# ALLIANT ENERGY NYSE-LNT

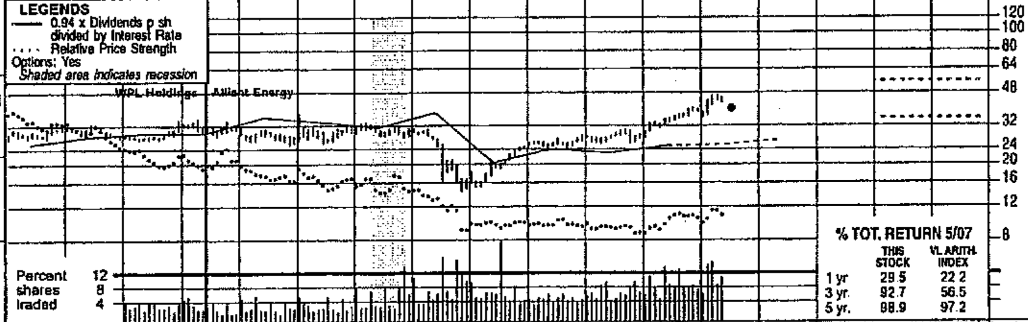
RECENT PRICE 39.59 | P/E RATIO 16.2 (Trailing: 19.2 Median: 14.0) | RELATIVE P/E RATIO 0.84 | DIV'D YLD 3.3% | VALUE LINE

TIMELINESS 4 Lowered 11/10/06
SAFETY 3 Lowered 4/4/03
TECHNICAL 4 Lowered 6/1/07
BETA .95 (1.00 = Market)

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 32.9 | 34.4 | 34.9 | 32.4 | 37.8 | 33.2 | 31.0 | 25.1 | 28.8 | 30.6 | 40.0 | 46.5 |
| Low: | 27.5 | 26.8 | 28.0 | 25.2 | 25.8 | 27.5 | 14.3 | 15.0 | 23.5 | 25.6 | 27.5 | 35.2 |

Target Price Range 2010 | 2011 | 2012

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




**2010-12 PROJECTIONS**

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 55 | (+40%) | 11% |
| Low | 35 | (-10%) | 1% |

**Insider Decisions**

| | A | S | O | N | D | J | F | M | A |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 4 | 1 | 1 | 1 | 3 | 3 | 8 | 1 | 1 |
| to Sell | 4 | 1 | 2 | 2 | 2 | 2 | 7 | 1 | 1 |

**Institutional Decisions**

| | 3Q2006 | 4Q2006 | 1Q2007 |
|---|---|---|---|
| to Buy | 126 | 143 | 135 |
| to Sell | 107 | 104 | 120 |
| Hld's(000) | 65843 | 66367 | 69556 |

**% TOT. RETURN 5/07**

| | THIS STOCK | VL ARITH. INDEX |
|---|---|---|
| 1 yr | 29.5 | 22.2 |
| 3 yr. | 92.7 | 56.5 |
| 5 yr. | 98.9 | 97.2 |

Alliant Energy, formerly called Interstate Energy Corporation, was formed on April 21, 1998 through the merger of WPL Holdings, IES Industries, and Interstate Power. WPL stockholders received one share of Interstate Energy stock for each WPL share, IES stockholders received 1.14 Interstate Energy shares for each IES share, and Interstate Power stockholders received 1.11 Interstate Energy shares for each Interstate Power share. Data prior to 1998 are for WPL Holdings only and are not comparable with Alliant Energy data.

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | © VALUE LINE PUB., INC. | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 29.86 | 27.45 | 27.83 | 30.44 | 30.97 | 28.26 | 28.19 | 25.56 | 28.02 | 28.93 | 31.30 | 32.55 | Revenues per sh | 36.30 |
| 5.60 | 4.85 | 5.71 | 6.57 | 5.82 | 4.52 | 4.19 | 4.69 | 5.46 | 4.33 | 5.10 | 5.40 | "Cash Flow" per sh | 6.50 |
| 1.90 | 1.26 | 2.19 | 2.47 | 2.42 | 1.18 | 1.57 | 1.85 | 2.21 | 2.06 | 2.45 | 2.50 | Earnings per sh A | 2.75 |
| 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 1.00 | 1.02 | 1.05 | 1.15 | 1.27 | 1.37 | Div'd Decl'd per sh B ■ † | 1.49 |
| 4.10 | 4.79 | 6.06 | 13.50 | 9.13 | 7.12 | 7.69 | 5.55 | 4.51 | 3.42 | 5.30 | 9.85 | Cap'l Spending per sh | 4.40 |
| 19.73 | 20.69 | 27.29 | 25.79 | 21.39 | 19.89 | 21.37 | 22.13 | 20.85 | 22.83 | 22.85 | 24.10 | Book Value per sh C | 28.05 |
| 30.79 | 77.63 | 78.98 | 79.01 | 89.68 | 92.30 | 110.96 | 115.74 | 117.04 | 116.13 | 109.50 | 110.30 | Common Shs Outst'g D | 113.00 |
| 15.0 | 25.1 | 13.0 | 11.8 | 12.6 | 19.9 | 12.7 | 14.0 | 12.6 | 16.8 | Bold figures are | | Avg Ann'l P/E Ratio | 16.0 |
| .86 | 1.31 | .74 | .77 | .65 | 1.09 | .72 | .74 | .67 | .91 | Value Line | | Relative P/E Ratio | 1.05 |
| 7.0% | 6.3% | 7.0% | 6.9% | 6.6% | 8.5% | 5.0% | 3.9% | 3.8% | 3.3% | estimates | | Avg Ann'l Div'd Yield | 3.4% |
| 919.3 | 2130.9 | 2198.0 | 2405.0 | 2777.3 | 2608.8 | 3128.2 | 2958.7 | 3279.6 | 3359.4 | 3430 | 3590 | Revenues ($mill) | 4100 |
| 64.6 | 103.4 | 178.2 | 203.1 | 194.9 | 113.1 | 176.6 | 229.5 | 337.8 | 260.1 | 295 | 295 | Net Profit ($mill) | 330 |
| 30.8% | 36.0% | 40.3% | 54.0% | 23.5% | 24.2% | 28.9% | 26.7% | 19.0% | 43.8% | 36.0% | 36.0% | Income Tax Rate | 36.0% |
| 4.3% | 6.6% | 4.1% | 4.3% | 5.7% | 6.8% | 11.7% | 8.1% | 3.0% | 3.1% | 3.0% | 3.0% | AFUDC % to Net Profit | 3.0% |
| 40.7% | 47.3% | 39.6% | 47.0% | 54.7% | 56.4% | 44.8% | 45.0% | 41.6% | 31.4% | 37.0% | 40.0% | Long-Term Debt Ratio | 43.5% |
| 54.0% | 49.2% | 57.4% | 50.2% | 42.7% | 39.2% | 50.0% | 50.2% | 53.1% | 62.9% | 57.0% | 55.0% | Common Equity Ratio | 52.5% |
| 1125.1 | 3262.9 | 3756.0 | 4061.4 | 4490.2 | 4679.1 | 4738.4 | 5104.7 | 4599.1 | 4218.4 | 4370 | 4830 | Total Capital ($mill) | 6035 |
| 1244.8 | 3101.7 | 3486.0 | 3719.3 | 3862.8 | 3729.2 | 4432.6 | 5284.6 | 4866.2 | 4944.9 | 5240 | 6005 | Net Plant ($mill) | 6345 |
| 7.4% | 4.9% | 6.1% | 6.6% | 6.2% | 4.1% | 5.7% | 6.1% | 8.9% | 7.5% | 8.0% | 7.5% | Return on Total Cap'l | 7.0% |
| 9.7% | 6.0% | 7.9% | 9.4% | 9.6% | 5.5% | 6.8% | 8.2% | 12.6% | 9.0% | 10.5% | 10.0% | Return on Shr. Equity | 9.5% |
| 10.1% | 6.0% | 8.0% | 9.6% | 9.8% | 5.8% | 6.7% | 8.2% | 13.1% | 9.1% | 11.0% | 10.5% | Return on Com Equity E | 10.5% |
| NMF | NMF | .7% | 1.9% | 1.6% | NMF | 2.5% | 3.8% | 8.1% | 4.0% | 5.5% | 4.5% | Retained to Com Eq | 4.5% |
| 100% | NMF | 92% | 81% | 85% | NMF | 67% | 58% | 42% | 59% | 55% | 57% | All Div'ds to Net Prof | 57% |

**CAPITAL STRUCTURE as of 3/31/07**
Total Debt $1559.2 mill. Due in 5 Yrs $820.2 mill.
LT Debt $1295.8 mill. LT Interest $111.2 mill.
(LT interest earned: 5.9x)
Pension Assets-12/06 $738.1 mill. Oblig. $866.0 mill.
Pfd Stock $243.8 mill. Pfd Div'd $18.7 mill.
449,765 shs. $100 par; 8,199,460 shs. $25 par; 1,127,787 shs. $50 par.

Common Stock 113,742,797 shs. as of 4/30/07
MARKET CAP: $4.5 billion (Mid Cap)

**ELECTRIC OPERATING STATISTICS**

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| % Change Retail Sales (KWH) | +.3 | +4.6 | -1.7 |
| Avg. Indust. Use (MWH) | 4320 | 4215 | 4180 |
| Avg. Indust. Revs. per KWH (¢) | 4.84 | 5.26 | 5.96 |
| Capacity at Peak (Mw) | 5737 | 5446 | 4985 |
| Peak Load, Summer (Mw) | 5644 | 5932 | 5987 |
| Annual Load Factor (%) | 48.6 | 55.6 | 52.0 |
| % Change Customers (yr-end) | +1.1 | +1.3 | +1.8 |
| Fixed Charge Cov. (%) | 235 | 252 | 350 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '04-'06 to '10-'12 |
|---|---|---|---|
| Revenues | -- | -1.5% | 5.0% |
| "Cash Flow" | -.5% | -4.5% | 5.0% |
| Earnings | -1.0% | -3.0% | 5.0% |
| Dividends | -6.0% | -11.5% | 5.5% |
| Book Value | 1.0% | -2.5% | 4.0% |

| Cal-endar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | 891.0 | 662.1 | 730.7 | 674.9 | 2958.7 |
| 2005 | 825.2 | 686.7 | 860.9 | 906.8 | 3279.6 |
| 2006 | 930.9 | 696.8 | 890.4 | 841.3 | 3359.4 |
| 2007 | 912.7 | 720 | 920 | 877.3 | 3430 |
| 2008 | 950 | 760 | 960 | 920 | 3590 |

| Cal-endar | EARNINGS PER SHARE A Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | .33 | .30 | .76 | .46 | 1.85 |
| 2005 | .23 | .41 | 1.05 | .52 | 2.21 |
| 2006 | .56 | .39 | .75 | .36 | 2.06 |
| 2007 | .56 | .45 | .85 | .59 | 2.45 |
| 2008 | .57 | .47 | .88 | .58 | 2.50 |

| Cal-endar | QUARTERLY DIVIDENDS PAID B ■ † Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2003 | .25 | .25 | .25 | .25 | 1.00 |
| 2004 | .25 | .25 | .25 | .263 | 1.01 |
| 2005 | .263 | .263 | .263 | .263 | 1.05 |
| 2006 | .288 | .288 | .288 | .288 | 1.15 |
| 2007 | .318 | .318 | | | |

BUSINESS: Alliant Energy, formerly named Interstate Energy, is a holding company formed through the merger of WPL Holdings, IES Industries, and Interstate Power. Supplies elect. (73% of revs.), gas (19%), and other services (8%) in Wisconsin, Iowa, Minnesota, & Illinois. Elect. revs. by state: WI, 47%; IA, 48%; MN, 3%; IL, 2%. Elect. rev.: resid., 35%; comm'l, 23%; ind'l, 31%; wholesale, 6%; other, 5%. Fuel sources, '06: coal & gas, 57%; nuclear, 1%; purch., 42%. Fuel costs: 54% of revs. '06 deprec. rate: 2.8%. Est'd plant age: 10 yrs. Has 5,151 empls., Chrmn.: Erroll B. Davis, Jr. Pres & CEO: William D. Harvey. Inc.: WI. Address: 4902 N. Biltmore Lane, P.O. Box 77007, Madison, WI 53707-1007. Tel.: 608-458-3391. Internet: www.alliant-energy.com.

**Alliant Energy seeks approval to sell its Interstate Power and Light transmission assets.** The company previously sold its Wisconsin transmission holdings to American Transmission Co. This time, however, it bypassed ATC and agreed to sell its remaining transmission stake to ITC Holdings for $750 million. But the transaction, which requires regulatory approvals in Iowa, Minnesota, and Illinois, is not assured. The commissions are concerned about ceding authority over transmission to the Federal Energy Regulatory Commission. LNT is anxious to complete the sale prior to yearend to capitalize on a tax provision in the Energy Policy Act of 2005, which grants a utility eight years to pay the capital gains tax on transmission sales made prior to December 31, 2007. LNT is permitted to cancel the deal without penalty if it doesn't receive all necessary approvals before yearend.

**The company has filed to reopen the 2006 electric and natural gas rate case in Wisconsin.** It asks for immediate discontinuance of credits to customers that they would receive in full by the end of 2007. The credits include return of decommissioning funds from the sale of the Kewaunee nuclear plant, tax benefits from the American Jobs Creation Act of 2004, and savings from workforce reductions in 2005. The annual amount involved is $26 million. Proceeds from the return of these credits would offset the absence of a filing for a change in base rates in 2008. A ruling on the request is expected by yearend.

**Higher rates of $39 million point to improved earnings in 2007.** Other pluses include additional plants on line, the buyback of seven million common shares, and wider electric and gas margins. Though severe winter storms increased operating costs and resulted in some revenue loss, we estimate 2007 earnings will rise almost 20%, to $2.45 a share. In the absence of higher rates, only a small gain is likely next year. For now, the stock is untimely.

**These shares might interest income-oriented investors.** Though the yield is a cut below the industry norm, a low payout ratio and slow but steady earnings growth to 2010-2012 suggest well above-average dividend hikes over the same timeframe.

*Arthur H. Medalie* *June 29, 2007*

(A) Diluted EPS. Excl. nonrecur. gains (losses): '96, net 7¢; '99, 32¢; '00, $2.56; '01, (28¢); '03, net 24¢; '04, (58¢); '05, ($1.05); '06, 84¢. Next egs. rpt. due late July. (B) Div'ds historically paid in mid-Feb., mid-May, mid-Aug., and mid-Nov. ■ Div'd reinvest. plan avail. † shareholder invest. plan avail. (C) Incl. deferred chgs. in '06: $228.8 mill., $1.96/sh. (D) In mill. (E) Rate base: Orig. cost. Rate allowed on com. eq.: in '05, WI, 11.5%; in '05, IA, 10.7%; earned on avg. com. eq., '06: 9.5%. Regul. Clim.: WI, Above Avg.; IA, Below Avg.

| | |
|---|---|
| Company's Financial Strength | A |
| Stock's Price Stability | 80 |
| Price Growth Persistence | 20 |
| Earnings Predictability | 60 |

# AMERICAN ELEC. PWR. NYSE-AEP

RECENT PRICE 45.57 | P/E RATIO 15.7 (Trailing: 17.7 Median: 13.0) | RELATIVE P/E RATIO 0.81 | DIV'D YLD 3.6% | VALUE LINE

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 44.8 | 52.0 | 53 3 | 48 2 | 48.9 | 51.2 | 48.8 | 31.5 | 35.5 | 40.8 | 43.1 | 51 2 |
| Low: | 38.6 | 39.1 | 42 1 | 30 6 | 25.9 | 39 3 | 15.1 | 19.0 | 28.5 | 32 3 | 32 3 | 41.7 |

TIMELINESS 3 Lowered 6/8/07
SAFETY 3 Lowered 10/4/02
TECHNICAL 3 Lowered 3/9/07
BETA 1 35 (1.00 = Market)

**2010-12 PROJECTIONS**

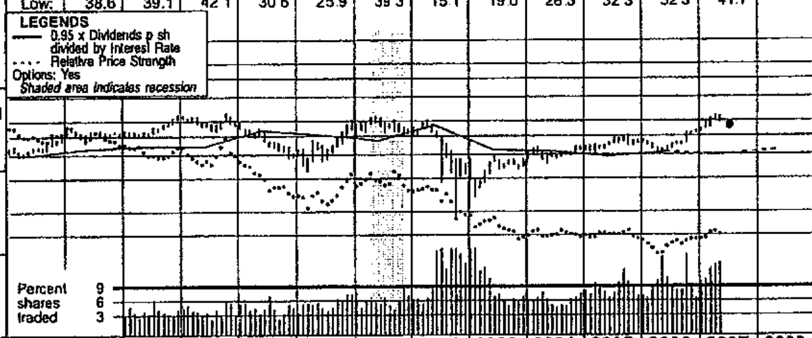
| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 65 | (+45%) | 12% |
| Low | 40 | (-10%) | 1% |

**Insider Decisions**

| | A | S | O | N | D | J | F | M | A |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 0 | 0 | 4 | 0 | 0 | 0 | 1 | 0 |
| to Sell | 0 | 0 | 0 | 4 | 0 | 0 | 0 | 1 | 0 |

**Institutional Decisions**

| | 3Q2006 | 4Q2006 | 1Q2007 |
|---|---|---|---|
| to Buy | 197 | 234 | 226 |
| to Sell | 175 | 190 | 222 |
| Hld's(000) | 263304 | 278133 | 286566 |




Target Price Range 2010 | 2011 | 2012

128
96
80
64
48
40
32
24
16
12

**% TOT. RETURN 5/07**

| | THIS STOCK | VL ARITH INDEX |
|---|---|---|
| 1 yr. | 44.1 | 22 2 |
| 3 yr. | 68 6 | 56 5 |
| 5 yr. | 42.4 | 97 2 |

American Electric Power acquired Central and South West Corporation (CSW) in 2000. CSW common stockholders received 0.6 of an AEP common share for each of their shares, for a total of $4.5 billion. The transaction was effected under pooling-of-interests accounting rules. The data on this page prior to 2000 do not reflect the addition of CSW.

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | © VALUE LINE PUB., INC. | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 32 43 | 33 08 | 35 63 | 42.53 | 190 10 | 42.96 | 36 82 | 35.51 | 30.76 | 31 82 | 32.60 | 34.40 | Revenues per sh | 39.50 |
| 6 47 | 6.03 | 6.36 | 5.11 | 7 65 | 6 99 | 5.76 | 5 89 | 5.96 | 6.54 | 6.80 | 7.15 | "Cash Flow" per sh | 8.50 |
| 3 28 | 2 81 | 2 69 | 1 04 | 3 27 | 2.86 | 2 53 | 2 61 | 2.64 | 2.86 | 2.90 | 3.10 | Earnings per sh A | 4.00 |
| 2.40 | 2.40 | 2.40 | 2.40 | 2.40 | 2.40 | 1.65 | 1.40 | 1.42 | 1.50 | 1.59 | 1.72 | Div'd Decl'd per sh B ■ † | 2.20 |
| 4 00 | 4.13 | 4.47 | 5.51 | 5 69 | 5.08 | 3.44 | 4.28 | 6.11 | 8.89 | 8.95 | 7.75 | Cap'l Spending per sh | 7.50 |
| 24.62 | 25.24 | 25.79 | 25.01 | 25.54 | 20.85 | 19.93 | 21.32 | 23.08 | 23.73 | 25.10 | 26.65 | Book Value per sh C | 31.75 |
| 189.99 | 191.82 | 194.10 | 322.02 | 322.24 | 338.84 | 395.02 | 395.86 | 393.72 | 396.67 | 399.00 | 401.00 | Common Shs Outst'g D | 406.00 |
| 13.4 | 17.0 | 14.3 | NMF | 13.9 | 12.7 | 10.7 | 12.4 | 13.7 | 12.9 | Bold figures are | | Avg Ann'l P/E Ratio | 13.0 |
| .77 | .88 | .82 | NMF | .71 | .69 | .61 | .66 | .73 | .70 | Value Line | | Relative P/E Ratio | .85 |
| 5.5% | 5.0% | 6.2% | 6.7% | 5.3% | 6.6% | 6.1% | 4.3% | 3.9% | 4.1% | estimates | | Avg Ann'l Div'd Yield | 4.2% |
| 6161 4 | 6345 9 | 6916 0 | 13694 | 61257 | 14555 | 14545 | 14057 | 12111 | 12622 | 13000 | 13800 | Revenues ($mill) | 16000 |
| 638.2 | 547.1 | 532.0 | 332.0 | 1063.0 | 976.0 | 984.0 | 1038.0 | 1036.0 | 1131.0 | 1155 | 1245 | Net Profit ($mill) | 1600 |
| 34.8% | 36.6% | 32.8% | 66.1% | 36.0% | 25 2% | 38.8% | 33.1% | 29.3% | 33 0% | 35.0% | 35.0% | Income Tax Rate | 35.0% |
| 1.6% | 1.7% | 1.9% | -- | -- | -- | 3.8% | 3.6% | 5.4% | 9.9% | 13.0% | 7.0% | AFUDC % to Net Profit | 5.0% |
| 51.4% | 57 6% | 55 1% | 52 9% | 54.6% | 56 0% | 60 6% | 56 2% | 54.8% | 56.7% | 57.5% | 58.0% | Long-Term Debt Ratio | 55.5% |
| 46.9% | 41.0% | 43.5% | 44.4% | 44.6% | 43.1% | 38.7% | 43.1% | 44.9% | 43.0% | 42.5% | 42.0% | Common Equity Ratio | 44.0% |
| 9981 0 | 11815 | 11506 | 18151 | 18459 | 16393 | 20333 | 19584 | 20222 | 21902 | 23600 | 25425 | Total Capital ($mill) | 29200 |
| 11633 | 11730 | 13055 | 22393 | 24543 | 21684 | 22029 | 22801 | 24284 | 26781 | 29275 | 30775 | Net Plant ($mill) | 34700 |
| 8.1% | 6 2% | 6.6% | 3.8% | 7.5% | 7.5% | 6 6% | 7.0% | 6.6% | 6.7% | 6.5% | 6.5% | Return on Total Cap'l | 7.0% |
| 13.2% | 10 9% | 10.3% | 3.9% | 12.7% | 13.5% | 12 3% | 12.1% | 11.3% | 11 9% | 11.5% | 11.5% | Return on Shr. Equity | 12.5% |
| 13.3% | 11.1% | 10.4% | 3.7% | 12.8% | 13.7% | 12.4% | 12.2% | 11.3% | 12.0% | 11.5% | 11.5% | Return on Com Equity E | 12.5% |
| 3.6% | 1 6% | 1 1% | NMF | 3 4% | 2.4% | 4.5% | 5.7% | 5.2% | 5 7% | 5.0% | 5.0% | Retained to Com Eq | 5.5% |
| 74% | 86% | 89% | NMF | 74% | 82% | 64% | 54% | 54% | 53% | 55% | 56% | All Div'ds to Net Prof | 56% |

