%	9	3	6	0
AEP	Aep	31%	16	5	11	0
Wisconsin. Energy	Wec	29%	14	4	10	0
Duke Energy	Duk	28%	18	5	13	0
Ameren	Aee	25%	12	3	9	0
Center. Pt. Energy	Cnp	23%	13	3	10	0
Xcel Corp.	Xel	17%	12	2	9	1
DTE Energy	Dte	14%	14	2	12	0
Con. Ed.	Ed	14%	14	2	10	2
TXU Corp.	Txu	13%	15	2	11	2
Progress Energy	Pgn	13%	16	2	14	0
Southern Co.	So	11%	19	2	16	1
NiSource	Ni	9%	11	1	8	2
Average			14	5	8	0
Total			343	128	206	9
%				37%	60%	3%

Dow Coverage: Recommendations for Dow stocks are significantly more bullish than for Electrics. Of the 675 recommendations, 425 or 63% are buys. Like the Electric analysts, however, sell recommendations are rare, only 37, or 5% of the total. Most loved companies are United Technologies (90%, not rated), AT&T (84%, not rated), American International Group (84%), Johnson & Johnson (84%) and General Electric (82%, not rated).

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Table 3
30-Dow Jones
Recommendations
Sorted by Positive Bias

Column		(1)	(2)	(3)	(4)	(5)
		Bias %	Total	Buy	Hold	Sell
United Tech	Utx	90%	20	18	2	0
AT&T	T	84%	32	27	3	2
AIG	Aig	84%	19	16	3	0
JNJ	Jnj	84%	19	16	2	1
GE	Ge	82%	22	18	4	0
Altria	Mo	81%	16	13	3	0
P&G	Pg	78%	18	14	4	0
Amer. Exp.	Axp	76%	21	16	4	1
JP Morgan	Jpm	75%	20	15	4	1
Microsoft	Msft	74%	34	25	8	1
HP	hpq	70%	30	21	6	3
CitiGroup	cat	70%	23	16	6	1
Coca Cola	ko	68%	19	13	5	1
McDonald's	mcd	68%	19	13	6	0
IBM	ibm	68%	28	19	8	1
Honeywell	hon	63%	19	12	6	1
Boeing	ba	62%	21	13	6	2
3-M	mmm	62%	13	8	5	0
Du Pont	dd	58%	12	7	5	0
Wal-Mart	wmt	58%	24	14	10	0
Intel	intc	56%	39	22	13	4
Caterpillar	cat	56%	16	9	6	1
Home Depot	hd	55%	22	12	9	1
Disney	dis	52%	27	14	13	0
Verizon	vz	50%	30	15	14	1
Merck	mrk	46%	24	11	11	2
Exxon	xom	43%	23	10	13	0
Alcoa	aa	40%	20	8	11	1
Pfizer	pfe	30%	27	8	17	2
GM	gm	11%	18	2	6	10
Average			23	14	7	1
Total			675	425	213	37
%				63%	32%	5%

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Table 4
25-Electric Companies
Market Performance Snapshot
Sorted Year-to-Date

Column		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
		Price	Ytd		eps	Eps	p/e	p/e	Div	Yield	Market		Rec.	
		5/7	%	Rnk	2007	2008	2007	2008	PS	%	\$-Bil	Rnk	Total	Buy
PS Ent.	Peg	91	37	1	5.18	6.02	17.6	15.2	2.34	2.6	23.0	9	9	3
Constellation	Ceg	94	36	2	4.57	5.52	20.5	16.9	1.74	1.9	16.8	14	10	8
Entergy	Etr	119	29	3	5.58	6.87	21.3	17.3	2.16	1.8	24.6	6	14	8
Exelon	Exc	78	27	4	4.33	4.63	18.1	16.9	1.76	2.2	52.5	1	19	13
PPL Corp.	Ppl	45	26	5	2.32	2.40	19.5	18.9	1.22	2.7	17.2	13	8	6
TXU Corp.	Txu	66	22	6	5.22	5.33	12.6	12.4	1.73	2.6	30.4	3	15	2
Alleg Ergy	Aye	56	22	7	2.25	2.65	24.8	21.0	0.00	0.0	9.2	19	11	8
Edison Intl.	Eix	54	20	8	3.31	3.53	16.4	15.4	1.16	2.1	17.7	12	12	8
AEP	Aep	51	19	9	2.89	3.15	17.5	16.0	1.56	3.1	19.9	10	16	5
First Energy	Fe	72	19	10	4.18	4.24	17.1	16.9	2.00	2.8	23.2	8	12	6
MDU Res.	Mdu	30	19	11	1.82	1.94	16.7	15.7	0.54	1.8	5.5	25	12	8
Center Pt.	Cnp	20	18	12	1.06	1.17	18.4	16.7	0.68	3.5	6.1	22	13	3
FPL Group	Fpl	64	17	13	3.44	3.75	18.6	17.0	1.64	2.6	25.1	5	17	7
Pepco	Pom	30	15	14	1.97	1.97	15.2	15.2	1.04	3.5	5.7	24	9	4
PG&E Corp.	Pcg	52	9	15	2.74	2.94	18.9	17.6	1.44	2.8	17.9	11	15	6
Duke	Duk	21	8	16	1.16	1.23	18.0	16.9	0.84	4.0	24.4	7	18	5
Dominion Res.	D	90	8	17	5.63	6.08	16.1	14.9	2.84	3.1	31.6	2	21	10
Con. Ed.	Ed	52	8	18	3.14	3.24	16.5	16.0	2.32	4.5	12.9	16	14	2
DTE	Dte	52	7	19	2.76	3.11	18.8	16.7	2.12	4.1	9.2	20	14	2
Progress Ergy	Pgn	52	7	20	2.77	3.02	18.9	17.3	2.44	4.7	13.1	15	16	2
Xcel Corp.	Xel	24	5	21	1.43	1.52	17.0	16.0	0.89	3.7	9.8	18	12	2
NiSource	Ni	25	5	22	1.50	1.56	16.9	16.3	0.92	3.6	6.9	21	11	1
Wisc. Energy	Wec	49	3	23	2.58	2.77	19.0	17.7	1.00	2.0	5.7	23	14	4
Southern	So	38	2	24	2.19	2.27	17.3	16.6	1.61	4.3	28.1	4	19	2
Ameren	Aee	54	1	25	3.48	3.75	15.7	14.5	2.54	4.7	11.2	17	12	3
Average		55	17		3.10	3.39	17.8	16.3	1.54	2.8	17.9		14	5