**CAPITAL STRUCTURE as of 3/31/07**
**Total Debt $14077 mill Due in 5 Yrs $4598 mill.**
**LT Debt $12525 mill. LT Interest $689 mill**
Incl. $2 34 bill. securitized bonds.
(LT interest earned: 3.1x)

**Leases, Uncapitalized** Annual rentals $331 mill.

**Pension Assets**-12/06 $4 35 bill. **Oblig.** $4.11 bill.

**Pfd Stock** $61 mill **Pfd Div'd** $3 mill.
607,044 shs 4%-5%, cumulative, callable at $102-$110.
**Common Stock** 398,766,908 shs.
**as of 4/30/07**
**MARKET CAP: $18 billion (Large Cap)**

**ELECTRIC OPERATING STATISTICS**

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| % Change Retail Sales (KWH) | +.7 | +3.7 | -.6 |
| Avg. Indust. Use (MWH) | NA | NA | NA |
| Avg. Indust. Revs. per KWH (¢) | 3.57 | 3.75 | 4.50 |
| Capacity at Peak (Mw) | NA | NA | NA |
| Peak Load (Mw) | NA | NA | NA |
| Annual Load Factor (%) | NA | NA | NA |
| % Change Customers (yr-end) | + 6 | +.8 | +1.3 |
| Fixed Charge Cov. (%) | 244 | 258 | 265 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '04-'06 to '10-'12 |
|---|---|---|---|
| Revenues | .5% | -18.0% | 3 0% |
| "Cash Flow" | -- | -1.0% | 5.5% |
| Earnings | -.5% | 3.0% | 6.5% |
| Dividends | -5.0% | -9.5% | 7.5% |
| Book Value | -.5% | -2.5% | 5.5% |

| Cal-endar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | 3364 | 3408 | 3780 | 3505 | 14057 |
| 2005 | 3065 | 2819 | 3328 | 2899 | 12111 |
| 2006 | 3108 | 2936 | 3594 | 2984 | 12622 |
| 2007 | 3169 | 3031 | 3750 | 3050 | 13000 |
| 2008 | 3400 | 3200 | 4000 | 3200 | 13800 |

| Cal-endar | EARNINGS PER SHARE A Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | .73 | .38 | .80 | .69 | 2.61 |
| 2005 | .90 | .57 | .95 | .23 | 2.64 |
| 2006 | .96 | .44 | 1.01 | .45 | 2.86 |
| 2007 | .68 | .57 | 1.10 | .55 | 2.90 |
| 2008 | .75 | .60 | 1.20 | .55 | 3.10 |

| Cal-endar | QUARTERLY DIVIDENDS PAID B ■ † Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2003 | .60 | .35 | .35 | .35 | 1.65 |
| 2004 | .35 | .35 | .35 | .35 | 1.40 |
| 2005 | .35 | .35 | .35 | .37 | 1.42 |
| 2006 | .37 | .37 | .37 | .39 | 1.50 |
| 2007 | .39 | .39 | | | |

**BUSINESS:** American Electric Power Company, Inc. (AEP), through 10 operating utilities, serves about 5.1 million customers in Arkansas, Kentucky, Indiana, Louisiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia, and West Virginia. Electric revenue breakdown, '06: residential, 30%; commercial, 22%; industrial, 20%; wholesale, 22%; other, 6%. Sold 50% stake in Yorkshire Holdings (British utility) '01; sold SEEBOARD (British utility) '02; sold Houston Pipeline '05. Generating sources not available. Fuel costs: 37% of revenues. '06 depreciation rate: 3.5%. Has 20,400 employees. Chairman, President & CEO: Michael G. Morris. Incorporated: New York. Address: 1 Riverside Plaza, Columbus, Ohio 43215-2373. Telephone: 614-716-1000. Internet: www.aep.com.

**American Electric Power is heavily involved in the regulatory arena.** Last month, the company's Appalachian Power subsidiary received a disappointing rate order in Virginia. It had filed for $198.5 million, based on an 11.5% return on equity, but was granted $24.0 million based on a 10.0% ROE. The ruling wasn't as bad as it appears on the surface. The utility will be able to retain 25% of the profits from its off-system sales once a law takes effect in Virginia on July 1st, and in late 2007 it can seek recovery of some environmental and reliability costs that it didn't recoup in the rate order. In Texas, one of AEP's distribution companies received a modest rate hike, while another is seeking a tariff increase of $69.9 million based on an 11.25% ROE. A decision is expected in September or October. In Oklahoma, Public Service of Oklahoma is seeking a $49.6 million rate increase based on an 11.75% ROE. An order is expected soon. In Indiana, Indiana-Michigan Power is requesting a reduction in annual depreciation (to reflect the license extension of the Cook nuclear station) and might file a general rate case soon.

**Rate increases are helping to produce earnings growth.** AEP's targeted ranges for share earnings of $2.85-$3.05 in 2007 and $3.00-$3.30 in 2008 assume some rate relief each year (as well as modest growth in kilowatt-hour sales). So far this year, AEP's utilities have secured $252 million of an estimated $338 million of rate relief. The company's guidance for 2008 reflects $361 million in rate hikes, of which $127 million is already in place (from a rate phase-in plan in Ohio and a full year of increases granted so far in 2007).

**The capital budget will remain high for the next several years.** Environmental requirements are now driving the increased expenditures. As this spending starts to tail off, needs for generation and transmission will rise. Financing shouldn't be a problem, since all of AEP's utilities (as well as the parent company) are rated investment grade.

**This stock offers an average yield for a utility.** For the 3- to 5-year period, above-average earnings and dividend growth should produce a superior total return (by utility standards) over that time.

*Paul E. Debbas, CFA* *June 29, 2007*

(A) Excl. extra. gain (losses): '01, (26¢) net; '02, ($3.86); '03, ($1.92) net; '04, 24¢; '05, (62¢); '06, (34¢); gains (losses) on disc. ops.: '02, (57¢); '03, (32¢); '04, 15¢; '05, 7¢; '06, 2¢. '04 & '05 EPS don't add due to rounding. Next earnings report due late July. (B) Div'ds historically paid early Mar., June, Sept., and Dec. ■ Div'd reinvestment plan avail. † Shareholder investment plan avail. (C) Incl. intang. in '06: $14.17/sh. (D) In mill. (E) Rate base: various. Rates all'd on com. eq.: 9.8%-15.7%; earn. on avg. com. eq., '06: 12.1%. Regulat. Clim.: Avg.

| | |
|---|---|
| Company's Financial Strength | B++ |
| Stock's Price Stability | 40 |
| Price Growth Persistence | 10 |
| Earnings Predictability | 65 |

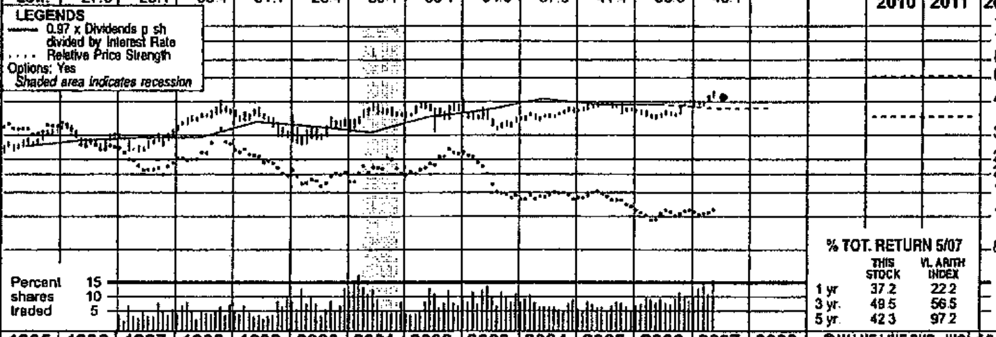
# DTE ENERGY CO. NYSE-DTE

| RECENT PRICE | 50.89 | P/E RATIO | 13.8 (Trailing: 20.7 / Median: 13.0) | RELATIVE P/E RATIO | 0.71 | DIV'D YLD | 4.3% | VALUE LINE |
|---|---|---|---|---|---|---|---|---|

TIMELINESS 3 Raised 9/15/06
SAFETY 3 Lowered 10/5/01
TECHNICAL 3 Lowered 12/29/06
BETA .75 (1.00 = Market)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 37.3 | 34.8 | 49.3 | 44.7 | 41.3 | 47.1 | 47.7 | 49.5 | 45.5 | 48.3 | 49.2 | 54.7 | |
| Low: | 27.6 | 26.1 | 33.4 | 31.1 | 28.4 | 33.1 | 33.1 | 34.0 | 37.9 | 41.4 | 38.8 | 45.1 | |

Target Price Range
2010 | 2011 | 2012




## 2010-12 PROJECTIONS

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 65 | (+30%) | 10% |
| Low | 40 | (-20%) | -1% |

## Insider Decisions

| | A | S | O | N | D | J | F | M | A |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 1 | 0 | 3 | 4 | 0 | 0 | 2 | 0 |
| to Sell | 0 | 1 | 0 | 6 | 4 | 1 | 0 | 4 | 0 |

## Institutional Decisions

| | 3Q2006 | 4Q2006 | 1Q2007 |
|---|---|---|---|
| to Buy | 128 | 151 | 164 |
| to Sell | 118 | 122 | 125 |
| Hld's(000) | 112649 | 117351 | 109349 |

% TOT. RETURN 5/07

| | THIS STOCK | VL ARITH INDEX |
|---|---|---|
| 1 yr | 37.2 | 22.2 |
| 3 yr. | 49.5 | 56.5 |
| 5 yr. | 42.3 | 97.2 |

| 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | © VALUE LINE PUB., INC | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 24.44 | 24.20 | 24.18 | 24.29 | 25.05 | 25.12 | 25.94 | 29.10 | 32.60 | 39.24 | 48.71 | 40.30 | 41.76 | 40.84 | 50.74 | 50.93 | *52.55* | *56.45* | Revenues per sh | *65.00* |
| 6.45 | 6.67 | 6.43 | 6.52 | 7.07 | 7.10 | 7.42 | 7.61 | 8.40 | 8.59 | 6.98 | 8.31 | 6.95 | 6.81 | 8.14 | 8.33 | *9.20* | *9.05* | "Cash Flow" per sh | *10.50* |
| 3.64 | 3.79 | 3.34 | 2.67 | 3.02 | 2.80 | 2.88 | 3.05 | 3.33 | 3.27 | 2.15 | 3.83 | 2.85 | 2.55 | 3.27 | 2.45 | *3.70* | *3.10* | Earnings per sh A | *3.50* |
| 1.88 | 1.98 | 2.06 | 2.06 | 2.06 | 2.06 | 2.06 | 2.06 | 2.06 | 2.06 | 2.06 | 2.06 | 2.06 | 2.06 | 2.06 | 2.08 | *2.14* | *2.20* | Div'd Decl'd per sh B ■ | *2.40* |
| 1.85 | 2.83 | 2.71 | 2.61 | 3.13 | 3.66 | 3.14 | 3.83 | 5.10 | 5.25 | 6.80 | 5.88 | 4.45 | 5.19 | 5.99 | 7.92 | *8.00* | *8.20* | Cap'l Spending per sh | *8.50* |
| 19.37 | 21.18 | 22.41 | 22.96 | 23.68 | 23.73 | 24.55 | 25.49 | 26.95 | 28.15 | 28.48 | 27.26 | 31.36 | 31.85 | 32.44 | 33.02 | *34.45* | *35.00* | Book Value per sh C | *37.75* |
| 146.98 | 147.02 | 147.05 | 144.86 | 145.12 | 145.12 | 145.10 | 145.07 | 145.04 | 142.65 | 161.13 | 167.46 | 168.61 | 174.21 | 177.81 | 177.14 | *175.00* | *171.00* | Common Shs Outst'g D | *167.00* |
| 8.3 | 8.5 | 10.2 | 10.0 | 10.0 | 11.2 | 10.3 | 13.3 | 11.6 | 10.3 | 19.3 | 11.3 | 13.7 | 16.0 | 13.8 | 17.4 | *Bold figures are* | | Avg Ann'l P/E Ratio | *15.0* |
| .53 | .52 | .60 | .66 | .67 | .70 | .59 | .69 | .66 | .67 | .99 | .62 | .78 | .85 | .73 | .94 | *Value Line* | | Relative P/E Ratio | *1.00* |
| 6.2% | 6.1% | 6.0% | 7.7% | 6.9% | 6.6% | 6.9% | 5.1% | 5.3% | 6.1% | 5.0% | 4.8% | 5.3% | 5.0% | 4.6% | 4.9% | *estimates* | | Avg Ann'l Div'd Yield | *4.6%* |

**CAPITAL STRUCTURE as of 3/31/07**
**Total Debt $8696.0 mill. Due in 5 Yrs $3778.0 mill.**
**LT Debt $7378.0 mill. LT Interest $472.0 mill.**
Incl. $80.0 mill. capitalized leases, $289.0 mill. Trust Preferred Securities, & $1124.0 mill. securitized bonds.
(LT interest earned: 2.2x)

**Leases, Uncapitalized** Annual rentals $53.0 mill.
**Pension Assets-12/06** $2.74 bill. **Oblig.** $3.18 bill.
**Pfd Stock None**
**Common Stock** 176,064,812 shs.

**MARKET CAP: $9.0 billion (Large Cap)**

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | © VALUE LINE PUB., INC | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3764.0 | 4221.0 | 4728.0 | 5597.0 | 7849.0 | 6749.0 | 7041.0 | 7114.0 | 9022.0 | 9022.0 | *9200* | *9650* | Revenues ($mill) | *10850* |
| 429.0 | 449.0 | 483.0 | 468.0 | 329.0 | 632.0 | 480.0 | 443.0 | 576.0 | 437.0 | *650* | *535* | Net Profit ($mill) | *575* |
| 37.5% | 25.5% | 11.0% | 1.9% | -- | -- | -- | 27.1% | 26.0% | 23.9% | *30.0%* | *35.0%* | Income Tax Rate | *35.0%* |
| .5% | .9% | .8% | .6% | .9% | 4.9% | 1.3% | .7% | 1.0% | 3.4% | *2.0%* | *2.0%* | AFUDC % to Net Profit | *2.0%* |
| 51.4% | 53.9% | 50.9% | 50.3% | 63.3% | 63.0% | 59.2% | 57.8% | 55.1% | 56.1% | *55.5%* | *56.5%* | Long-Term Debt Ratio | *57.5%* |
| 46.7% | 46.1% | 49.1% | 49.7% | 36.7% | 37.0% | 40.8% | 42.2% | 44.9% | 43.9% | *44.5%* | *43.5%* | Common Equity Ratio | *42.5%* |
| 7620.0 | 8021.0 | 7961.0 | 8077.0 | 12517 | 12350 | 12956 | 13154 | 12849 | 13323 | *13600* | *13700* | Total Capital ($mill) | *14800* |
| 8934.0 | 6943.0 | 7148.0 | 7387.0 | 9543.0 | 9813.0 | 10324 | 10491 | 10830 | 11451 | *11925* | *12350* | Net Plant ($mill) | *13300* |
| 7.4% | 7.4% | 7.9% | 7.5% | 4.4% | 7.3% | 5.6% | 5.2% | 6.3% | 5.1% | *6.5%* | *5.5%* | Return on Total Cap'l | *5.5%* |
| 11.6% | 12.1% | 12.4% | 11.7% | 7.2% | 13.8% | 9.1% | 8.0% | 10.0% | 7.5% | *11.0%* | *9.0%* | Return on Shr. Equity | *9.0%* |
| 11.7% | 12.0% | 12.4% | 11.7% | 7.2% | 13.8% | 9.1% | 8.0% | 10.0% | 7.5% | *11.0%* | *9.0%* | Return on Com Equity E | *9.0%* |
| 3.3% | 3.9% | 4.7% | 4.3% | .1% | 6.4% | 2.5% | 1.6% | 3.7% | 1.2% | *4.5%* | *2.5%* | Retained to Com Eq | *3.0%* |
| 72% | 68% | 62% | 63% | 99% | 53% | 72% | 80% | 63% | 84% | *58%* | *71%* | All Div'ds to Net Prof | *70%* |

**ELECTRIC OPERATING STATISTICS**

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| % Change Retail Sales (KWH) | -1.5 | +4.6 | +.5 |
| Avg. Indust. Use (MWH) | 15524 | 13609 | NA |
| Avg. Indust. Revs. per KWH (¢) | 4.86 | 5.66 | 6.31 |
| Capacity at Peak (Mw) | 11078 | 11113 | NA |
| Peak Load, Summer (Mw) | 9587 | 10938 | 12778 |
| Annual Load Factor (%) | NA | NA | NA |
| % Change Customers (yr-end) | +.7 | +.6 | +.4 |
| Fixed Charge Cov. (%) | 162 | 182 | 156 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '04-'06 to '10-'12 |
|---|---|---|---|
| Revenues | 6.5% | 3.5% | 5.5% |
| "Cash Flow" | 1.0% | -.5% | 5.0% |
| Earnings | -.5% | -1.0% | 4.0% |
| Dividends | -- | -- | 2.5% |
| Book Value | 3.5% | 3.0% | 2.5% |

| Cal-endar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | 2093 | 1501 | 1594 | 1926 | 7114.0 |
| 2005 | 2309 | 1941 | 2060 | 2712 | 9022.0 |
| 2006 | 2635 | 1895 | 2196 | 2296 | 9022.0 |
| 2007 | 2730 | *1970* | *2150* | *2350* | *9200* |
| 2008 | *2900* | *2050* | *2250* | *2450* | *9650* |

| Cal-endar | EARNINGS PER SHARE A Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | 1.15 | .20 | .54 | .68 | 2.55 |
| 2005 | .72 | .19 | .17 | 2.18 | 3.27 |
| 2006 | .76 | d.18 | 1.07 | .81 | 2.45 |
| 2007 | .76 | *.79* | *1.05* | *1.10* | *3.70* |
| 2008 | *.90* | *.55* | *.80* | *.85* | *3.10* |

| Cal-endar | QUARTERLY DIVIDENDS PAID B ■ Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2003 | .515 | .515 | .515 | .515 | 2.06 |
| 2004 | .515 | .515 | .515 | .515 | 2.06 |
| 2005 | .515 | .515 | .515 | .515 | 2.06 |
| 2006 | .515 | .515 | .515 | .515 | 2.06 |
| 2007 | .53 | .53 | | | |

**BUSINESS:** DTE Energy Company is a holding company for The Detroit Edison Company, which supplies electricity in Detroit and a 7,600-square-mile area in southeastern Michigan, and Michigan Consolidated Gas (MichCon). Customers: 2.2 mill. electric, 1.3 mill. gas. Acq'd MCN Energy 6/01. Has various nonutility operations. Electric rev. breakdown, '06: residential, 35%; commercial, 34%; industrial, 18%; other, 13%. Generating sources, '06: coal, 67%; nuclear, 13%; oil & gas, 3%; purchased, 17%. Fuel costs: 34% of revs. '06 reported depr. rates: 3.3% elec., 2.8% gas. Has 10,500 employees. Chairman & CEO: Anthony F. Earley, Jr. President: Gerard M. Anderson. Inc.: MI. Address: 2000 Second Ave., Detroit, MI 48226-1279. Tel.: 313-235-4000. Internet: www.dteenergy.com.

**DTE Energy has announced the first step in its plan to monetize some of its nonregulated investments.** The company expects to get $970 million (after taxes) from the sale of its Antrim Shale gas properties in Michigan once the deal closes, probably by the end of the month. These assets earned $6 million in 2006 and were budgeted to make $10 million-$12 million this year. DTE plans to use the proceeds to buy back stock by yearend (probably $650 million-$850 million, of which $159 million has already been repurchased) and retire debt. It is also considering the sale of a 50% interest in and a subsequent recapitalization of its subsidiary that provides power to large industrial customers. In all, the company expects to wind up with cash proceeds of $1.25 billion-$1.55 billion. Note that the rich price of the Antrim Shale sale has prompted the board of directors to increase its stock repurchase authorization from $700 million to $1.55 billion. We will not adjust our figures to reflect the Antrim Shale sale until after the deal has been completed. Overall, the asset sales should be accretive to earnings.

**Detroit Edison has filed a rate case.** The utility is seeking a $123 million (2.9%) tariff hike, based on an 11.25% return on a 50% common-equity ratio. It also wants to change rate design so that large industrial customers are no longer subsidizing residential ratepayers. An order is expected in the first half of 2008. MichCon is considering filing a rate case this year as well, but this wouldn't come in time for new rates to benefit earnings much until 2009.

**Earnings are likely to advance significantly in 2007, but fall back in 2008.** DTE's synthetic fuel investments, which contributed $0.44 a share in 2006, are likely to earn $0.60-$1.25 a share this year. In addition, a regulatory disallowance lowered profits by $0.21 a share last year. But, because the synfuel income will cease at the end of 2007, DTE's profits will probably decline in 2008.

**This stock is up over 10% since our last report, three months ago.** The news of the Antrim Shale deal boosted the share price. By utility standards, the yield is above average, but total-return potential to 2010-2012 is only about average.

*Paul E. Debbas, CFA* *June 29, 2007*

(A) Diluted EPS. Excl. extra. gains (losses): '01, 2¢; '03, (16¢); '05, (2¢); '06, 1¢; gain (losses) on disc. ops.: '03, 40¢; '04, (6¢); '05, (20¢); '06, (2¢). '04 EPS don't add due to change in shares, '05 & '06 due to rounding. Next earnings report due late July. (B) Div'ds historically paid in mid-Jan., April, July, and Oct. ■ Div'd reinv. plan avail. (C) Incl. intang. In '06: $37.20/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. (elec.) in '04: 11%; gas in '05: 11%; earned on avg. com. eq., '06: 7.5%. Regul. Clim.: Below Avg.

| Company's Financial Strength | B+ |
|---|---|
| Stock's Price Stability | 100 |
| Price Growth Persistence | 45 |
| Earnings Predictability | 50 |

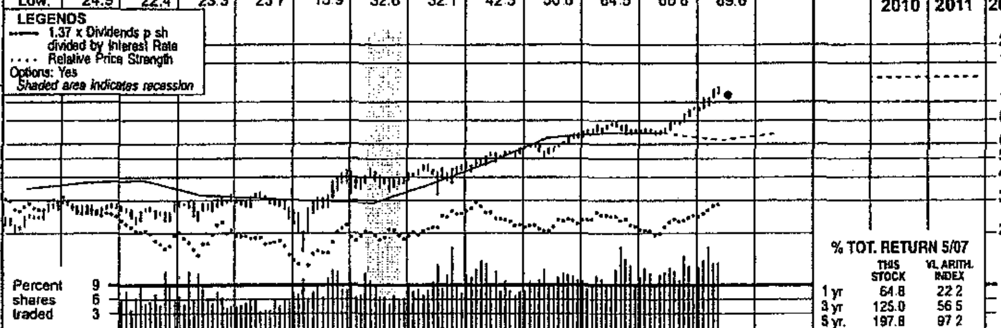
# ENTERGY CORP. NYSE-ETR

RECENT PRICE **109.15** | P/E RATIO **19.7** (Trailing: 20.0 Median: 13.0) | RELATIVE P/E RATIO **1.02** | DIV'D YLD **2.1%** | VALUE LINE

TIMELINESS 3 Raised 1/26/07
SAFETY 2 New 3/31/06
TECHNICAL 3 Lowered 5/11/07
BETA .90 (1.00 = Market)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 30.4 | 30.3 | 32.4 | 33.5 | 43.9 | 44.7 | 46.8 | 57.2 | 68.7 | 79.2 | 94.0 | 120.5 |
| Low: | 24.9 | 22.4 | 23.3 | 23.7 | 15.9 | 32.6 | 32.1 | 42.3 | 50.6 | 64.5 | 66.8 | 89.6 |

Target Price Range
2010 | 2011 | 2012




### 2010-12 PROJECTIONS

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 135 | (+25%) | 8% |
| Low | 100 | (-10%) | 1% |

### Insider Decisions

| | A | S | O | N | D | J | F | M | A |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 0 | 2 | 0 | 0 | 11 | 1 | 1 | 1 |
| to Sell | 0 | 0 | 2 | 0 | 0 | 0 | 1 | 1 | 1 |

### Institutional Decisions

| | 3Q2006 | 4Q2006 | 1Q2007 |
|---|---|---|---|
| to Buy | 196 | 204 | 206 |
| to Sell | 150 | 187 | 197 |
| Hld's(000) | 164742 | 164167 | 161312 |

Percent shares traded 9 6 3

% TOT. RETURN 5/07

| | THIS STOCK | VL ARITH. INDEX |
|---|---|---|
| 1 yr | 64.8 | 22.2 |
| 3 yr | 125.0 | 56.5 |
| 5 yr. | 197.8 | 97.2 |

Entergy Corp. (formerly Middle South Utilities) is a registered holding company. On 12/31/93, the company merged with Gulf States Utilities. Entergy shareholders received stock in the new company on a one-for-one basis. Since a cash cap of $250 million was exceeded, GSU shareholders asking for cash were given a 25% cash/75% stock disbursement. The remaining GSU stockholders received .558 share of the new company for each share held.

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | © VALUE LINE PUB., INC. | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 38.89 | 46.57 | 35.51 | 45.61 | 43.59 | 37.34 | 40.17 | 46.69 | 46.61 | 53.94 | *58.40* | *62.25* | Revenues per sh | *67.40* |
| 6.20 | 6.11 | 5.06 | 6.49 | 6.41 | 7.62 | 7.43 | 8.33 | 8.18 | 9.83 | *10.50* | *11.30* | "Cash Flow" per sh | *12.90* |
| 2.25 | 2.22 | 2.25 | 2.97 | 3.08 | 3.68 | 3.69 | 3.93 | 4.40 | 5.36 | *5.55* | *6.05* | Earnings per sh A | *7.00* |
| 1.80 | 1.50 | 1.20 | 1.22 | 1.28 | 1.34 | 1.60 | 1.89 | 2.16 | 2.16 | *2.16* | *2.40* | Div'd Decl'd per sh B■ | *3.12* |
| 3.45 | 4.63 | 4.84 | 6.80 | 6.25 | 6.88 | 6.85 | 6.51 | 6.72 | 7.83 | *8.75* | *10.55* | Cap'l Spending per sh | *6.05* |
| 27.23 | 28.79 | 28.81 | 31.89 | 33.78 | 35.24 | 38.02 | 38.26 | 35.71 | 40.45 | *40.55* | *42.80* | Book Value per sh C | *56.85* |
| 245.84 | 246.83 | 247.08 | 219.60 | 220.73 | 222.42 | 228.90 | 216.83 | 216.83 | 202.67 | *194.00* | *190.00* | Common Shs Outst'g E | *198.00* |
| 11.6 | 12.9 | 13.2 | 10.1 | 12.5 | 11.5 | 13.8 | 15.1 | 16.3 | 14.3 | *Bold figures are* | | Avg Ann'l P/E Ratio | *16.5* |
| .67 | .67 | .75 | .66 | .64 | .63 | .79 | .80 | .87 | .77 | *Value Line* | | Relative P/E Ratio | *1.10* |
| 6.9% | 5.2% | 4.1% | 4.1% | 3.3% | 3.2% | 3.1% | 3.2% | 3.0% | 2.8% | *estimates* | | Avg Ann'l Div'd Yield | *2.7%* |
| 9561.7 | 11495 | 8773.2 | 10016 | 9621.0 | 8305.0 | 9195.0 | 10124 | 10106 | 10932 | *11330* | *11830* | Revenues ($mill) | *13350* |
| 615.9 | 570.9 | 595.0 | 710.9 | 716.8 | 878.4 | 874.2 | 933.1 | 943.1 | 1133.0 | *1120* | *1190* | Net Profit ($mill) | *1410* |
| 36.9% | 37.3% | 37.5% | 40.3% | 38.9% | 25.1% | 35.9% | 28.2% | 37.2% | 28.1% | *28.0%* | *28.0%* | Income Tax Rate | *28.0%* |
| 2.9% | 4.1% | 8.7% | 7.9% | 6.6% | 6.4% | 8.7% | 7.0% | 8.0% | 5.6% | *5.0%* | *5.0%* | AFUDC % to Net Profit | *5.0%* |
| 54.1% | 47.0% | 45.6% | 50.4% | 47.7% | 45.7% | 44.8% | 44.7% | 51.9% | 50.7% | *51.5%* | *51.5%* | Long-Term Debt Ratio | *47.5%* |
| 38.9% | 50.6% | 49.1% | 45.6% | 48.6% | 50.6% | 53.2% | 52.9% | 45.5% | 47.2% | *46.0%* | *46.5%* | Common Equity Ratio | *51.0%* |
| 17186 | 14042 | 14505 | 15351 | 15353 | 15499 | 16361 | 15696 | 17013 | 17351 | *17020* | *17480* | Total Capital ($mill) | *22110* |
| 18133 | 15329 | 15501 | 16497 | 17264 | 17195 | 18299 | 18696 | 19197 | 19438 | *20200* | *21210* | Net Plant ($mill) | *21800* |
| 5.8% | 6.7% | 5.7% | 6.2% | 6.4% | 7.3% | 6.8% | 7.4% | 6.8% | 8.0% | *8.0%* | *8.5%* | Return on Total Cap'l | *7.5%* |
| 7.8% | 7.7% | 7.5% | 9.3% | 8.9% | 10.4% | 9.7% | 10.8% | 11.5% | 13.2% | *13.5%* | *14.0%* | Return on Shr. Equity | *12.0%* |
| 8.1% | 7.4% | 7.7% | 9.7% | 9.3% | 10.9% | 9.8% | 11.0% | 11.9% | 13.5% | *14.0%* | *14.5%* | Return on Com Equity D | *12.5%* |
| 1.6% | 2.1% | 3.7% | 5.8% | 5.7% | 7.1% | 5.6% | 5.8% | 6.0% | 8.0% | *8.5%* | *8.5%* | Retained to Com Eq | *7.0%* |
| 83% | 74% | 56% | 43% | 41% | 37% | 44% | 48% | 51% | 42% | *40%* | *41%* | All Div'ds to Net Prof | *46%* |

**CAPITAL STRUCTURE as of 3/31/07**
**Total Debt $9494.2 mill Due in 5 Yrs $4243.7 mill.**
LT Debt $9197.3 mill. LT Interest $497.3 mill.
(LT int. earned: 4.1x)
**Pension Assets-12/06 $2462 mill Oblig. $3036 mill.**
**Pfd Stock $353.2 mill. Pfd Div'd $22.1 mill.**
6,605,575 shs. $4.16 to $8.00, $100 par; 139,500 shs. adjustable rate, $7.00, average rate

**Common Stock 197,264,890 shs. as of 4/30/07**
**MARKET CAP: $21.5 billion (Large Cap)**

### ELECTRIC OPERATING STATISTICS

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| % Change Retail Sales (KWH) | +2.3 | -6.7 | -.4 |
| Avg. Indust. Use (MWH) | 937 | 957 | 909 |
| Avg. Indust. Revs. per KWH (¢) | 5.74 | 6.43 | 6.86 |
| Capacity at Peak (Mw) | 22696 | 21727 | 22087 |
| Peak Load, Summer (Mw) | 21174 | 22000 | 22887 |
| Annual Load Factor (%) | 59.0 | 60.0 | 62.0 |
| % Change Customers (yr-end) | +1.2 | -.6 | -9.1 |
| Fixed Charge Cov. (%) | 300 | 318 | 281 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '04-'06 to '10-'12 |
|---|---|---|---|
| Revenues | 5.5% | 3.5% | *5.5%* |
| "Cash Flow" | 5.5% | 8.0% | *6.5%* |
| Earnings | 8.5% | 10.5% | *7.5%* |
| Dividends | 1.5% | 11.0% | *7.0%* |
| Book Value | 3.0% | 4.0% | *7.0%* |

| Calendar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | 2252 | 2485 | 2964 | 2423 | 10124 |
| 2005 | 2022 | 2410 | 3021 | 2653 | 10106 |
| 2006 | 2568 | 2629 | 3255 | 2480 | 10932 |
| 2007 | 2600 | *2750* | *3380* | *2600* | *11330* |
| 2008 | *2725* | *2875* | *3505* | *2725* | *11830* |

| Calendar | EARNINGS PER SHARE A Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | .88 | 1.14 | 1.22 | .69 | 3.93 |
| 2005 | .84 | 1.38 | 1.70 | .48 | 4.40 |
| 2006 | .92 | 1.33 | 1.83 | 1.28 | 5.36 |
| 2007 | 1.03 | *1.50* | *2.15* | *.87* | *5.55* |
| 2008 | *1.15* | *1.65* | *2.30* | *.95* | *6.05* |

| Calendar | QUARTERLY DIVIDENDS PAID B■ Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2003 | .35 | .35 | .45 | .45 | 1.60 |
| 2004 | .45 | .45 | .45 | .54 | 1.89 |
| 2005 | .54 | .54 | .54 | .54 | 2.16 |
| 2006 | .54 | .54 | .54 | .54 | 2.16 |
| 2007 | .54 | .54 | | | |

**BUSINESS:** Entergy Corporation has five subsidiaries that supply electricity to portions of Arkansas, Louisiana, Mississippi, Texas, and New Orleans. 2006 revs.: Electric & Gas, 84%; nonutility, 16%. Merged with Gulf States Utilities 12/93. '06 electric revenues: residential, 35%; commercial, 26%; industrial, 29%; other, 10%. Chemical processing, allied products, petroleum refining, paper, and food products industries are main customers. Fuels: gas & oil, 15%; nuclear, 33%; coal, 11%; purchased power, 41%. '06 depreciation rate: 2.7%. Has 13,814 employees. Chairman: Robert Luft. Chief Executive Officer: J. Wayne Leonard. President: Richard Smith. Inc.: DE. Address: 639 Loyola Avenue, New Orleans, Louisiana 70113. Telephone: 504-529-5262. Internet: www.entergy.com.

**Entergy's New Orleans utility subsidiary (ENO) emerged from bankruptcy on May 8th.** Hurricanes in the fall of 2005 inflicted such heavy damage on the *utility's buildings and overhead lines that* ENO voluntarily filed for bankruptcy protection. Under the reorganization plan, it paid all creditors in full with proceeds from federal block grants, guarantees of insurance policy payments, and higher rates. But operations won't be the same as they were before the hurricanes struck. To date, only 55% of electric customers and 45% of gas customers who fled the area have returned, and it's doubtful whether *the remainder will ever come back.*

**The company's nuclear portfolio is an important source of profits.** Last month's purchase of the 798-megawatt Palisades facility in Michigan boosted ETR's ownership of nuclear units to 11, of which six are unregulated. Thanks to substantially higher prices on new contracts, margins are widening. Management expects these units to contribute $2.55 a share to 2007 earnings, up 75% over last year. The company has received a 20-year license renewal for its Arkansas 1 plant, and it plans to seek renewals for the other 10. It has also filed to build an additional unit at Grand Gulf, Mississippi, though it has no commitment to do so. And it would *consider buying an existing nuclear plant,* but none is available. Over the coming 3 to 5 years, nuclear earnings will be the primary source of ETR's growth.

**Earnings should continue their upward march in 2007.** Pluses, in addition to improved nuclear operations, include rate hikes in several jurisdictions, ongoing recovery in storm-affected regions other than in New Orleans, and a reduction in common shares. Despite an increase in insurance premiums, we estimate current-year earnings will rise 4%, to $5.55 a share. Further gains are likely through 2010-2012.

**The stock price has risen more than 40% in the last 12 months.** That's largely attributable to the market's expectation of continued improvement in the nuclear arena. But the recent quotation already reflects this positive, in our opinion. For now, we rate Entergy an average utility investment.

*Arthur H. Medalie* *June 29, 2007*

(A) Dil. egs. Next egs. report due late July. Excl. nonrecur. gains (losses): '97, ($1.22); '98, 78¢; '01, 15¢; '02, ($1.04); '03, net 33¢; '05, (21¢). (B) Div'ds historically paid in early Mar., early June, early Sept., and early Dec. ■ Div. rein. plan avail. (C) Incl. def. chgs. in '06: $23.56/sh. (D) Rate base: net orig. cost. Rates allowed on com. eq.: 10.0%-13.0%. Earned on avg. com. eq. in '06: 14.2%. Reg. Clim.: Avg. (E) In mill.

| | |
|---|---|
| Company's Financial Strength | A |
| Stock's Price Stability | 95 |
| Price Growth Persistence | 100 |
| Earnings Predictability | 80 |

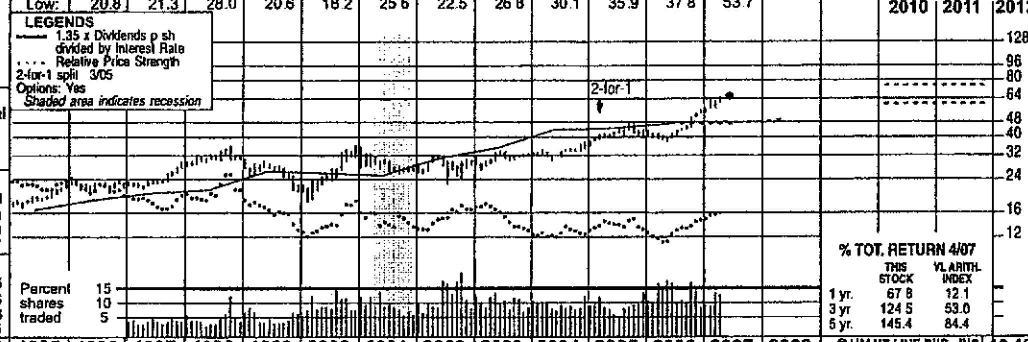
# FPL GROUP, INC. NYSE-FPL

RECENT PRICE **66.09** | P/E RATIO **19.2** (Trailing: 20.1 Median: 13.0) | RELATIVE P/E RATIO **1.00** | DIV'D YLD **2.5%** | VALUE LINE

TIMELINESS **3** Lowered 3/2/07
SAFETY **1** Raised 9/6/02
TECHNICAL **3** Lowered 5/18/07
BETA .85 (1.00 = Market)

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 24.1 | 30.0 | 36.3 | 31.0 | 36.5 | 35.8 | 32.7 | 34.0 | 38.1 | 48.1 | 55.6 | 66.5 |
| Low: | 20.8 | 21.3 | 28.0 | 20.6 | 18.2 | 25.6 | 22.5 | 26.8 | 30.1 | 35.9 | 37.8 | 53.7 |

Target Price Range 2010 | 2011 | 2012




### 2010-12 PROJECTIONS

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 75 | (+15%) | 6% |
| Low | 60 | (-10%) | 1% |

### Insider Decisions

| | J | A | S | O | N | D | J | F | M |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| to Sell | 0 | 0 | 1 | 1 | 1 | 3 | 0 | 1 | 7 |

### Institutional Decisions

| | 2Q2006 | 3Q2006 | 4Q2006 |
|---|---|---|---|
| to Buy | 253 | 263 | 276 |
| to Sell | 282 | 244 | 298 |
| Hld's(000) | 281040 | 288290 | 281226 |