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Table 5
Dow Jones Industrials
Sorted by Year-to-Date Market Performance

Column		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
		Price	Ytd		Eps	eps	p/e	p/e	Div	Yield	Market		Rec.	
		5/7	%	Rnk	2007	2008	2007	2008	PS	%	\$-Bil	Rnk	Total	Buy
Alcoa	aa	39	29	1	3.22	3.14	12.0	12.3	0.60	1.6	33.5	29	20	8
Honeywell	hon	55	22	2	3.06	3.46	18.1	16.0	0.91	1.6	44.3	28	19	12
Merck	mrk	52	19	3	2.88	3.01	18.1	17.3	1.52	2.9	112.8	18	24	11
Caterpillar	cat	73	18	4	5.60	6.28	13.0	11.6	1.15	1.6	46.9	27	16	9
McDonald's	mcd	50	12	5	2.68	2.91	18.5	17.0	1.00	2.0	59.6	25	19	13
Coca Cola	ko	54	11	6	2.60	2.84	20.7	18.9	1.24	2.3	124.3	15	19	13
AT&T	t	40	11	7	2.70	3.06	14.7	13.0	1.35	3.4	247.1	5	32	27
United Tech	utx	69	10	8	4.18	4.76	16.5	14.5	1.02	1.5	68.8	23	20	18
Verizon	vz	41	10	9	2.37	2.62	17.2	15.6	1.62	4.0	118.9	17	30	15
JP Morgan	jpm	53	9	10	4.48	4.79	11.8	11.0	1.36	2.6	182.5	11	20	15
3-M	mmm	85	9	11	4.87	5.31	17.4	16.0	1.84	2.2	62.4	24	13	8
Intel	intc	22	8	12	1.07	1.34	20.4	16.4	0.40	1.8	126.6	14	39	22
Altria	mo	69	7	13	4.27	4.57	16.2	15.1	3.32	4.8	145.1	13	16	13
Boeing	ba	95	6	14	4.85	5.99	19.5	15.8	1.25	1.3	71.7	22	21	13
HP	hpq	44	6	15	2.67	2.99	16.4	14.6	0.32	0.7	119.7	16	30	21
IBM	ibm	103	6	16	6.75	7.50	15.3	13.7	1.10	1.1	155.4	12	28	19
Du Pont	dd	52	6	17	3.17	3.41	16.3	15.1	1.48	2.9	47.6	26	12	7
Pfizer	pfe	27	6	18	2.15	2.35	12.7	11.7	1.01	3.7	195.1	8	27	8
Exxon	xom	81	5	19	6.32	6.17	12.8	13.1	1.28	1.6	463.1	1	23	10
Wal-Mart	wmt	49	5	20	3.26	3.55	14.9	13.7	0.67	1.4	200.8	6	24	14
Disney	dis	36	5	21	1.80	2.02	20.0	17.8	0.27	0.7	79.3	19	27	14
Amer. Exp.	axp	63	4	22	3.46	3.85	18.3	16.4	0.57	0.9	75.9	21	21	16
Microsoft	msft	31	3	23	1.49	1.70	20.6	18.1	0.35	1.1	309.0	3	34	25
GE	ge	37	0	24	2.25	2.49	16.6	15.0	1.03	2.8	382.7	2	22	18
AIG	aig	72	(0)	25	6.34	6.89	11.3	10.4	0.65	0.9	186.2	9	19	16
GM	gm	30	(2)	26	3.12	3.73	9.7	8.1	1.00	3.3	17.0	30	18	2
JNJ	jnj	64	(3)	27	4.06	4.31	15.8	14.9	1.46	2.3	185.9	10	19	16
P&G	pg	62	(3)	28	3.03	3.48	20.5	17.9	1.15	1.8	197.7	7	18	14
CitiGroup	cat	54	(3)	29	4.52	5.04	11.9	10.7	1.96	3.6	264.7	4	23	16
Home Depot	hd	39	(3)	30	2.75	2.97	14.1	13.1	0.68	1.7	76.5	20	22	12
Average		55	7		3.53	3.88	15.5	14.1	1.12	2.0	146.7		23	14

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