### % TOT. RETURN 4/07

| | THIS STOCK | VL ARITH. INDEX |
|---|---|---|
| 1 yr. | 67.8 | 12.1 |
| 3 yr. | 124.5 | 53.0 |
| 5 yr. | 145.4 | 84.4 |

| 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | © VALUE LINE PUB., INC. | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 15.37 | 14.21 | 13.99 | 14.53 | 15.14 | 16.51 | 17.52 | 18.43 | 18.03 | 20.15 | 24.10 | 22.74 | 26.13 | 28.27 | 30.00 | 38.75 | *39.10* | *40.90* | Revenues per sh | *46.95* |
| 2.78 | 2.79 | 2.93 | 3.22 | 3.98 | 4.21 | 4.62 | 5.39 | 4.86 | 4.94 | 5.02 | 4.51 | 5.36 | 5.60 | 5.60 | 6.08 | *6.50* | *6.95* | "Cash Flow" per sh | *7.95* |
| 1.33 | 1.33 | 1.38 | 1.46 | 1.58 | 1.67 | 1.79 | 1.93 | 2.04 | 2.07 | 2.31 | 2.01 | 2.45 | 2.46 | 2.32 | 3.23 | *3.45* | *3.70* | Earnings per sh A | *4.25* |
| 1.20 | 1.22 | 1.24 | .94 | .88 | .92 | .96 | 1.00 | 1.04 | 1.08 | 1.12 | 1.16 | 1.20 | 1.27 | 1.42 | 1.50 | *1.64* | *1.78* | Div'd Decl'd per sh B■ | *2.20* |
| 3.50 | 3.47 | 3.28 | 2.03 | 1.82 | 1.33 | 1.52 | 1.71 | 2.41 | 3.70 | 3.28 | 3.44 | 3.75 | 3.75 | 4.09 | 4.35 | *5.35* | *6.25* | Cap'l Spending per sh | *4.25* |
| 9.82 | 10.49 | 10.79 | 11.25 | 11.89 | 12.56 | 13.32 | 14.18 | 15.04 | 15.91 | 17.10 | 17.48 | 18.91 | 20.25 | 21.52 | 24.49 | *26.65* | *28.75* | Book Value per sh C | *35.30* |
| 341.51 | 365.58 | 380.13 | 373.14 | 369.39 | 365.63 | 363.63 | 361.42 | 357.11 | 351.53 | 351.71 | 365.51 | 368.53 | 372.24 | 394.85 | 405.40 | *410.00* | *414.00* | Common Shs Outst'g E | *426.00* |
| 12.0 | 13.3 | 13.9 | 11.3 | 12.3 | 13.5 | 13.5 | 16.2 | 13.0 | 12.8 | 12.5 | 14.2 | 12.6 | 13.6 | 17.9 | 13.7 | *Bold figures are* | | Avg Ann'l P/E Ratio | *16.0* |
| .77 | .81 | .82 | .74 | .82 | .85 | .78 | .84 | .74 | .83 | .64 | .78 | .72 | .72 | .95 | .74 | *Value Line* | | Relative P/E Ratio | *1.05* |
| 7.5% | 6.9% | 6.4% | 5.7% | 4.5% | 4.1% | 4.0% | 3.2% | 3.9% | 4.1% | 3.9% | 4.1% | 3.9% | 3.9% | 3.4% | 3.4% | *estimates* | | Avg Ann'l Div'd Yield | *3.3%* |
| | | | | | | 6369.0 | 6661.0 | 6438.0 | 7082.0 | 8475.0 | 8311.0 | 9630.0 | 10522 | 11846 | 15710 | *16030* | *16930* | Revenues ($mill) | *20000* |
| | | | | | | 637.0 | 679.0 | 712.0 | 719.0 | 796.0 | 710.0 | 883.4 | 887.0 | 885.0 | 1281.0 | *1405* | *1525* | Net Profit ($mill) | *1800* |
| | | | | | | 32.3% | 29.1% | 31.2% | 31.8% | 32.3% | 25.6% | 29.4% | 23.1% | 23.5% | 23.7% | *24.0%* | *24.0%* | Income Tax Rate | *24.0%* |
| | | | | | | -- | -- | -- | -- | -- | -- | -- | 4.2% | 3.2% | 1.6% | *3.0%* | *3.0%* | AFUDC % to Net Profit | *3.0%* |
| | | | | | | 36.8% | 30.5% | 38.3% | 40.6% | 43.8% | 46.7% | 55.6% | 51.6% | 48.6% | 49.1% | *49.0%* | *49.5%* | Long-Term Debt Ratio | *49.0%* |
| | | | | | | 60.4% | 66.6% | 59.2% | 57.1% | 54.2% | 51.5% | 44.4% | 48.4% | 51.4% | 50.9% | *51.0%* | *50.5%* | Common Equity Ratio | *51.0%* |
| | | | | | | 8020.0 | 7699.0 | 9074.0 | 9795.0 | 11099 | 12406 | 15695 | 15564 | 16538 | 19521 | *21505* | *23500* | Total Capital ($mill) | *29625* |
| | | | | | | 9354.0 | 8555.0 | 9264.0 | 9934.0 | 11662 | 14304 | 20297 | 21226 | 22463 | 24499 | *25420* | *26670* | Net Plant ($mill) | *28135* |
| | | | | | | 9.5% | 10.0% | 9.0% | 8.6% | 8.5% | 6.6% | 6.7% | 7.0% | 6.7% | 8.0% | *8.0%* | *8.0%* | Return on Total Cap'l | *7.5%* |
| | | | | | | 12.6% | 12.7% | 12.7% | 12.4% | 12.8% | 10.7% | 12.7% | 11.8% | 10.4% | 12.9% | *13.0%* | *13.0%* | Return on Shr. Equity | *12.0%* |
| | | | | | | 12.8% | 13.0% | 13.0% | 12.6% | 13.0% | 10.9% | 12.5% | 11.8% | 10.4% | 12.9% | *13.0%* | *13.0%* | Return on Com Equity D | *12.0%* |
| | | | | | | 5.9% | 6.2% | 6.6% | 6.3% | 7.0% | 4.6% | 6.4% | 5.6% | 4.0% | 6.9% | *7.0%* | *6.5%* | Retained to Com Eq | *6.0%* |
| | | | | | | 55% | 53% | 50% | 51% | 47% | 58% | 50% | 53% | 61% | 46% | *48%* | *48%* | All Div'ds to Net Prof | *52%* |

**CAPITAL STRUCTURE as of 3/31/07**
Total Debt $11777 mill. Due in 5 Yrs $5222 mill.
LT Debt $9091 mill. LT Interest $562 mill
(LT interest earned: 3.6x)
Leases Uncapitalized None
Pension Assets-12/06 $3.2 bill. Oblig. $1.6 bill.

Pfd Stock None

Common Stock 406,415,900 shs.

**MARKET CAP: $26.9 billion (Large Cap)**

### ELECTRIC OPERATING STATISTICS

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| % Change Retail Sales (KWH) | +2.4 | +2.3 | +2.0 |
| Avg. Indust. Use (MWH) | 2141 | 1919 | 2140 |
| Avg. Indust. Revs. per KWH (¢) | NA | 8.73 | 8.70 |
| Capacity at Peak (Mw) | 22412 | 23768 | 24500 |
| Peak Load, Summer (Mw) | 20545 | 22361 | 21819 |
| Annual Load Factor (%) | 60 | 57 | 60 |
| % Change Customers (yr-end) | +2.6 | +2.4 | +2.2 |
| Fixed Charge Cov. (%) | 301 | 256 | 294 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '04-'06 to '10-'12 |
|---|---|---|---|
| Revenues | 7.5% | 9.5% | 6.5% |
| "Cash Flow" | 4.0% | 3.0% | 5.5% |
| Earnings | 5.5% | 4.5% | 8.0% |
| Dividends | 4.5% | 5.5% | 7.5% |
| Book Value | 6.5% | 6.5% | 8.0% |

| Cal-endar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | 2331 | 2619 | 2983 | 2589 | 10522 |
| 2005 | 2437 | 2741 | 3504 | 3164 | 11846 |
| 2006 | 3584 | 3809 | 4694 | 3623 | 15710 |
| 2007 | 3075 | *4050* | *4950* | *3955* | *16030* |
| 2008 | *3225* | *4300* | *5200* | *4205* | *16930* |

| Cal-endar | EARNINGS PER SHARE A Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | .38 | .72 | .89 | .47 | 2.46 |
| 2005 | .37 | .53 | .88 | .54 | 2.32 |
| 2006 | .64 | .60 | 1.32 | .67 | 3.23 |
| 2007 | .70 | *.75* | *1.25* | *.75* | *3.45* |
| 2008 | *.75* | *.85* | *1.30* | *.80* | *3.70* |

| Cal-endar | QUARTERLY DIVIDENDS PAID B■ Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2003 | .30 | .30 | .30 | .30 | 1.20 |
| 2004 | .31 | .31 | .31 | .34 | 1.27 |
| 2005 | .355 | .355 | .355 | .355 | 1.42 |
| 2006 | .375 | .375 | .375 | .375 | 1.50 |
| 2007 | .41 | | | | |

**BUSINESS:** FPL Group, Inc. owns 100% of Florida Power & Light, a rate-regulated utility which supplies electricity in a 27,650-square-mile area in eastern and southern Florida with a population of more than eight million. In 2006, served 4.4 million customer accounts. Utility revenue breakdown in 2006: residential, 54%; commercial, 39%; industrial, 3%; other, 4%. Energy Mix: oil and gas, 58%; nuclear, 20%; coal, 5%; purchased power, 17%. Fuel costs: 57% of revenues. 2006 depreciation rate: 4.1%. Sold Colonial Penn Group 8/91. Has 10,400 employees. Chairman & Chief Executive Officer: Lewis Hay. Incorporated: Florida. Address: 700 Universe Boulevard, Juno Beach, FL 33408. Tel.: 561-694-4697. Internet: www.investor.fplgroup.com.

**FPL Group plans 6,700 megawatts (mw) of new capacity in the next 10 years.** A $600 million, 1,150-mw gas-fired plant at the existing Turkey Point site will go on line shortly. Its location will eliminate the need for new power lines. The company has begun construction of another two gas-fired units of 1,200 mw each to begin serving customers in 2009 and 2010. Their cost is projected at $1.2 billion. To improve fuel diversity, it will build two coal-fired units with a combined capability of 1,960 mw. These facilities would begin operating in 2012 and 2013, respectively, at a cost of $2 billion. To round out the program, FPL is considering another 1,200 mw of natural-gas generation, though this might be replaced by a more economical alternative. Looking past the 10-year horizon, the company intends to apply for another nuclear plant.

**Financing the expansion will require some borrowing.** The cost of new plants and expenses incurred for upgrading the infrastructure will entail construction spending of some $2.15 billion annually for the next five years. Though cash flow from operations is strong, it will not fully cover these outlays. Accordingly, additional capital will be needed to bridge the gap. But that should present no problem for FPL, since its strong finances will enable it to borrow at reasonable rates.

**We look for higher earnings this year and next.** More wind plants in operation, the purchase of the two-unit Point Beach nuclear plant in the upcoming quarter, and higher prices on contract renewals will improve the unregulated sector's results. The absence of last year's charges related to the failed merger with Constellation Energy is another plus. Though interest costs will be higher and more common shares will be outstanding, we estimate a 7% increase in 2007 earnings, to $3.45 a share. Added profits from new plants on line point to annual high single-digit earnings gains over the coming 3 to 5 years. As a result,

**Dividends should rise at an above-average rate to 2010-2012.** Since the stock's high price already reflects the company's many pluses, however, capital growth potential is limited. On balance, FPL is an average utility selection.

*Arthur H. Medalie* *June 1, 2007*

(A) Based on avg. shares. Excl. nonrec. (losses), gains: '91, (60¢); '93, (22¢), '00, (5¢); '02, (60¢); '03, 5¢. Next egs. rpt. due late July. (B) Div'ds historically paid in mid-Mar., mid-June, mid-Sept., and mid-Dec. ■ Div'd reinvestment plan avail. (C) Incl. deferred items in '06: $9.05/sh. (D) Rate allowed on com. equity in '05: not specified; earned on '06 avg. com. eq.: 14.1%. Reg.: Above Avg. (E) In millions, adjusted for split.

| | |
|---|---|
| Company's Financial Strength | A+ |
| Stock's Price Stability | 95 |
| Price Growth Persistence | 90 |
| Earnings Predictability | 80 |

# PINNACLE WEST NYSE-PNW

RECENT PRICE 48.79 | P/E RATIO 17.7 (Trailing: 15.2 Median: 14.0) | RELATIVE P/E RATIO 0.92 | DIV'D YLD 4.4% | VALUE LINE

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 32.3 | 42.8 | 49.3 | 43.4 | 52.7 | 50.7 | 46.7 | 40.5 | 45.8 | 46.7 | 51.0 | 51.7 |
| Low: | 26.3 | 27.6 | 39.4 | 30.2 | 25.7 | 37.7 | 21.7 | 28.3 | 36.3 | 39.8 | 38.3 | 46.4 |

TIMELINESS 3 Lowered 2/9/07

SAFETY 1 Raised 5/16/03

TECHNICAL 3 Raised 4/13/07

BETA 1.00 (1.00 = Market)

**2010-12 PROJECTIONS**

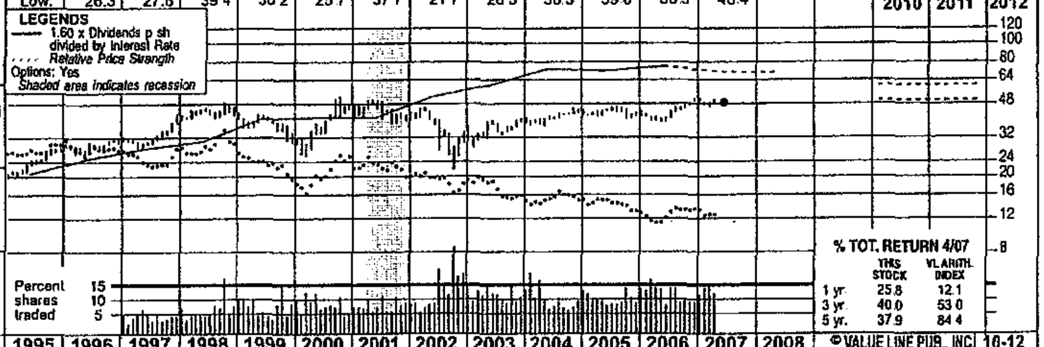
| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 60 | (+25%) | 9% |
| Low | 50 | (Nil) | 5% |

**Insider Decisions**

| | J | J | A | S | O | N | D | J | F |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 2 | 6 | 2 | 0 | 1 | 0 | 1 | 10 | 0 |
| to Sell | 1 | 6 | 2 | 0 | 1 | 0 | 1 | 0 | 0 |

**Institutional Decisions**

| | 2Q2006 | 3Q2006 | 4Q2006 |
|---|---|---|---|
| to Buy | 132 | 149 | 168 |
| to Sell | 115 | 96 | 106 |
| Hld's(000) | 80731 | 86210 | 85861 |




**% TOT. RETURN 4/07**

| | THIS STOCK | VL ARITH. INDEX |
|---|---|---|
| 1 yr. | 25.8 | 12.1 |
| 3 yr. | 40.0 | 53.0 |
| 5 yr. | 37.9 | 84.4 |

| 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | © VALUE LINE PUB., INC. | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 16.95 | 19.39 | 19.66 | 19.28 | 19.08 | 20.77 | 23.52 | 25.12 | 28.57 | 43.50 | 53.66 | 28.90 | 30.87 | 31.59 | 30.16 | 34.03 | ***36.40*** | ***38.60*** | Revenues per sh | ***44.60*** |
| d1.39 | 4.70 | 5.25 | 5.09 | 5.16 | 5.90 | 7.12 | 7.34 | 7.73 | 7.99 | 8.72 | 7.01 | 7.33 | 6.93 | 5.76 | 6.76 | ***6.90*** | ***7.50*** | "Cash Flow" per sh | ***9.30*** |
| d3.90 | 1.73 | 1.95 | 1.99 | 2.22 | 2.47 | 2.76 | 2.85 | 3.18 | 3.35 | 3.68 | 2.53 | 2.52 | 2.58 | 2.24 | 3.17 | ***3.00*** | ***3.10*** | Earnings per sh A | ***3.30*** |
| -- | -- | .20 | .83 | .93 | 1.03 | 1.13 | 1.23 | 1.33 | 1.43 | 1.53 | 1.63 | 1.73 | 1.83 | 1.93 | 2.03 | ***2.13*** | ***2.23*** | Div'd Decl'd per sh B■† | ***2.47*** |
| 2.10 | 2.57 | 2.69 | 2.92 | 3.38 | 2.95 | 3.63 | 3.76 | 4.05 | 7.76 | 12.27 | 9.81 | 7.60 | 5.86 | 6.39 | 7.38 | ***8.00*** | ***8.00*** | Cap'l Spending per sh | ***8.00*** |
| 15.23 | 17.00 | 18.87 | 20.32 | 21.49 | 22.51 | 23.90 | 25.50 | 26.00 | 28.09 | 29.46 | 29.44 | 31.00 | 32.14 | 34.57 | 34.47 | ***35.35*** | ***36.20*** | Book Value per sh C | ***38.70*** |
| 87.01 | 87.16 | 87.42 | 87.43 | 87.52 | 87.52 | 84.83 | 84.83 | 84.83 | 84.83 | 84.83 | 91.26 | 91.29 | 91.79 | 99.08 | 99.96 | ***100.00*** | ***100.00*** | Common Shs Outst'g D | ***100.00*** |
| -- | 10.8 | 11.5 | 9.6 | 10.8 | 11.8 | 11.8 | 15.2 | 11.9 | 11.3 | 12.0 | 14.4 | 14.0 | 15.8 | 19.2 | 13.7 | *Bold figures are* | *Value Line estimates* | Avg Ann'l P/E Ratio | ***16.5*** |
| -- | .66 | .68 | .63 | .72 | .74 | .68 | .79 | .68 | .73 | .61 | .79 | .80 | .83 | 1.02 | .74 | | | Relative P/E Ratio | ***1.10*** |
| -- | -- | .9% | 4.3% | 3.9% | 3.5% | 3.5% | 2.8% | 3.5% | 3.8% | 3.5% | 4.5% | 4.9% | 4.5% | 4.5% | 4.7% | | | Avg Ann'l Div'd Yield | ***4.5%*** |

**CAPITAL STRUCTURE as of 12/31/06**
Total Debt $3270.0 mill. Due in 5 Yrs $407.6 mill.
LT Debt $3232.6 mill. LT Interest $194.4 mill.
(LT interest earned: 3.4x)

Pension Assets-12/06 $1.21 bill. Oblig. $1.67 bill.

Pfd Stock None

Common Stock 99,077,133 shs.
*MARKET CAP: $4.8 billion (Mid Cap)*

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | © VALUE LINE PUB., INC. | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1995.0 | 2130.6 | 2423.4 | 3690.2 | 4551.4 | 2637.3 | 2817.9 | 2899.7 | 2988.0 | 3401.8 | ***3640*** | ***3860*** | Revenues ($mill) F | ***4460*** |
| 248.7 | 252.6 | 270.8 | 283.6 | 312.2 | 215.2 | 230.6 | 235.2 | 223.2 | 317.1 | ***300*** | ***310*** | Net Profit ($mill) | ***330*** |
| 37.7% | 39.5% | 38.3% | 44.1% | 40.6% | 39.1% | 31.4% | 35.4% | 36.2% | 33.0% | ***33.0%*** | ***33.0%*** | Income Tax Rate | ***33.0%*** |
| 6.5% | 7.4% | 4.3% | 7.6% | 15.3% | 20.5% | 6.2% | 6.9% | 10.4% | 6.6% | ***4.0%*** | ***4.0%*** | AFUDC % to Net Profit | ***4.0%*** |
| 50.5% | 47.6% | 50.0% | 45.1% | 51.7% | 51.8% | 50.6% | 46.7% | 43.2% | 48.4% | ***48.5%*** | ***48.5%*** | Long-Term Debt Ratio | ***49.0%*** |
| 45.6% | 50.2% | 50.0% | 54.9% | 48.3% | 48.2% | 49.4% | 53.3% | 56.8% | 51.6% | ***51.5%*** | ***51.5%*** | Common Equity Ratio | ***51.0%*** |
| 4442.9 | 4307.6 | 4411.8 | 4337.8 | 5172.4 | 5567.9 | 5727.5 | 5535.2 | 6033.4 | 6678.8 | ***6865*** | ***7055*** | Total Capital ($mill) | ***7600*** |
| 4677.6 | 4730.6 | 4778.5 | 5133.2 | 5907.3 | 6479.4 | 7480.1 | 7535.5 | 7577.1 | 7881.9 | ***8290*** | ***8650*** | Net Plant ($mill) | ***9420*** |
| 7.4% | 7.6% | 7.9% | 8.1% | 7.6% | 5.4% | 5.5% | 5.6% | 5.0% | 6.2% | ***6.0%*** | ***6.0%*** | Return on Total Cap'l | ***6.0%*** |
| 11.3% | 11.2% | 12.3% | 11.9% | 12.5% | 8.0% | 8.1% | 8.0% | 6.5% | 9.2% | ***8.5%*** | ***8.5%*** | Return on Shr. Equity | ***8.5%*** |
| 11.6% | 11.2% | 12.2% | 11.9% | 12.5% | 8.0% | 8.1% | 8.0% | 6.5% | 9.2% | ***8.5%*** | ***8.5%*** | Return on Com Equity E | ***8.5%*** |
| 6.9% | 6.4% | 7.1% | 6.8% | 7.3% | 2.9% | 2.6% | 2.3% | 1.0% | 3.4% | ***2.5%*** | ***2.5%*** | Retained to Com Eq | ***2.0%*** |
| 44% | 45% | 42% | 43% | 41% | 64% | 68% | 71% | 85% | 63% | ***71%*** | ***72%*** | All Div'ds to Net Prof | ***75%*** |

**ELECTRIC OPERATING STATISTICS**

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| % Change Retail Sales (KWH) | +3.2 | +4.4 | +5.6 |
| Avg. Indust. Use (MWH) | 707 | 670 | 730 |
| Avg. Indust. Revs. per KWH (¢) | 5.57 | 6.28 | 6.87 |
| Capacity at Peak (Mw) | 7758 | 7412 | 7652 |
| Peak Load, Summer (Mw) | 6402 | 7000 | 7652 |
| Annual Load Factor (%) | 52.2 | 50.0 | 48.0 |
| % Change Customers (yr-end) | +3.7 | +4.3 | +4.4 |
| Fixed Charge Cov. (%) | 261 | 278 | 324 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '04-'06 to '10-'12 |
|---|---|---|---|
| Revenues | 5.0% | -5.5% | 5.5% |
| "Cash Flow" | 2.0% | -4.5% | 6.0% |
| Earnings | 2.0% | -5.0% | 3.5% |
| Dividends | 7.5% | 6.0% | 4.0% |
| Book Value | 4.5% | 4.0% | 2.5% |

| Cal-endar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | 566.3 | 711.9 | 886.8 | 734.7 | 2899.7 |
| 2005 | 585.0 | 755.8 | 955.6 | 691.6 | 2988.0 |
| 2006 | 670.2 | 925.0 | 1076.5 | 730.1 | 3401.8 |
| 2007 | 695.1 | ***995*** | ***1150*** | ***799.9*** | ***3640*** |
| 2008 | ***755*** | ***1055*** | ***1200*** | ***850*** | ***3860*** |

| Cal-endar | EARNINGS PER SHARE A Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | .34 | .78 | 1.14 | .32 | 2.58 |
| 2005 | .26 | .88 | .86 | .24 | 2.24 |
| 2006 | .12 | 1.11 | 1.84 | .10 | 3.17 |
| 2007 | .16 | ***.90*** | ***1.60*** | ***.34*** | ***3.00*** |
| 2008 | ***.20*** | ***.90*** | ***1.65*** | ***.35*** | ***3.10*** |

| Cal-endar | QUARTERLY DIVIDENDS PAID B■† Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2003 | .425 | .425 | .425 | .45 | 1.73 |
| 2004 | .45 | .45 | .45 | .425 | 1.83 |
| 2005 | .475 | .475 | .475 | .50 | 1.93 |
| 2006 | .50 | .50 | .50 | .525 | 2.03 |
| 2007 | .525 | | | | |

BUSINESS: Pinnacle West Capital Corporation (parent of Arizona Public Service) supplies electricity to approx. 1,780,000 people in 11 of 15 Arizona counties. Electric revenue sources: residential, 51%; commercial, industrial, and other, 49%. Power costs: 36% of electric revenues; labor costs: 13% of total revenues. The mining industry is the largest industrial customer. Energy sources: coal, 31%; nuclear, 17%; gas & other, 17%; purchased power, 35%. Has 7,140 employees. Reported '06 depreciation rate: 3.1%. Est'd plant age: 10 years. Chairman & Chief Executive Officer: William J. Post. Pres.: Jack E. Davis. Inc.: Arizona. Address: 400 E. Van Buren St., Suite 700, P.O. Box 52132, Phoenix, AZ 85072-2132. Tel.: 602-379-2568. Internet: www.pinnaclewest.com.

**Pinnacle West awaits an order on its 2007 general rate request.** The company filed for an increase of $434.6 million, some $314 million of which is for fuel and purchased power. The balance is for recovery of the $100 million cost of the 450 megawatt (mw) gas-fired Sundance plant, $41.2 million for accelerated funding of the underfunded pension program, and a surcharge for environmental upgrades. The *application is based on an 11.50% allowed* return on equity, up from the current 10.25% and a capital structure of 45% debt and 55% equity. The commission staff has recommended an increase of only $193.5 million, almost all of which would be for fuel and purchased power. A regulatory decision on the petition is due shortly. It will be operative on the date of the order.

**The company keeps adding generation to meet rising customer needs.** PNW's peak summer demand is rising by 300 mw annually, while baseload needs are increasing by 100 mw yearly. To meet its obligations, Pinnacle issued a request for 1,000 mw of long-term power in June, 2005. In response, it received offers for 1,200 mw, a portion of which is already on line. For the longer term, management *seeks an unspecified amount of baseload* capacity of 100 mw to 500 mw per unit that will be available from 2009 to 2014. The offers may not be tied to natural gas prices because of their volatility. Finally, to improve the flow of energy into the constrained Phoenix area, PNW is building a 100-mile, 500-kilovolt transmission line that will be operative in 2010.

**Earnings may be down a bit in 2007.** For one thing, the Palo Verde 3 nuclear plant will be closed this fall for the replacement of steam generators. Too, profits at the SunCor real estate subsidiary will likely be lower because of the housing slowdown. Despite higher rates and a budgeted 4% increase in energy sales, we estimate 2007 earnings will decline 5%, to $3.00 a share. A full year of the rate increase indicates improvement next year.

**Utility investors might consider a commitment here.** The year-ahead yield is a full percentage point above the industry norm. And projected earnings gains after this year suggest above-average dividend growth to 2010-2012.

*Arthur H. Medalie* *May 11, 2007*

(A) Diluted egs. Excl. nonrecurring gains (losses): '91, ($4.68); '93, 22¢; '94, 31¢; '95, net 6¢; '99, ($1.20); '02, (77¢); excl. gains (losses) from discontinued ops.: '91, $1.76; '92, 7¢; '99, ($1.97); '00, 22¢; '05, (36¢); '06, 10¢. Next earnings report due late July. (B) Div'ds historically paid in early Mar., June, Sept., and Dec. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. def. chgs. In '06: $9.51/sh. (D) In mill. (E) Rate base: Fair value. Rate all'd on com. eq. in '05: 10.25%; earned on avg. com. eq., '06: 9.2%. Reg. Clim.: Avg.

| | |
|---|---|
| Company's Financial Strength | A |
| Stock's Price Stability | 80 |
| Price Growth Persistence | 40 |
| Earnings Predictability | 60 |

# PPL CORPORATION NYSE-PPL

RECENT PRICE 45.00 | P/E RATIO 18.8 (Trailing: 20.1 Median: 12.0) | RELATIVE P/E RATIO 0.98 | DIV'D YLD 2.8% | VALUE LINE

TIMELINESS 4 Lowered 11/10/06
SAFETY 2 Raised 6/2/06
TECHNICAL 3 Raised 4/20/07
BETA .95 (1.00 = Market)

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 13.0 | 12.1 | 14.5 | 16.0 | 23.1 | 31.2 | 20.0 | 22.2 | 27.1 | 33.7 | 37.3 | 46.4 |
| Low: | 10.8 | 9.5 | 10.4 | 10.2 | 9.2 | 15.5 | 13.0 | 15.6 | 19.9 | 25.5 | 27.8 | 34.4 |

Target Price Range 2010 | 2011 | 2012

**2010-12 PROJECTIONS**

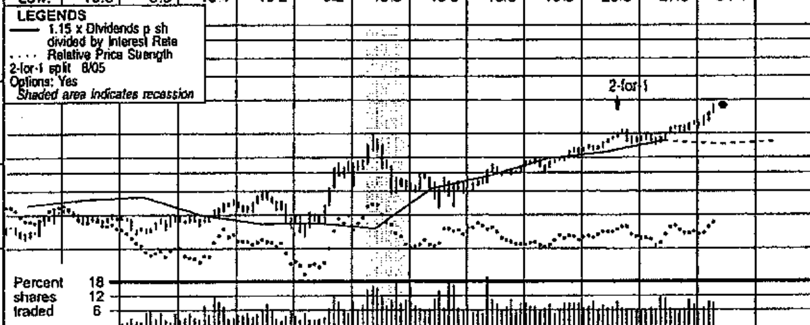
| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 60 | (+35%) | 10% |
| Low | 45 | (Nil) | 4% |

**Insider Decisions**

| | J | A | S | O | N | D | J | F | M |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| to Sell | 0 | 3 | 0 | 0 | 1 | 1 | 0 | 0 | 4 |

**Institutional Decisions**

| | 2Q2006 | 3Q2006 | 4Q2006 |
|---|---|---|---|
| to Buy | 183 | 204 | 191 |
| to Sell | 179 | 148 | 196 |
| Hld's(000) | 241282 | 235897 | 238199 |




% TOT. RETURN 4/07

| | THIS STOCK | VL ARITH. INDEX |
|---|---|---|
| 1 yr | 55.2 | 12.1 |
| 3 yr. | 125.1 | 53.0 |
| 5 yr. | 174.4 | 84.4 |

| 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | © VALUE LINE PUB., INC. | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 8.44 | 9.03 | 8.96 | 8.76 | 8.63 | 8.94 | 9.17 | 12.03 | 15.97 | 19.59 | 19.53 | 16.38 | 15.75 | 15.37 | 16.36 | 17.92 | 17.35 | 18.50 | Revenues per sh | 22.75 |
| 1.86 | 1.90 | 1.98 | 1.84 | 2.05 | 2.14 | 2.11 | 2.43 | 2.56 | 3.32 | 3.51 | 3.20 | 3.60 | 3.59 | 3.84 | 4.26 | 4.50 | 4.60 | "Cash Flow" per sh | 6.75 |
| 1.00 | 1.01 | 1.04 | .84 | .97 | 1.03 | .99 | 1.12 | 1.01 | 1.64 | 1.79 | 1.54 | 1.84 | 1.87 | 1.92 | 2.29 | 2.40 | 2.35 | Earnings per sh [A] | 3.75 |
| .78 | .80 | .83 | .84 | .84 | .84 | .84 | .67 | .50 | .53 | .53 | .72 | .77 | .82 | .96 | 1.10 | 1.22 | 1.30 | Div'd Decl'd per sh [B] ■ | 2.00 |
| 1.23 | 1.39 | 1.60 | 1.62 | 1.26 | 1.11 | .93 | .97 | 1.11 | 1.59 | 2.99 | 2.74 | 2.17 | 1.94 | 2.13 | 3.62 | 4.50 | 3.60 | Cap'l Spending per sh | 3.50 |
| 7.58 | 7.79 | 7.97 | 7.89 | 8.15 | 8.44 | 8.45 | 5.69 | 5.61 | 6.94 | 6.33 | 6.71 | 9.19 | 11.21 | 11.62 | 13.30 | 14.40 | 15.45 | Book Value per sh [C] | 19.00 |
| 303.31 | 303.77 | 304.26 | 310.96 | 318.81 | 325.33 | 332.50 | 314.82 | 287.39 | 290.08 | 293.16 | 331.47 | 354.72 | 378.14 | 380.15 | 385.04 | 386.00 | 387.00 | Common Shs Outst'g [D] | 375.00 |
| 11.4 | 12.9 | 14.1 | 13.0 | 10.8 | 11.4 | 10.8 | 10.9 | 13.4 | 8.9 | 12.4 | 11.1 | 10.6 | 12.5 | 15.1 | 14.1 | *Bold figures are* | | Avg Ann'l P/E Ratio | 14.0 |
| .73 | .78 | .83 | .85 | .72 | .71 | .62 | .57 | .76 | .58 | .64 | .61 | .60 | .66 | .80 | .76 | *Value Line* | | Relative P/E Ratio | .95 |
| 6.8% | 6.1% | 5.7% | 7.7% | 8.0% | 7.1% | 7.8% | 5.5% | 3.7% | 3.6% | 2.4% | 4.2% | 4.0% | 3.5% | 3.3% | 3.4% | *estimates* | | Avg Ann'l Div'd Yield | 3.8% |

**CAPITAL STRUCTURE as of 3/31/07**
**Total Debt $8019.0 mill. Due in 5 Yrs $2952.0 mill.**
**LT Debt $6933.0 mill. LT Interest $442.0 mill.**
Incl. 23 mill. units 7.75%, $25 liq. value; 82,000 units 8.23%, $1000 face value.
(LT interest earned: 3.4x)
**Leases, Uncapitalized** Annual rentals $49.0 mill.
**Pension Assets-12/06** $5.18 bill. **Oblig.** $5.54 bill.
**Pfd Stock** $301.0 mill. **Pfd Div'd** $18.0 mill.
505,189 shs. 3.35%-6.75%, $100 par, cumulative, callable $102.00-$110.00; 10 mill. shs. 6.25%, $100 liq. preference, redeemable after 4/6/11.
**Common Stock** 385,949,422 shs. as of 4/30/07
**MARKET CAP: $17 billion (Large Cap)**

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3049.0 | 3786.0 | 4590.0 | 5683.0 | 5725.0 | 5429.0 | 5587.0 | 5812.0 | 6219.0 | 6899.0 | 6700 | 7150 | Revenues ($mill) | 8500 |
| 348.0 | 393.0 | 332.0 | 500.0 | 576.0 | 536.0 | 667.0 | 692.0 | 739.0 | 899.0 | 960 | 945 | Net Profit ($mill) | 1485 |
| 41.5% | 40.7% | 33.5% | 36.3% | 29.7% | 25.7% | 27.1% | 22.8% | 14.0% | 23.2% | 25.0% | 35.0% | Income Tax Rate | 35.0% |
| 2.0% | 2.3% | 2.1% | 4.0% | 4.3% | 3.4% | 1.2% | .7% | 1.1% | 2.6% | 6.0% | 6.0% | AFUDC % to Net Profit | 2.0% |
| 46.1% | 59.1% | 65.7% | 65.4% | 64.8% | 66.5% | 71.1% | 61.6% | 57.5% | 55.4% | 55.0% | 52.0% | Long-Term Debt Ratio | 48.5% |
| 48.0% | 34.2% | 28.2% | 29.5% | 23.7% | 25.1% | 28.5% | 37.9% | 42.0% | 42.2% | 42.5% | 46.0% | Common Equity Ratio | 49.5% |
| 5854.0 | 5229.0 | 5716.0 | 6826.0 | 7845.0 | 8868.0 | 11455 | 11171 | 10513 | 12151 | 13000 | 13075 | Total Capital ($mill) | 14400 |
| 6820.0 | 4480.0 | 5644.0 | 5948.0 | 6135.0 | 9566.0 | 10446 | 11209 | 10916 | 12069 | 13025 | 13600 | Net Plant ($mill) | 14400 |
| 7.6% | 9.5% | 7.9% | 9.7% | 9.6% | 8.8% | 7.6% | 8.4% | 9.4% | 9.4% | 9.0% | 9.0% | Return on Total Cap'l | 12.0% |
| 11.0% | 18.4% | 16.9% | 21.2% | 20.6% | 18.1% | 20.2% | 16.1% | 16.5% | 16.6% | 16.5% | 15.0% | Return on Shr. Equity | 20.0% |
| 11.5% | 20.6% | 19.0% | 23.6% | 28.2% | 21.1% | 19.6% | 16.3% | 16.7% | 17.3% | 17.0% | 15.5% | Return on Com Equity [E] | 20.5% |
| 1.8% | 6.4% | 9.4% | 16.1% | 20.2% | 12.4% | 11.7% | 9.3% | 8.8% | 9.3% | 8.5% | 7.0% | Retained to Com Eq | 10.0% |
| 86% | 71% | 54% | 35% | 35% | 49% | 43% | 43% | 47% | 47% | 51% | 55% | All Div'ds to Net Prof | 52% |

**ELECTRIC OPERATING STATISTICS**

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| % Change Retail Sales (KWH) | +2.4 | +4.6 | -1.8 |
| 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) [F] | 7199 | 7035 | 7554 |
| Annual Load Factor (%) | NA | NA | NA |
| % Change Customers (yr-end) | +1.6 | +1.1 | +.9 |
| Fixed Charge Cov. (%) | 264 | 259 | 300 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '04-'06 to '10-'12 |
|---|---|---|---|
| Revenues | 6.5% | -2.0% | 5.5% |
| "Cash Flow" | 7.0% | 4.5% | 9.5% |
| Earnings | 8.0% | 6.5% | 11.0% |
| Dividends | 1.5% | 13.0% | 13.0% |
| Book Value | 4.0% | 14.0% | 8.0% |

| Cal-endar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | 1520 | 1362 | 1465 | 1465 | 5812.0 |
| 2005 | 1600 | 1478 | 1643 | 1498 | 6219.0 |
| 2006 | 1781 | 1642 | 1752 | 1724 | 6899.0 |
| 2007 | 1638 | 1500 | 1800 | 1762 | 6700 |
| 2008 | 1800 | 1700 | 1850 | 1800 | 7150 |

| Cal-endar | EARNINGS PER SHARE [A] Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | .52 | .36 | .52 | .47 | 1.87 |
| 2005 | .45 | .46 | .51 | .50 | 1.92 |
| 2006 | .73 | .52 | .58 | .46 | 2.29 |
| 2007 | .71 | .49 | .65 | .55 | 2.40 |
| 2008 | .65 | .50 | .65 | .55 | 2.35 |

| Cal-endar | QUARTERLY DIVIDENDS PAID [B] ■ Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2003 | .18 | .193 | .193 | .193 | .76 |
| 2004 | .193 | .205 | .205 | .205 | .81 |
| 2005 | .205 | .23 | .23 | .25 | .92 |
| 2006 | .25 | .275 | .275 | .275 | 1.08 |
| 2007 | .275 | .305 | | | |

**BUSINESS:** PPL Corporation (formerly PP&L Resources, Inc.) is a holding company for PPL Utilities (formerly Pennsylvania Power & Light Company), which distributes electricity to about 1.4 million customers in a 10,000-square-mile area in eastern & central Pennsylvania. Distributes gas to 110,000 customers. Also has subs in power generation & marketing, foreign electricity distribution in U.K. (2.6 million customers) and Latin America (1.1 million customers). Electric revenue breakdown & generating sources not provided. Fuel costs: 32% of revenues. '06 deprec. rate: 3.8%. Has 12,600 employees. Chairman, President & CEO: James H. Miller. Inc.: Pennsylvania. Address: Two North Ninth St., Allentown, PA 18101-1179. Tel.: 800-345-3085. Internet: www.pplweb.com.

**PPL's distribution subsidiary has filed a rate case.** PPL Utilities is seeking a rate hike of $83.6 million (2.7%) based on a return of 11.5% on a common-equity ratio of 43.1%. The utility clearly has a need for rate relief. Due to higher expenses, it earned an ROE of just 7.32% in 2006. An order is due in time for new tariffs to take effect at the start of 2008.

**PPL plans to sell its three utilities in Latin America.** These operations generate only around 5% of corporate profits, so the company decided not to put any more capital there. It has agreed to sell its utilities in Bolivia and El Salvador and expects to reach a deal for the one in Chile by yearend. PPL plans to redeploy the proceeds in its domestic businesses, or use them to retire debt or repurchase common stock. We think these sales will be neutral to ongoing earnings but should produce a net one-time gain, which we will *exclude* from our presentation.

**We expect higher earnings in 2007, but lower earnings in 2008.** This year, PPL's energy supply business should benefit from higher margins. Our estimate is at the upper end of the company's targeted range of $2.30-$2.40 a share. But our estimate in 2007 includes $0.10 a share of income from the company's synthetic fuel investments. These profits will cease at yearend, so their absence in 2008 will hurt the year-to-year earnings comparison. Even so, we expect another sizable dividend increase, albeit smaller than the one the board declared in February.

**We project much higher earnings by early next decade.** The biggest increase should occur in 2010, when the power that PPL's supply business sells to customers in Pennsylvania (which is now sold under a contract that runs through the end of 2009) will be sold at market-based prices. With forward prices for 2010 well above the contract prices, PPL's earning power should rise sharply. The company's long-term earnings target of $3.50 in 2010 looks increasingly attainable. But with the stock having risen over 20% since our last report, three months ago, this issue's yield is below average for a utility. Total-return potential through 2010-2012 is above the utility average, thanks to PPL's good earnings- and dividend-growth prospects.

*Paul E. Debbas, CFA* *June 1, 2007*

(A) Diluted EPS. Excl. nonrec. gains (losses): '97, (9¢); '98, ($2.85); '99, 41¢; '00, 8¢; '01, ($1.18) net; '02, (89¢); '03, 24¢; '04, 3¢; '05, (2¢); '07, (12¢); losses on disc. ops.: '03, 6¢; '04, 1¢; '05, 12¢; '07, 6¢. Next earnings report due early Aug. (B) Div'ds historically paid in early Jan., Apr., July, and Oct. ■ Div'd reinvest. plan avail. (C) Incl. intang. In '06: $6.25/sh. (D) In mill., adj. for split. (E) Rate base: Fair value. Rate allowed on com. eq. in '05: 10.7%; earned on avg. com. eq., '06: 17.8%. Regulatory Climate: Average. (F) Summer peak in '06.

| | |
|---|---|
| Company's Financial Strength | B++ |
| Stock's Price Stability | 90 |
| Price Growth Persistence | 95 |
| Earnings Predictability | 75 |

# PROGRESS ENERGY NYSE-PGN

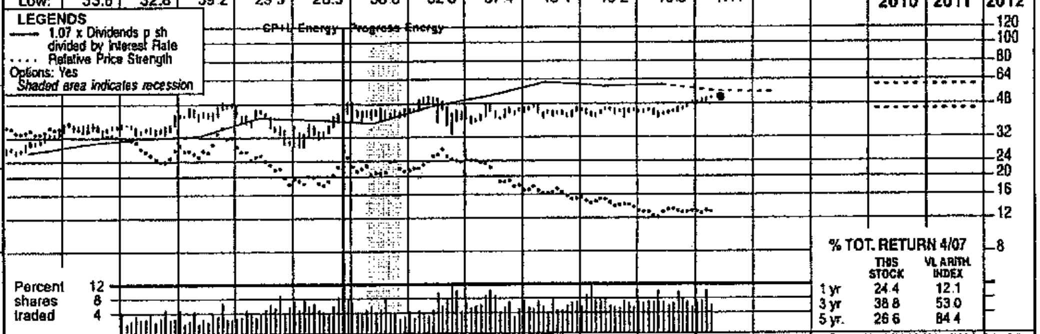
RECENT PRICE 51.94 | P/E RATIO 18.6 (Trailing: 22.4 Median: 14.0) | RELATIVE P/E RATIO 0.97 | DIV'D YLD 4.7% | VALUE LINE

TIMELINESS 2 Raised 5/18/07
SAFETY 2 Lowered 6/7/02
TECHNICAL 3 Lowered 12/29/06
BETA .95 (1.00 = Market)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 38 8 | 42 7 | 49 6 | 47 9 | 49 4 | 49 3 | 52.7 | 48 0 | 47 9 | 46 0 | 49 6 | 52 8 |
| Low: | 33.8 | 32.8 | 39 2 | 29 3 | 28.3 | 38 8 | 32 8 | 37 4 | 40 1 | 40 2 | 40.3 | 47.1 |

Target Price Range 2010 | 2011 | 2012

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




**2010-12 PROJECTIONS**

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 60 | (+15%) | 8% |
| Low | 45 | (-15%) | 2% |

**Insider Decisions**

| | J | A | S | O | N | D | J | F | M |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Options | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 2 | 4 |
| to Sell | 0 | 0 | 0 | 2 | 0 | 2 | 1 | 2 | 10 |

**Institutional Decisions**

| | 2Q2006 | 3Q2006 | 4Q2006 |
|---|---|---|---|
| to Buy | 170 | 168 | 217 |
| to Sell | 182 | 159 | 164 |
| Hld's(000) | 160316 | 157870 | 158683 |

Percent shares traded 12 8 4

% TOT. RETURN 4/07

| | THIS STOCK | VL ARITH. INDEX |
|---|---|---|
| 1 yr | 24.4 | 12.1 |
| 3 yr | 38 8 | 53 0 |
| 5 yr. | 26 6 | 84 4 |

Progress Energy was formed on November 30, 2000 through the merger of CP&L Energy and Florida Progress. Florida Progress common shareholders exchanged each share held for $54 in cash and/or CP&L common stock. They also received one Contingent Value Obligation for each share of Florida Progress stock, entitling them to payments in the event that four synthetic fuel plants achieve certain economic levels from 2001 to 2007. Data prior to merger are for CP&L only and are not comparable with Progress Energy data.

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | © VALUE LINE PUB., INC. | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 19.98 | 20.68 | 21.04 | 19.99 | 38.69 | 34 18 | 35.54 | 39 56 | 40 11 | 37.38 | *38.10* | *38.80* | Revenues per sh | *40.80* |
| 6.26 | 6 44 | 6 06 | 5.37 | 8 14 | 7 02 | 7.54 | 7 40 | 6.53 | 5.93 | *6.90* | *7.25* | "Cash Flow" per sh | *8.30* |
| 2.66 | 2 75 | 2 55 | 2 34 | 3 43 | 3 84 | 3 41 | 3 10 | 2 94 | 2.05 | *2.80* | *2.90* | Earnings per sh A | *3.20* |
| 1.90 | 1.96 | 2.02 | 2.08 | 2.14 | 2.18 | 2.26 | 2.32 | 2.38 | 2.42 | *2.44* | *2.46* | Div'd Decl'd per sh B†■ | *2.52* |
| 2 57 | 2 80 | 4 32 | 4 61 | 5 56 | 5.05 | 4.14 | 4 04 | 4 29 | 5.56 | *9.35* | *9.60* | Cap'l Spending per sh | *7.35* |
| 18.63 | 19.49 | 21.38 | 26.32 | 27.45 | 28.73 | 30.26 | 30.90 | 31.90 | 32.37 | *32.40* | *32.85* | Book Value per sh C | *34.70* |
| 151.34 | 151.34 | 159.60 | 206.09 | 218.73 | 232.43 | 246.00 | 247.00 | 252.00 | 256.00 | *260.00* | *263.00* | Common Shs Outst'g E | *272.00* |
| 13 6 | 15.9 | 15 2 | 15 3 | 12 4 | 11.9 | 12 4 | 14 1 | 14 8 | 21.62 | *Bold figures are Value Line estimates* | | Avg Ann'l P/E Ratio | *16.0* |
| .78 | 83 | 87 | 99 | 64 | 65 | 71 | 74 | .79 | 1 17 | | | Relative P/E Ratio | *1.05* |
| 5.3% | 4 5% | 5.2% | 5.8% | 5.0% | 4 8% | 5.3% | 5.3% | 5.5% | 5.5% | | | Avg Ann'l Div'd Yield | *4.9%* |
| 3024.1 | 3130 1 | 3357 6 | 4118 9 | 8461 5 | 7945 0 | 8743 0 | 9772 0 | 10108 | 9570.00 | *9910* | *10200* | Revenues ($mill) | *11100* |
| 388.3 | 399.2 | 382.3 | 369.9 | 695.1 | 815.2 | 818.1 | 763.5 | 727.0 | 514.0 | *725* | *760* | Net Profit ($mill) | *865* |
| 37.6% | 39.2% | 40.3% | 35.4% | -- | -- | -- | 13.1% | 13.1% | 28.4% | *28.0%* | *28.0%* | Income Tax Rate | *28.0%* |
| 1.3% | 1.7% | 3.0% | 5.6% | 2.6% | 1.0% | 3.4% | .8% | 1.8% | 1.4% | *2.0%* | *2.0%* | AFUDC % to Net Profit | *2.0%* |
| 45 6% | 46 5% | 46.6% | 51 6% | 60 9% | 59 0% | 56 1% | 55 2% | 56 2% | 51.3% | *51.0%* | *51.0%* | Long-Term Debt Ratio | *49.5%* |
| 53.2% | 52.4% | 52.5% | 47.6% | 38.5% | 40.4% | 43.4% | 44.3% | 43.3% | 48.1% | *48.5%* | *48.5%* | Common Equity Ratio | *50.0%* |
| 5293 8 | 5623.1 | 6500 6 | 11407 | 15580 | 16517 | 17162 | 17247 | 18577 | 17214 | *17455* | *17770* | Total Capital ($mill) | *18860* |
| 6293.5 | 6299.5 | 6764.8 | 10437 | 10915 | 10656 | 14434 | 14363 | 14442 | 15245 | *16605* | *17975* | Net Plant ($mill) | *20395* |
| 8 9% | 8 6% | 7.3% | 4 3% | 6.4% | 6 8% | 6.5% | 6 2% | 5.6% | 4.8% | *6.0%* | *6.0%* | Return on Total Cap'l | *6.5%* |
| 13.5% | 13 3% | 11 0% | 6.7% | 11.4% | 12 0% | 10 9% | 9.9% | 8.9% | 6.1% | *8.5%* | *8.5%* | Return on Shr. Equity | *9.0%* |
| 13.6% | 13.4% | 11.1% | 6.7% | 11.5% | 12.1% | 10.9% | 9.9% | 9.0% | 6.1% | *8.5%* | *9.0%* | Return on Com Equity D | *9.0%* |
| 3.9% | 4 0% | 2 5% | NMF | 4 3% | 5.0% | 3 7% | 2.6% | 1.7% | NMF | *1.0%* | *1.5%* | Retained to Com Eq | *2.0%* |
| 72% | 71% | 78% | 101% | 63% | 59% | 67% | 74% | 81% | 119% | *87%* | *85%* | All Div'ds to Net Prof | *79%* |

**CAPITAL STRUCTURE as of 3/31/07**
Total Debt $9187 mill. Due in 5 Yrs $3087 mill.
LT Debt $8763 mill. LT Interest $605 mill.
(LT interest earned: 2.4x)
Pension Assets-12/06 $1.84 bill Oblig. $2 12 bill.
Pfd Stock $92.8 mill. Pfd Div'd $4.5 mill.
921,814 shs. $4.00 to $5.44 cum. no par. callable from $101 to $110 per sh. Sinking funds began in 1984 and 1986, respectively
Common Stock 257,861,484 shs. as of 4/30/07
MARKET CAP: $13.4 billion (Large Cap)

**ELECTRIC OPERATING STATISTICS**

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| % Change Retail Sales (KWH) | +.5 | 1.4 | -2.3 |
| Avg Indust. Use (MWH) | 2394 | 2399 | 2328 |
| Avg Indust. Revs. per KWH (¢) | 4.84 | 5.74 | 6.38 |
| Capacity at Peak (Mw) | 23878 | 24500 | 21322 |
| Peak Load, Summer (Mw) | 19711 | 21983 | 21717 |
| Annual Load Factor (%) | 61.3 | 55.0 | NA |
| % Change Customers (yr-end) | +2.2 | +3.1 | +2.0 |
| Fixed Charge Cov. (%) | 227 | 198 | 204 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '04-'06 to '10-'12 |
|---|---|---|---|
| Revenues | 7.5% | 8.0% | 1.0% |
| "Cash Flow" | 2.5% | .5% | 4.0% |
| Earnings | 1.0% | -.5% | 3.0% |
| Dividends | 3.0% | 2.5% | 1.0% |
| Book Value | 6.5% | 5.0% | 1.5% |

| Calendar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | 2245 | 2408 | 2761 | 2358 | 9772 |
| 2005 | 2168 | 2295 | 3067 | 2578 | 10108 |
| 2006 | 2223 | 2298 | 2776 | 2273 | 9570 |
| 2007 | 2334 | *2375* | *2850* | *2351* | *9910* |
| 2008 | *2400* | *2450* | *2925* | *2425* | *10200* |

| Calendar | EARNINGS PER SHARE A Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | .45 | .63 | 1.24 | .78 | 3.10 |
| 2005 | .43 | .03 | 1.85 | .64 | 2.94 |
| 2006 | .34 | .08 | 1.12 | .51 | 2.05 |
| 2007 | .61 | *.35* | *1.20* | *.64* | *2.80* |
| 2008 | *.60* | *.40* | *1.25* | *.65* | *2.90* |

| Calendar | QUARTERLY DIVIDENDS PAID B■† Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2003 | .56 | .56 | .56 | .56 | 2.24 |
| 2004 | .575 | .575 | .575 | .575 | 2.30 |
| 2005 | .59 | .59 | .59 | .59 | 2.36 |
| 2006 | .605 | .605 | .605 | .605 | 2.42 |
| 2007 | .61 | .61 | | | |

BUSINESS: Progress Energy, parent of CP&L Energy and Florida Progress, supplies electricity to portions of North Carolina, South Carolina, and Florida. Other operations include synthetic fuels, coal mining, wholesale generation, and financial services. Electric revenues: residential, 37%; commercial, 25%; industrial, 18%; other, 20%. Power costs: 43% of revs; labor costs: 14%. Fuel sources: gas/oil/coal, 50%; nuclear, 43%; hydro, 1%; purch power, 6%. Has 11,600 employees. '06 depreciation rate: 2.7%. Est'd plant age: 8 years. Chairman & CEO: Robert B. McGehee. President: William Johnson. Incorp.: North Carolina. Address: 411 Fayetteville Street, Raleigh, North Carolina 27602. Telep.: 1-800-662-7232. Internet: www.progress-energy.com.

**Progress Energy is adding generation in Florida to serve rising demand.** The company already has three 500-megawatt (mw) natural gas-fueled plants operating at the Hines site. Construction of a fourth unit is well under way, with completion expected in December at a cost of $285 million. An agreement with regulators will place the facility in the rate base when operation begins. Progress also plans a major renovation at the Bartow station. Three plants will be converted from burning heavy oil to burning natural gas, and their combined output will be increased by 600 mw. The first two units are scheduled to go on line in 2009, the third in 2010. To improve power reliability, the underground electric transmission line from the site to a nearby substation will be upgraded. The total cost of the project is estimated at $435 million.

**The company is selling all enterprises unrelated to basic operations.** A large portion of these assets was sold in 2005 and 2006. Those remaining include four gas-fired plants with a combined capacity of 1,855 mw and river terminals needed to support the synthetic fuel business, which will cease operating at yearend. Proceeds from these sales and from those of prior years will help provide funds to cover over $2 billion in long-term debt that matures between now and 2011, and $300 million in quarterly income preferred securities. They will also make capital available for utility upgrades and new plants.

**Earnings are on an upward path.** The replacement of 2.7 million residential meters with those equipped with automated technology will reduce yearly payroll by $21 million. PGN will also benefit from lower interest expense and a likely 2% rise in retail energy sales. Despite an expected increase in plant outages, we estimate 2007 earnings will rise 35%, to $2.80 a share. As the company exits its nonutility operations, profit growth to 2010-2012 will be steady but slower. The stock is timely.

**The above-average yield might interest income-oriented investors.** But the loss of income from the phaseout of synthetic fuel tax credits indicates lower dividend growth. On balance, we rate the stock an average utility selection.

*Arthur H. Medalie* *June 1, 2007*

(A) EPS diluted. Next egs. report due late July. Excl. nonrecur.: '00, 69¢; '01, (75¢); '02, ($1.32); '03, (3¢); '05, (39¢); '06, 23¢.
(B) Div'ds historically paid in early Feb., May, Aug., and Nov. ■ Div'd reinvest. plan avail. † Shareholder Invest. plan avail. (C) Incl. def. charges in '06: $26.84/sh. (D) Rate base: orig. cost. Rate allowed on common equity. In '88 in N.C.: 12.75%; in '88 in S.C.: 12.75%; in '02 in Fla.: rev. sharing incentive plan; earn. on '06 avg. com. eq.: 6.3%. Regul. Clim.: Avg. (E) In millions.

| | |
|---|---|
| Company's Financial Strength | B++ |
| Stock's Price Stability | 90 |
| Price Growth Persistence | 5 |
| Earnings Predictability | 70 |

# SCANA CORP. NYSE-SCG

RECENT PRICE 44.14 | P/E RATIO 16.3 (Trailing: 17.5 Median: 14.0) | RELATIVE P/E RATIO 0.85 | DIV'D YLD 4.1% | VALUE LINE

TIMELINESS 5 Lowered 5/11/07
SAFETY 2 Lowered 9/10/99
TECHNICAL 3 Raised 4/13/07
BETA .85 (1.00 = Market)

**2010-12 PROJECTIONS**

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 50 | (+15%) | 7% |
| Low | 40 | (-10%) | 2% |

**Insider Decisions**

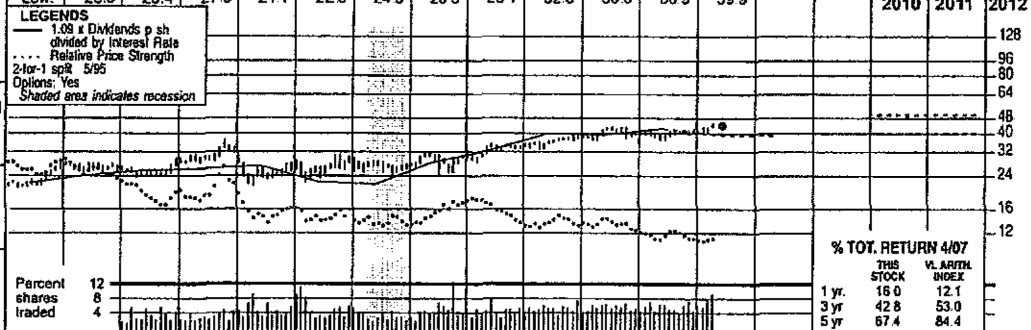
| | J | A | S | O | N | D | J | F | M |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 2 | 0 |
| to Sell | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 2 | 0 |

**Institutional Decisions**

| | 2Q2006 | 3Q2006 | 4Q2006 |
|---|---|---|---|
| to Buy | 123 | 118 | 135 |
| to Sell | 108 | 106 | 107 |
| Hld's(000) | 45587 | 46047 | 48538 |

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 28.6 | 29.9 | 37.3 | 32.6 | 31.1 | 30.0 | 32.1 | 35.7 | 39.7 | 43.7 | 42.4 | 45.5 |
| Low: | 25.3 | 23.4 | 27.9 | 21.1 | 22.0 | 24.3 | 23.5 | 28.1 | 32.8 | 36.6 | 36.9 | 39.9 |

Target Price Range 2010 | 2011 | 2012




**% TOT. RETURN 4/07**

| | THIS STOCK | VL ARITH. INDEX |
|---|---|---|
| 1 yr. | 16.0 | 12.1 |
| 3 yr. | 42.8 | 53.0 |
| 5 yr. | 67.4 | 84.4 |

| 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | © VALUE LINE PUB., INC. | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 14.07 | 12.96 | 13.56 | 13.77 | 13.06 | 14.25 | 14.19 | 15.76 | 15.93 | 32.78 | 32.95 | 26.65 | 30.85 | 34.38 | 41.54 | 39.00 | *39.30* | *41.90* | Revenues per sh | *49.25* |
| 3.10 | 2.78 | 3.50 | 3.77 | 3.68 | 3.75 | 3.53 | 3.62 | 3.15 | 4.43 | 4.55 | 4.56 | 4.95 | 5.26 | 7.41 | 5.67 | *5.80* | *6.05* | "Cash Flow" per sh | *7.00* |
| 1.69 | 1.42 | 1.86 | 1.60 | 1.86 | 2.05 | 1.90 | 2.12 | 1.44 | 2.12 | 2.15 | 2.38 | 2.50 | 2.67 | 2.78 | 2.59 | *2.70* | *2.90* | Earnings per sh [A] | *3.25* |
| 1.31 | 1.34 | 1.37 | 1.41 | 1.44 | 1.47 | 1.51 | 1.54 | 1.32 | 1.15 | 1.20 | 1.30 | 1.38 | 1.46 | 1.56 | 1.68 | *1.76* | *1.82* | Div'd Decl'd per sh [B] ■ † | *2.00* |
| 2.93 | 3.16 | 3.46 | 4.21 | 3.09 | 2.34 | 2.45 | 2.87 | 2.37 | 3.28 | 4.99 | 6.41 | 6.94 | 4.84 | 3.37 | 4.50 | *6.40* | *7.45* | Cap'l Spending per sh | *5.25* |
| 12.62 | 13.23 | 14.30 | 14.69 | 15.00 | 15.86 | 16.66 | 16.86 | 20.27 | 19.40 | 20.95 | 19.64 | 20.82 | 21.69 | 23.28 | 24.32 | *25.30* | *26.35* | Book Value per sh [C] | *30.00* |
| 81.57 | 87.82 | 93.24 | 96.04 | 103.62 | 106.18 | 107.32 | 103.57 | 103.57 | 104.73 | 104.73 | 110.83 | 110.74 | 113.00 | 115.00 | 117.00 | *117.00* | *117.00* | Common Shs Outst'g [D] | *117.00* |
| 11.3 | 14.5 | 12.8 | 14.0 | 12.3 | 13.1 | 13.4 | 14.5 | 17.5 | 12.5 | 12.6 | 12.2 | 13.0 | 13.6 | 14.4 | 15.4 | *Bold figures are* | | Avg Ann'l P/E Ratio | *13.5* |
| .72 | .88 | .76 | .92 | .82 | .82 | .77 | .75 | 1.00 | .81 | .65 | .67 | .74 | .72 | .77 | .83 | *Value Line* | | Relative P/E Ratio | *.90* |
| 6.9% | 6.5% | 5.8% | 6.3% | 6.3% | 5.5% | 5.9% | 5.0% | 5.2% | 4.3% | 4.4% | 4.5% | 4.2% | 4.0% | 3.9% | 4.2% | *estimates* | | Avg Ann'l Div'd Yield | *4.5%* |

**CAPITAL STRUCTURE as of 12/31/06**
Total Debt $3597.0 mill. Due in 5 Yrs $1551.0 mill.
LT Debt $3067.0 mill. LT Interest $183.0 mill.
(LT interest earned: 2.9x)
Leases, Uncapitalized Annual rentals $30.0 mill.
Pension Assets-12/06 $912.5 mill. Oblig. $713.0 mill.
Pfd Stock $114.0 mill. Pfd Div'd $6.0 mill.
125,209 shs. 5% cum., $50 par., callable $52.50; 220,287 shs. 4.50% to 6.00% cum., $50 par, callable $50.50 to $51.00; 1,000,000 shs 6.52% cum., $100 par, callable $100.00.
Common Stock 116,664,933 shs. as of 2/20/07
MARKET CAP: $5.1 billion (Large Cap)

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1523.0 | 1632.0 | 1650.0 | 3433.0 | 3451.0 | 2954.0 | 3416.0 | 3885.0 | 4777.0 | 4563.0 | *4600* | *4900* | Revenues ($mill) | *5750* |
| 213.0 | 235.0 | 160.0 | 228.0 | 231.0 | 259.0 | 285.0 | 305.0 | 323.0 | 306.0 | *325* | *345* | Net Profit ($mill) | *390* |
| 32.8% | 35.8% | 41.0% | 38.2% | 34.9% | 32.2% | 31.5% | 32.5% | 32.5% | 26.5% | *33.5%* | *35.0%* | Income Tax Rate | *35.0%* |
| 6.1% | 6.8% | 4.4% | 3.8% | 11.3% | 13.5% | 10.5% | 8.5% | .9% | 2.6% | *7.0%* | *9.0%* | AFUDC % to Net Profit | *3.0%* |
| 44.5% | 45.9% | 40.8% | 57.4% | 53.9% | 55.7% | 57.1% | 55.4% | 51.4% | 50.9% | *50.0%* | *51.5%* | Long-Term Debt Ratio | *49.5%* |
| 50.8% | 49.4% | 54.8% | 40.3% | 43.8% | 42.1% | 40.8% | 42.6% | 46.6% | 47.2% | *48.0%* | *47.0%* | Common Equity Ratio | *49.0%* |
| 3522.0 | 3536.0 | 3829.0 | 5048.0 | 5006.0 | 5176.0 | 5646.0 | 5752.0 | 5739.0 | 6027.0 | *6140* | *6565* | Total Capital ($mill) | *7175* |
| 3648.0 | 3764.0 | 3829.0 | 4475.0 | 4803.0 | 5474.0 | 6417.0 | 6762.0 | 6734.0 | 7007.0 | *7395* | *7900* | Net Plant ($mill) | *8650* |
| 7.7% | 8.4% | 5.9% | 6.8% | 6.9% | 7.0% | 6.9% | 7.1% | 7.4% | 6.8% | *7.0%* | *7.0%* | Return on Total Cap'l | *7.0%* |
| 10.9% | 12.3% | 7.1% | 10.6% | 10.0% | 11.3% | 11.8% | 11.9% | 11.6% | 10.3% | *10.5%* | *11.0%* | Return on Shr. Equity | *11.0%* |
| 11.4% | 12.8% | 7.1% | 10.9% | 10.2% | 11.6% | 12.1% | 12.2% | 11.8% | 10.5% | *10.5%* | *11.0%* | Return on Com Equity [E] | *11.0%* |
| 2.4% | 3.4% | .0% | 4.8% | 4.6% | 5.5% | 5.5% | 5.6% | 5.3% | 3.8% | *4.0%* | *4.0%* | Retained to Com Eq | *4.5%* |
| 80% | 74% | 99% | 57% | 56% | 54% | 55% | 55% | 56% | 65% | *66%* | *63%* | All Div'ds to Net Prof | *62%* |

**ELECTRIC OPERATING STATISTICS**

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| % Change Retail Sales (KWH) | +4.9 | +.9 | -1.4 |
| Avg. Indust. Use (MWH) | NA | 13249 | 12005 |
| Avg. Indust. Revs. per KWH (¢) | 4.32 | 4.82 | 5.16 |
| Capacity at Yearend (Mw) | 5776 | 5776 | 5749 |
| Peak Load, Summer (Mw) | 4574 | 4820 | 4747 |
| Annual Load Factor (%) | 60.2 | 57.3 | 57.5 |
| % Change Customers (yr-end) | +2.5 | +3.1 | +2.2 |
| Fixed Charge Cov. (%) | 264 | 190 | 261 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '04-'06 to '10-'12 |
|---|---|---|---|
| Revenues | 11.0% | 7.0% | 4.5% |
| "Cash Flow" | 5.0% | 8.5% | 2.5% |
| Earnings | 4.0% | 7.0% | 3.5% |
| Dividends | 1.0% | 5.0% | 4.0% |
| Book Value | 4.5% | 2.5% | 4.5% |

| Calendar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | 1136 | 846.0 | 857.0 | 1046 | 3885.0 |
| 2005 | 1266 | 891.0 | 1127 | 1493 | 4777.0 |
| 2006 | 1389 | 944.0 | 1062 | 1168 | 4563.0 |
| 2007 | 1363 | 937 | *1100* | *1200* | *4600* |
| 2008 | *1450* | *1000* | *1175* | *1275* | *4900* |

| Calendar | EARNINGS PER SHARE [A] Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | .91 | .54 | .71 | .51 | 2.67 |
| 2005 | .89 | .36 | .88 | .65 | 2.78 |
| 2006 | .80 | .46 | .76 | .57 | 2.59 |
| 2007 | .73 | *.50* | *.82* | *.65* | *2.70* |
| 2008 | *.90* | *.48* | *.85* | *.67* | *2.90* |

| Calendar | QUARTERLY DIVIDENDS PAID [B] ■ † Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2003 | .325 | .345 | .345 | .345 | 1.36 |
| 2004 | .345 | .365 | .365 | .365 | 1.44 |
| 2005 | .365 | .39 | .39 | .39 | 1.54 |
| 2006 | .39 | .42 | .42 | .42 | 1.65 |
| 2007 | .42 | .44 | | | |

**BUSINESS:** SCANA Corporation is a holding company for South Carolina Electric & Gas Company, which supplies electricity to 630,000 customers in South Carolina. Supplies gas and transmission service to 1.2 million customers in North and South Carolina and Georgia. Owns gas pipelines. Acquired PSNC Energy 2/00. Electric revenue breakdown, '06: residential, 40%; commercial, 31%; industrial, 17%; other, 12%. Generating sources, '06: coal, 66%; nuclear, 19%; oil & gas, 9%; hydro, 4%; purchased, 2%. Fuel costs: 63% of revenues. '06 reported deprec. rate: 3.2%. Has 5,700 employees. Chairman, President & CEO: William B. Timmerman. Incorporated: South Carolina. Address: 1426 Main St., Columbia, SC 29201-2845. Tel.: 803-217-9000. Internet: www.scana.com.

**SCANA's utility subsidiary in South Carolina, South Carolina Electric & Gas, plans to file an electric rate case this summer.** A decision would probably take effect in early 2008. SCE&G expects to request a tariff hike of around 5%. The utility clearly has a need for rate relief. Due in part to rising expenses, its electric operations earned a return on equity of just 9.03% in 2006, compared with an allowed ROE of 10.7%. In recent years, SCANA's utilities have been able to reach settlements on their regulatory matters, so a settlement here wouldn't be a surprise.

**We have cut our 2007 share-earnings estimate by a nickel, to $2.70.** That's the low end of SCANA's targeted range of $2.70-$2.85. Mild winter weather hurt first-quarter results. Assuming normal weather patterns over the remainder of the year, earnings comparisons should be favorable because the summer of 2006 was milder than usual. Also, a settlement with the Federal Energy Regulatory Commission reduced share net by $0.08 last year. We expect improved earnings in 2008, assuming normal weather conditions in the first quarter and rate relief at SCE&G.

**SCE&G will need additional generating capacity in the coming years.** The utility will probably need 150 megawatts of peaking capacity by 2009; it is still deciding whether building a unit or buying power would be preferable. SCE&G projects that it will require 500 mw of baseload generation by 2015. South Carolina just enacted a law that should facilitate the addition of coal-fired or nuclear capacity. SCE&G plans to request a license for two units with the NRC in late 2007, with a decision due by early 2010.

**The capital budget is rising.** The utility's three-year budget includes $152 million for the license request with the NRC and $459 million of environmental spending. SCANA expects to meet its financing needs without additional equity. Current plans call for the use of commercial paper this year and a total of $500 million of long-term debt in 2008 and 2009.

**This untimely stock offers a yield that is above average for a utility.** Steady earnings and dividend growth through 2010-2012 should produce a total return that is slightly above the utility norm.

*Paul E. Debbas, CFA* *June 1, 2007*

(A) Excl. nonrec. gains (losses): '95, (16¢); '97, 16¢; '99, 29¢; '00, 28¢; '01, $3.00; '02, ($3.72); '03, 31¢; '04, (23¢); '05, 3¢; '06, 9¢. Next earnings report due late July. (B) Div'ds historically paid in early Jan., Apr., July, and Oct. ■ Div'd reinvestment plan avail. † Shareholder investment plan avail. (C) Incl. intang. In '06: $9.90/sh. (D) In mill., adj. for split. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '05 in SC: 10.7% electric, 10.25% gas; in '06 in NC: none specified; earned on avg. com. eq., '06: 10.9%. Regulatory Climate: Average.

| | |
|---|---|
| Company's Financial Strength | A |
| Stock's Price Stability | 100 |
| Price Growth Persistence | 65 |
| Earnings Predictability | 95 |

# VECTREN CORP. NYSE-VVC

RECENT PRICE 27.55 | P/E RATIO 15.3 (Trailing: 17.7 Median: NMF) | RELATIVE P/E RATIO 0.79 | DIV'D YLD 4.6% | VALUE LINE

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|
| High: | | 26.5 | 24.4 | 26.1 | 26.1 | 27.1 | 29.5 | 29.3 | 30.1 |
| Low: | | 15.8 | 19.8 | 18.0 | 19.7 | 22.9 | 25.0 | 25.2 | 27.2 |

TIMELINESS 3 Raised 5/4/07

SAFETY 2 Lowered 1/5/01

TECHNICAL 3 Raised 6/15/07

BETA .95 (1.00 = Market)

**2010-12 PROJECTIONS**

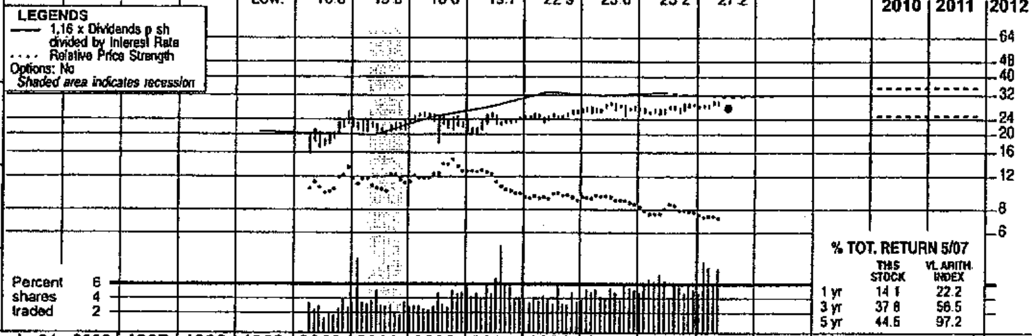
| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 35 | (+25%) | 10% |
| Low | 25 | (-10%) | 2% |

**Insider Decisions**

| | A | S | O | N | D | J | F | M | A |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| Options | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| to Sell | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**Institutional Decisions**

| | 3Q2006 | 4Q2006 | 1Q2007 |
|---|---|---|---|
| to Buy | 81 | 84 | 106 |
| to Sell | 71 | 72 | 55 |
| Hld's(000) | 33878 | 35321 | 40427 |




**% TOT. RETURN 5/07**

| | THIS STOCK | VL ARITH. INDEX |
|---|---|---|
| 1 yr | 14.1 | 22.2 |
| 3 yr | 37.8 | 56.5 |
| 5 yr | 44.6 | 97.2 |

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. Data prior to the merger are pro forma.

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | © VALUE LINE PUB., INC. | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| -- | -- | 16.88 | 26.84 | 32.05 | 26.53 | 21.00 | 22.26 | 26.62 | 26.83 | *28.85* | *30.75* | Revenues per sh | *36.50* |
| -- | -- | 2.87 | 2.88 | 2.89 | 3.43 | 3.17 | 3.27 | 3.87 | 3.69 | *4.10* | *4.40* | "Cash Flow" per sh | *5.10* |
| -- | -- | 1.48 | 1.17 | 1.08 | 1.68 | 1.56 | 1.42 | 1.81 | 1.44 | *1.80* | *1.90* | Earnings per sh A | *2.00* |
| -- | -- | .95 | .98 | 1.03 | 1.07 | 1.11 | 1.15 | 1.19 | 1.23 | *1.27* | *1.31* | Div'd Decl'd per sh B■† | *1.43* |
| -- | -- | -- | 2.67 | 3.48 | 3.22 | 3.12 | 3.66 | 3.04 | 3.70 | *4.40* | *5.35* | Cap'l Spending per sh | *3.30* |
| -- | -- | 11.55 | 11.91 | 12.53 | 12.79 | 14.18 | 14.42 | 15.01 | 15.43 | *16.75* | *17.40* | Book Value per sh C | *19.25* |
| -- | -- | 61.47 | 61.42 | 67.70 | 68.01 | 75.60 | 75.90 | 76.19 | 76.10 | *80.80* | *81.00* | Common Shs Outst'g D | *81.60* |
| -- | -- | -- | 17.4 | 20.3 | 14.2 | 14.8 | 17.6 | 15.1 | 18.9 | *Bold figures are* | | Avg Ann'l P/E Ratio | *14.5* |
| -- | -- | -- | 1.13 | 1.04 | .78 | .84 | .93 | .80 | 1.02 | *Value Line* | | Relative P/E Ratio | *.95* |
| -- | -- | -- | 4.8% | 4.7% | 4.5% | 4.8% | 4.6% | 4.4% | 4.5% | *estimates* | | Avg Ann'l Div'd Yield | *4.9%* |
| -- | -- | 1037.4 | 1648.7 | 2170.0 | 1804.3 | 1587.6 | 1689.8 | 2028.0 | 2041.6 | *2330* | *2490* | Revenues ($mill) | *2980* |
| -- | -- | 90.8 | 72.0 | 73.1 | 114.0 | 111.2 | 108.0 | 136.8 | 108.8 | *145* | *155* | Net Profit ($mill) | *165* |
| -- | -- | 33.6% | 32.2% | 20.3% | 25.4% | 25.3% | 26.5% | 24.4% | 21.8% | *22.0%* | *22.0%* | Income Tax Rate | *22.0%* |
| -- | -- | -- | -- | 7.7% | 4.6% | 4.5% | 3.0% | 1.4% | 3.8% | *4.0%* | *4.0%* | AFUDC % to Net Profit | *3.0%* |
| -- | -- | 40.0% | 45.8% | 54.4% | 52.3% | 50.0% | 48.1% | 51.2% | 50.7% | *47.0%* | *48.0%* | Long-Term Debt Ratio | *49.0%* |
| -- | -- | 58.4% | 53.0% | 45.5% | 47.7% | 50.0% | 51.8% | 48.8% | 49.3% | *53.0%* | *52.0%* | Common Equity Ratio | *51.0%* |
| -- | -- | 1215.8 | 1380.6 | 1863.1 | 1824.4 | 2144.7 | 2111.5 | 2341.3 | 2382.2 | *2560* | *2715* | Total Capital ($mill) | *3080* |
| -- | -- | 1336.3 | 1555.8 | 1595.0 | 1648.1 | 2003.7 | 2156.2 | 2251.9 | 2385.5 | *2550* | *2785* | Net Plant ($mill) | *2985* |
| -- | -- | 8.6% | 6.1% | 5.5% | 7.7% | 6.6% | 6.4% | 7.2% | 6.0% | *6.5%* | *7.0%* | Return on Total Cap'l | *7.0%* |
| -- | -- | 12.5% | 9.6% | 8.6% | 13.1% | 10.4% | 9.9% | 12.0% | 9.3% | *10.5%* | *11.0%* | Return on Shr. Equity | *10.5%* |
| -- | -- | 12.6% | 9.7% | 8.5% | 13.1% | 10.4% | 9.9% | 12.0% | 9.3% | *10.5%* | *11.0%* | Return on Com Equity E | *10.5%* |
| -- | -- | 4.8% | 1.5% | 3% | 4.8% | 3.0% | 1.9% | 4.0% | 1.3% | *1.5%* | *3.5%* | Retained to Com Eq | *3.0%* |
| -- | -- | 63% | 85% | 96% | 63% | 71% | 81% | 66% | 86% | *70%* | *69%* | All Div'ds to Net Prof | *72%* |

**CAPITAL STRUCTURE as of 3/31/07**
Total Debt $1525.0 mill. Due in 5 Yrs $638.5 mill.
LT Debt $1208.2 mill. LT Interest $68.1 mill.
(LT interest earned: 3.2x)

Pension Assets-12/06 $185.0 mill. Oblig. $255.4 mill.

Pfd Stock None

Common Stock 76,500,320 shs. as of 4/30/07
MARKET CAP: $2.1 billion (Mid Cap)

**ELECTRIC OPERATING STATISTICS**

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| % Change Retail Sales (KWH) | +1.5 | +3.5 | -3.1 |
| Avg. Indust. Use (MWH) | 23469 | 24074 | 23582 |
| Avg. Indust. Revs. per KWH (¢) | 4.24 | 4.64 | 4.99 |
| Capacity at Peak (Mw) | 1507 | 1534 | 1517 |
| Peak Load, Summer (Mw) | 1222 | 1291 | 1300 |
| Annual Load Factor (%) | 69.0 | 66.8 | 74.0 |
| % Change Customers (yr-end) | +2.6 | +.6 | +1.1 |
| Fixed Charge Cov. (%) | 262 | 256 | 226 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '04-'06 to '10-'12 |
|---|---|---|---|
| Revenues | -- | -- | 6.5% |
| "Cash Flow" | -- | 4.5% | 6.0% |
| Earnings | -- | 4.5% | 4.0% |
| Dividends | -- | 4.0% | 3.0% |
| Book Value | -- | 4.5% | 4.5% |

| Cal-endar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun. 30 | Sep. 30 | Dec. 31 | Full Year |
|---|---|---|---|---|---|
| 2004 | 645.3 | 276.7 | 254.4 | 513.4 | 1689.8 |
| 2005 | 677.2 | 326.2 | 310.8 | 713.8 | 2028.0 |
| 2006 | 774.5 | 317.5 | 340.5 | 609.1 | 2041.6 |
| 2007 | 834.0 | *355* | *380* | *761* | *2330* |
| 2008 | *870* | *395* | *420* | *805* | *2490* |

| Cal-endar | EARNINGS PER SHARE A Mar.31 | Jun. 30 | Sep. 30 | Dec. 31 | Full Year |
|---|---|---|---|---|---|
| 2004 | .72 | .04 | .13 | .53 | 1.42 |
| 2005 | .74 | .18 | .22 | .67 | 1.81 |
| 2006 | .76 | .06 | .16 | .46 | 1.44 |
| 2007 | .88 | *.10* | *.20* | *.62* | *1.80* |
| 2008 | *.90* | *.12* | *.23* | *.65* | *1.90* |

| Cal-endar | QUARTERLY DIVIDENDS PAID B■† Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2003 | .275 | .275 | .275 | .285 | 1.11 |
| 2004 | .285 | .285 | .285 | .295 | 1.15 |
| 2005 | .295 | .295 | .295 | .305 | 1.19 |
| 2006 | .305 | .305 | .305 | .315 | 1.23 |
| 2007 | .315 | .315 | | | |

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 of 1,136,000. 2006 Electric (gas) revenues: residential, 30% (67%); commercial, 24% (27%); industrial, 32% (5%); other, 14% (1%). Revenue sources: Elect., 20%; Gas, 80%. Fuel costs: elect., 37%; gas, 69%. Also provides energy-related products and services and has an investment subsidiary. Est'd plant age: electric, 10 years. '06 deprec. rate: 3.7%. Has 1,975 employees. Chairman, CEO, and Pres.: Niel C. Ellerbrook. Inc.: IN. Address: 20 Northwest 4th St., Evansville, Indiana 47741. Tel.: 812-465-5300. Internet: www.vectren.com.

**Vectren has reached an agreement on its southern Indiana rate case.** VVC had requested higher electric rates of $77 million and increased gas tariffs of $10.4 million. A settlement with intervenors would grant the company an increase of $60.8 million to cover the cost of new electric transmission investments, a return on conservation programs, and an even sharing of excess profits on wholesale power with customers. The allowed return on equity would be reduced from the current 12.25% to 10.4%. On the gas side, the increase would be $5.3 million in base rates and an additional $2.6 million through existing tracking mechanisms. The package requires approval by state regulators. Whatever amounts are awarded will take effect on August 1st. Separately, VVC recently filed in northern Indiana for $41 million in higher gas rates.

**The construction budget will be heavy through 2009.** Capital spending for the next three years will average about $390 million annually. A large portion will be allocated to compliance with U.S. Environmental Protection Agency requirements. By yearend, the company and Alcan Aluminum will have spent $330 million to reduce sulfur dioxide emissions by 98% at their jointly-owned Warrick coal-fired station. VVC's share will be $70 million. This outlay will be in addition to emission controls at other units and upgrades to the infrastructure. Since cash flow from operations won't fully cover these costs, some external financing will be needed to close the gap.

**We look for near-record earnings this year.** Wholesale margins are up substantially, and the company is recovering environmental expenditures on a timely basis. Too, VVC's coal mines are benefiting from higher prices on new contracts. All told, we estimate 2007 earnings will rise 25%, to $1.80 a share. Higher rates in northern Indiana suggest a further gain next year.

**The stock is an above-average utility investment, in our opinion.** The yield exceeds the industry norm, and a likely strong performance by the unregulated ProLiance and low-sulfur coal mine subsidiaries points to above-average dividend growth to 2010-2012. Finally, finances are strong.

*Arthur H. Medalie* *June 29, 2007*

(A) Diluted EPS. Next earnings report due late July. Excl. nonrecur. gain (losses): '00, 8¢; '01, (13¢); '03, (6¢); incl. charges for merger costs: '00, 60¢; '01, 17¢. (B) Div'ds historically paid in early March, early June, early September, and early December. ■Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. intang. in '06, $5.27/sh. (D) In millions. (E) Electric rate base determination: fair value. Rate allowed on elect. common equity in '95: 12.25%. Earned on avg. com. eq. '06: 9.4%. Regulatory Climate: Above Average.

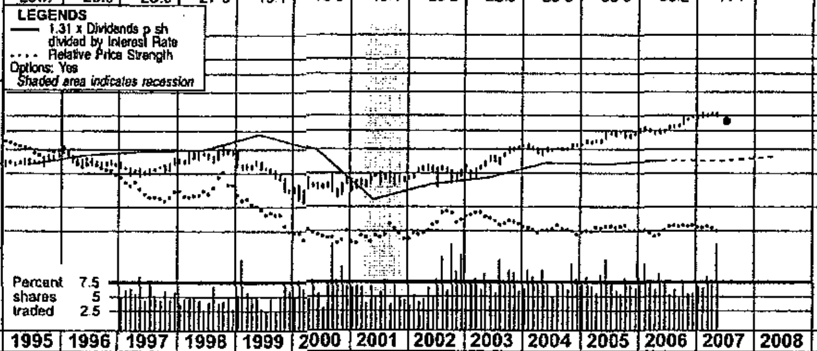
| | |
|---|---|
| Company's Financial Strength | A |
| Stock's Price Stability | 95 |
| Price Growth Persistence | 40 |
| Earnings Predictability | 70 |

# WISCONSIN ENERGY NYSE-WEC

RECENT PRICE 45.08 | P/E RATIO 17.0 (Trailing: 17.3 Median: 15.0) | RELATIVE P/E RATIO 0.88 | DIV'D YLD 2.3% | VALUE LINE

TIMELINESS 5 Lowered 6/8/07
SAFETY 2 Lowered 7/11/97
TECHNICAL 3 Raised 6/15/07
BETA .80 (1.00 = Market)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 32.0 | 29.1 | 34.0 | 31.6 | 23.6 | 24.6 | 26.5 | 33.7 | 34.6 | 40.8 | 48.7 | 50.1 |
| Low: | 26.0 | 23.0 | 27.0 | 19.1 | 16.8 | 19.1 | 20.2 | 22.6 | 29.5 | 33.3 | 38.2 | 44.7 |




Target Price Range 2010 | 2011 | 2012: 128, 96, 80, 64, 48, 40, 32, 24, 16, 12

**2010-12 PROJECTIONS**

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 55 | (+20%) | 8% |
| Low | 40 | (-10%) | Nil |

**Insider Decisions**

| | A | S | O | N | D | J | F | M | A |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| to Sell | 1 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 |

**Institutional Decisions**

| | 3Q2006 | 4Q2006 | 1Q2007 |
|---|---|---|---|
| to Buy | 107 | 131 | 124 |
| to Sell | 109 | 105 | 118 |
| Hld's(000) | 72015 | 72578 | 76687 |

**% TOT. RETURN 5/07**

| | THIS STOCK | VL ARITH. INDEX |
|---|---|---|
| 1 yr | 24.0 | 22.2 |
| 3 yr | 63.2 | 56.5 |
| 5 yr | 109.4 | 97.2 |

| 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | © VALUE LINE PUB., INC. | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 15.23 | 15.05 | 15.61 | 15.99 | 15.98 | 15.88 | 15.86 | 17.13 | 19.11 | 28.28 | 34.04 | 32.20 | 34.24 | 29.33 | 32.62 | 34.17 | 35.70 | 38.45 | Revenues per sh | 44.50 |
| 3.33 | 3.22 | 3.84 | 3.81 | 4.28 | 4.25 | 2.96 | 4.13 | 4.53 | 4.48 | 5.44 | 5.68 | 5.71 | 5.16 | 5.78 | 5.85 | 6.00 | 6.35 | "Cash Flow" per sh | 8.00 |
| 1.87 | 1.67 | 1.81 | 1.67 | 2.13 | 1.97 | .54 | 1.65 | 1.88 | 1.08 | 1.84 | 2.32 | 2.26 | 1.85 | 2.56 | 2.64 | 2.65 | 2.75 | Earnings per sh A | 3.50 |
| 1.23 | 1.29 | 1.34 | 1.40 | 1.46 | 1.51 | 1.54 | 1.56 | 1.56 | 1.37 | .80 | .80 | .80 | .83 | .88 | .92 | 1.00 | 1.08 | Div'd Decl'd per sh B ■ † | 1.30 |
| 2.40 | 3.11 | 3.43 | 2.76 | 2.50 | 3.53 | 3.13 | 3.52 | 4.44 | 5.29 | 6.03 | 5.07 | 5.69 | 5.70 | 6.79 | 8.35 | 11.70 | 8.80 | Cap'l Spending per sh | 7.75 |
| 14.35 | 14.97 | 15.67 | 16.01 | 16.89 | 17.42 | 16.51 | 16.46 | 16.89 | 17.00 | 17.81 | 18.44 | 19.92 | 21.31 | 22.91 | 24.70 | 26.20 | 27.65 | Book Value per sh C | 32.75 |
| 101.04 | 103.09 | 105.32 | 108.94 | 110.82 | 111.68 | 112.87 | 115.61 | 118.90 | 118.65 | 115.42 | 116.03 | 118.43 | 116.99 | 116.98 | 116.97 | 117.00 | 117.00 | Common Shs Outst'g D | 117.00 |
| 12.1 | 15.6 | 15.2 | 15.2 | 13.1 | 14.3 | NMF | 18.0 | 13.3 | 18.7 | 12.1 | 10.5 | 12.4 | 17.5 | 14.5 | 16.0 | Bold figures are | Value Line | Avg Ann'l P/E Ratio | 13.5 |
| .77 | .95 | .90 | 1.00 | .88 | .90 | NMF | .94 | .76 | 1.22 | .62 | .57 | .71 | .92 | .77 | .86 | estimates | | Relative P/E Ratio | .90 |
| 5.4% | 5.0% | 4.9% | 5.5% | 5.2% | 5.4% | 6.0% | 5.2% | 6.3% | 6.8% | 3.6% | 3.3% | 2.8% | 2.6% | 2.4% | 2.2% | | | Avg Ann'l Div'd Yield | 2.7% |

**CAPITAL STRUCTURE as of 3/31/07**
Total Debt $4252.7 mill. Due in 5 Yrs $2117.2 mill.
LT Debt $3065.5 mill. LT Interest $182.4 mill.
Incl. $203.0 mill. capitalized leases.
(LT interest earned: 3.6x)
Leases, Uncapitalized Annual rentals $51.6 mill.

Pension Assets-12/06 $1.06 bill. Oblig. $1.25 bill.
Pfd Stock $30.4 mill. Pfd Div'd $1.2 mill.
260,000 shs. 3.60%, $100 par, callable at $101; 44,498 shs. 6%, $100 par.
Common Stock 116,950,273 shs.

MARKET CAP: $5.3 billion (Large Cap)

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1789.6 | 1980.0 | 2272.6 | 3354.7 | 3928.5 | 3736.2 | 4054.3 | 3431.1 | 3815.5 | 3996.4 | 4175 | 4500 | Revenues ($mill) | 5200 |
| 61.9 | 189.3 | 231.5 | 132.0 | 218.8 | 270.8 | 269.2 | 221.2 | 304.8 | 313.7 | 315 | 330 | Net Profit ($mill) | 420 |
| 33.4% | 32.7% | 33.8% | 43.7% | 40.9% | 37.4% | 35.5% | 37.5% | 32.9% | 35.8% | 38.5% | 38.0% | Income Tax Rate | 38.0% |
| 16.7% | 5.7% | 5.8% | 12.3% | 6.9% | 4.1% | 6.9% | 10.0% | 12.5% | 19.0% | 17.0% | 15.0% | AFUDC % to Net Profit | 12.0% |
| 44.7% | 47.5% | 48.8% | 58.9% | 62.2% | 59.8% | 59.9% | 56.2% | 52.8% | 51.3% | 54.5% | 55.5% | Long-Term Debt Ratio | 52.0% |
| 54.4% | 51.7% | 45.9% | 40.5% | 37.2% | 39.6% | 39.6% | 43.3% | 46.7% | 48.2% | 45.0% | 44.0% | Common Equity Ratio | 47.5% |
| 3425.8 | 3682.6 | 4372.8 | 4979.9 | 5523.8 | 5400.3 | 5963.3 | 5762.3 | 5741.5 | 5992.8 | 6820 | 7340 | Total Capital ($mill) | 8025 |
| 3185.0 | 3238.4 | 3846.6 | 4152.4 | 4188.0 | 4396.8 | 5926.1 | 5903.1 | 6362.9 | 7052.5 | 8050 | 8675 | Net Plant ($mill) | 9975 |
| 3.4% | 6.6% | 6.7% | 4.7% | 5.8% | 7.1% | 6.3% | 5.6% | 7.0% | 6.6% | 6.0% | 6.0% | Return on Total Cap'l | 7.0% |
| 3.3% | 9.8% | 10.3% | 6.4% | 10.5% | 12.5% | 11.3% | 8.8% | 11.2% | 10.7% | 10.5% | 10.0% | Return on Shr. Equity | 11.0% |
| 3.3% | 9.9% | 10.9% | 6.5% | 10.6% | 12.6% | 11.4% | 8.8% | 11.3% | 10.8% | 10.5% | 10.0% | Return on Com Equity E | 11.0% |
| NMF | 6% | 1.9% | NMF | 6.0% | 8.3% | 7.4% | 4.9% | 7.5% | 7.1% | 6.5% | 6.0% | Retained to Com Eq | 7.0% |
| NMF | 94% | 84% | NMF | 43% | 35% | 35% | 45% | 34% | 35% | 37% | 39% | All Div'ds to Net Prof | 36% |

**ELECTRIC OPERATING STATISTICS**

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| % Change Retail Sales (KWH) | +1.7 | +3.8 | -4.0 |
| Avg. Indust. Use (MWH) | 16482 | 16578 | NA |
| Avg. Indust. Revs. per KWH (¢) | 4.71 | 5.15 | 5.80 |
| Capacity at Peak (Mw) | NA | NA | NA |
| Peak Load, Summer (Mw) | 5789 | 6344 | 6376 |
| Annual Load Factor (%) | NA | NA | NA |
| % Change Customers (yr-end) | +1.3 | +1.0 | +.9 |
| Fixed Charge Cov. (%) | 248 | 277 | 260 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '04-'06 to '10-'12 |
|---|---|---|---|
| Revenues | 7.0% | 3.5% | 5.5% |
| "Cash Flow" | 3.0% | 3.0% | 6.0% |
| Earnings | 2.0% | 8.0% | 7.0% |
| Dividends | -5.0% | -6.5% | 7.0% |
| Book Value | 3.0% | 6.0% | 6.0% |

| Calendar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | 1065.9 | 716.4 | 696.6 | 952.2 | 3431.1 |
| 2005 | 1094.7 | 788.5 | 797.3 | 1135.0 | 3815.5 |
| 2006 | 1247.0 | 814.4 | 839.8 | 1095.2 | 3996.4 |
| 2007 | 1301.1 | 850 | 873.9 | 1150 | 4175 |
| 2008 | 1425 | 900 | 950 | 1225 | 4500 |

| Calendar | EARNINGS PER SHARE A Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | .69 | .17 | .26 | .73 | 1.85 |
| 2005 | .76 | .48 | .56 | .77 | 2.56 |
| 2006 | .88 | .50 | .60 | .65 | 2.64 |
| 2007 | .85 | .35 | .70 | .75 | 2.65 |
| 2008 | .80 | .50 | .75 | .70 | 2.75 |

| Calendar | QUARTERLY DIVIDENDS PAID B ■ † Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2003 | .20 | .20 | .20 | .20 | .80 |
| 2004 | .20 | .21 | .21 | .21 | .83 |
| 2005 | .22 | .22 | .22 | .22 | .88 |
| 2006 | .23 | .23 | .23 | .23 | .92 |
| 2007 | .25 | .25 | | | |

BUSINESS: Wisconsin Energy Corporation (WEC) is a holding company for We Energies, which provides electric, gas & steam service in WI & upper MI. Customers: 1.1 mill. elec., 1 mill. gas. Acq'd Edison Sault Electric 5/98; WICOR 4/00. Discontinued pump-manufacturing ops. in '04. Electric rev. breakdown, '06: residential, 35%; small commercial & industrial, 32%; large commercial & industrial, 26%; other, 7%. Generating sources, '06: coal, 55%; nuclear, 26%; gas, 4%; hydro, 1%; purchased, 14%. Fuel costs: 46% of revs. '06 reported deprec. rate (utility): 3.7%. Has 5,200 employees. Chairman, President & CEO: Gale E. Klappa. Inc.: WI. Address: 231 W. Michigan St., P.O. Box 2949, Milwaukee, WI 53201. Tel.: 414-221-2345. Internet: www.wisconsinenergy.com.

**Wisconsin Energy's utility subsidiary has filed a general rate case.** We Energies is seeking rate hikes of $143.6 million for electricity, $47.9 million for gas, and $5.3 million for steam, based on an 11.2% return on equity. These increases should help the company recover its capital investments under its "Power the Future" program (see below) as well as rising operating expenses. Orders are due in time for new rates to take effect in early 2008.

**The capital spending program is heavy.** Much of this is due to Power The Future, in which two coal-fired units and two gas-fired units are being built (under a nonregulated subsidiary that will lease the plants to the utility) in order to meet rising demand. The first gas unit came on line in 2005, and the second, which is under construction, is scheduled for 2008. The company is also building two coal-fired units, scheduled for completion in 2009 and 2010. One of the permits for the coal facilities is still undergoing a legal challenge, but Wisconsin Energy is proceeding with construction. Once these plants are on line, they should enhance the company's earning power. We Energies is also building a wind project, which will be a regulated utility asset. Wisconsin Energy is financing these projects with debt and the proceeds from asset sales.

**The Point Beach sale should close this summer.** It still requires various regulatory approvals. The utility should get about $1 billion in cash. A purchased-power agreement will run through the end of each unit's operating license (in 2030 and 2033). The transaction will lessen the company's operating risk, but will be dilutive to share net by about $0.05 in 2007 and $0.15 annually thereafter. We will not adjust our figures to reflect the Point Beach sale until after the deal has closed.

**We believe that this untimely stock is expensively priced.** The yield is one of the lowest of any electric utility equity. The market is apparently looking ahead to early next decade, when earnings and dividends should be significantly higher, but investors must be cognizant of the regulatory and construction risks that the company faces. Delays caused by litigation have already added $50 million-$55 million to the cost of Power the Future.

*Paul E. Debbas, CFA* *June 29, 2007*

(A) Diluted EPS. Excl. nonrec. gains (losses): '99, (9¢); '00, 19¢ net; '01, 1¢ net; '02, (88¢); '03, (20¢) net; '04, (81¢); gains on disc. ops.: '04, $1.54; '05, 4¢; '06, 4¢. '05 & '06 earnings don't add due to rounding. Next earnings report due early Aug. (B) Div'ds historically paid in early Mar., June, Sept., Dec. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. intang. In '06: $13.10/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '06: 11.2%; earned on avg. com. eq., '06: 11.1%. Regulat. Climate: Above Avg.

| | |
|---|---|
| Company's Financial Strength | B++ |
| Stock's Price Stability | 100 |
| Price Growth Persistence | 65 |
| Earnings Predictability | 70 |

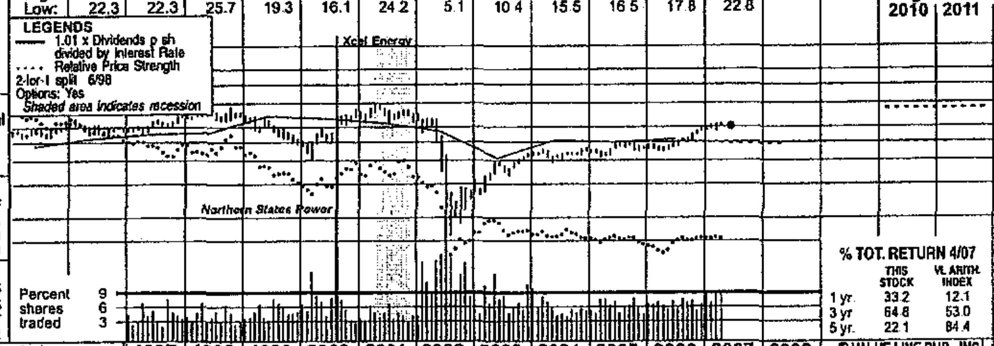
# XCEL ENERGY NYSE-XEL

| RECENT PRICE | 24.28 | P/E RATIO | 18.3 (Trailing: 19.0 Median: 15.0) | RELATIVE P/E RATIO | 0.95 | DIV'D YLD | 3.9% | VALUE LINE |
|---|---|---|---|---|---|---|---|---|

TIMELINESS 3 Lowered 3/16/07
SAFETY 2 Raised 5/14/04
TECHNICAL 3 Raised 4/13/07
BETA .90 (1.00 = Market)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 26.7 | 29.4 | 30.8 | 27.9 | 30.0 | 31.8 | 28.5 | 17.4 | 18.8 | 20.2 | 23.6 | 25.0 |
| Low: | 22.3 | 22.3 | 25.7 | 19.3 | 16.1 | 24.2 | 5.1 | 10.4 | 15.5 | 16.5 | 17.8 | 22.8 |

Target Price Range 2010 | 2011 | 2012




### 2010-12 PROJECTIONS

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 30 | (+25%) | 9% |
| Low | 20 | (-20%) | Nil |

### Insider Decisions

| | J | J | A | S | O | N | D | J | F |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Options | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| to Sell | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |

### Institutional Decisions

| | 2Q2006 | 3Q2006 | 4Q2006 |
|---|---|---|---|
| to Buy | 159 | 164 | 185 |
| to Sell | 138 | 128 | 137 |
| Hld's(000) | 248812 | 262130 | 269162 |

% TOT. RETURN 4/07

| | THIS STOCK | VL ARITH. INDEX |
|---|---|---|
| 1 yr. | 33.2 | 12.1 |
| 3 yr. | 64.8 | 53.0 |
| 5 yr. | 22.1 | 84.4 |

Xcel Energy was formed through the merger of Northern States Power and New Century Energies on August 21, 2000. NSP stockholders received one share of Xcel for every NSP share, and NCE stockholders received 1.55 shares of Xcel for each NCE share. Data prior to 2000 reflect NSP on a stand-alone basis and are not comparable with Xcel data.

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | © VALUE LINE PUB., INC. | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 18.32 | 18.46 | 18.42 | 34.11 | 43.56 | 23.89 | 19.90 | 20.84 | 23.86 | 24.16 | 23.65 | 24.50 | Revenues per sh | 28.25 |
| 3.92 | 4.30 | 4.13 | 4.12 | 5.09 | 3.14 | 3.35 | 3.27 | 3.28 | 3.70 | 3.90 | 4.05 | "Cash Flow" per sh | 4.75 |
| 1.61 | 1.84 | 1.43 | 1.60 | 2.27 | .42 | 1.23 | 1.27 | 1.20 | 1.35 | 1.40 | 1.45 | Earnings per sh A | 1.75 |
| 1.40 | 1.43 | 1.45 | 1.48 | 1.50 | 1.13 | .75 | .81 | .85 | .88 | .93 | .99 | Div'd Decl'd per sh B ■ | 1.15 |
| 2.90 | 2.99 | 13.87 | 3.63 | 7.40 | 6.04 | 2.49 | 3.19 | 3.25 | 4.00 | 4.45 | 4.45 | Cap'l Spending per sh | 4.00 |
| 15.89 | 16.25 | 16.42 | 16.37 | 17.95 | 11.70 | 12.95 | 12.99 | 13.37 | 14.28 | 14.75 | 15.25 | Book Value per sh C | 17.00 |
| 149.24 | 152.70 | 155.73 | 339.79 | 345.02 | 398.71 | 398.96 | 400.46 | 403.39 | 407.30 | 427.00 | 429.00 | Common Shs Outst'g D | 435.00 |
| 15.5 | 15.2 | 16.6 | 14.3 | 12.4 | NMF | 11.6 | 13.6 | 15.4 | 14.8 | Bold figures are Value Line estimates | | Avg Ann'l P/E Ratio | 13.5 |
| .89 | .79 | .95 | .93 | .64 | NMF | .66 | .72 | .82 | .80 | | | Relative P/E Ratio | .90 |
| 5.6% | 5.1% | 6.1% | 6.4% | 5.3% | 6.6% | 5.2% | 4.7% | 4.6% | 4.4% | | | Avg Ann'l Div'd Yield | 4.8% |
| 2733.7 | 2819.2 | 2869.0 | 11592 | 15028 | 9524.4 | 7937.5 | 8345.3 | 9625.5 | 9840.3 | 10100 | 10500 | Revenues ($mill) | 12300 |
| 251.8 | 298.1 | 240.1 | 545.8 | 784.7 | 177.6 | 510.0 | 526.9 | 499.0 | 568.7 | 610 | 625 | Net Profit ($mill) | 760 |
| 27.8% | 26.0% | 21.6% | 35.8% | 28.2% | 32.7% | 23.7% | 23.2% | 25.8% | 24.2% | 29.5% | 30.0% | Income Tax Rate | 31.5% |
| 6.6% | 5.3% | 2.5% | 4.4% | 7.1% | 46.7% | 8.9% | 10.9% | 8.5% | 9.8% | 12.0% | 12.0% | AFUDC % to Net Profit | 8.0% |
| 40.4% | 39.9% | 54.7% | 58.8% | 66.7% | 59.6% | 55.3% | 55.0% | 51.7% | 52.1% | 51.5% | 52.0% | Long-Term Debt Ratio | 52.5% |
| 51.0% | 53.5% | 40.5% | 40.5% | 32.8% | 39.5% | 43.8% | 44.1% | 47.3% | 47.0% | 48.0% | 47.5% | Common Equity Ratio | 46.5% |
| 4650.9 | 4637.7 | 6316.2 | 13745 | 18911 | 11815 | 11790 | 11801 | 11398 | 12371 | 13175 | 13800 | Total Capital ($mill) | 15700 |
| 4361.3 | 4395.2 | 4451.5 | 15273 | 21165 | 18816 | 13667 | 14096 | 14696 | 15549 | 16450 | 17300 | Net Plant ($mill) | 19100 |
| 6.9% | 8.1% | 5.4% | 6.0% | 6.0% | 5.4% | 6.1% | 6.2% | 6.2% | 6.2% | 6.5% | 6.5% | Return on Total Cap'l | 6.5% |
| 9.1% | 10.7% | 8.4% | 9.6% | 12.5% | 3.7% | 9.7% | 9.9% | 9.1% | 9.6% | 9.5% | 9.5% | Return on Shr. Equity | 10.0% |
| 9.5% | 11.2% | 8.6% | 9.7% | 12.6% | 3.7% | 9.8% | 10.0% | 9.2% | 9.7% | 9.5% | 9.5% | Return on Com Equity E | 10.5% |
| 1.2% | 2.5% | NMF | 9% | 4.3% | NMF | 3.9% | 3.9% | 2.9% | 3.6% | 3.5% | 3.0% | Retained to Com Eq | 3.5% |
| 88% | 79% | 100% | 91% | 66% | NMF | 60% | 62% | 69% | 63% | 64% | 68% | All Div'ds to Net Prof | 66% |

**CAPITAL STRUCTURE as of 12/31/06**
**Total Debt $7412.4 mill. Due in 5 Yrs $2986.6 mill.**
**LT Debt $6449.6 mill. LT Interest $415.3 mill.**
Incl. 8,000,000 shares 7.875% tax-deductible Trust Originated Preferred Securities, liquidation value $25/share; 7,760,000 shares 7.60%, cumulative, $25 par; $100 mill. 7.85% tax-deductible Trust Preferred Securities.
(LT interest earned: 2.7x)
**Leases, Uncapitalized Annual rentals $57.4 mill.**
**Pension Assets-12/06 $3.18 bill. Oblig. $2.67 bill.**
**Pfd Stock $105.0 mill. Pfd Div'd $4.2 mill.**
1,049,800 shares $3.60 to $4.56, cumulative, $100 par, callable $102.00 to $103.75.
**Common Stock 407,751,743 shs. as of 2/20/07**
**MARKET CAP: $9.9 billion (Large Cap)**

**ELECTRIC OPERATING STATISTICS**

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| % Change Retail Sales (KWH) | +.3 | +3.6 | +1.8 |
| Avg. C & I Use (MWH) | 145 | 150 | 153 |
| Avg. C & I Revs. per KWH (¢) | 5.51 | 6.22 | 6.55 |
| Capacity at Peak (Mw) | NA | NA | NA |
| Peak Load, Summer (Mw) | 19827 | 20854 | 21255 |
| Annual Load Factor (%) | NA | NA | NA |
| % Change Customers (yr-end) | +1.0 | -.4 | +1.2 |
| Fixed Charge Cov. (%) | 230 | 232 | 238 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '04-'06 to '10-'12 |
|---|---|---|---|
| Revenues | 2.0% | -6.5% | 3.5% |
| "Cash Flow" | -2.0% | -5.5% | 5.5% |
| Earnings | -3.5% | -6.5% | 5.5% |
| Dividends | -4.5% | -10.5% | 5.0% |
| Book Value | -1.0% | -4.5% | 4.0% |

| Calendar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | 2280 | 1797 | 2009 | 2259 | 8345.3 |
| 2005 | 2381 | 2074 | 2289 | 2882 | 9625.5 |
| 2006 | 2888 | 2074 | 2412 | 2466 | 9840.3 |
| 2007 | 2743 | 2257 | 2500 | 2600 | 10100 |
| 2008 | 2850 | 2350 | 2600 | 2700 | 10500 |

| Calendar | EARNINGS PER SHARE A Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2004 | .36 | .21 | .40 | .31 | 1.27 |
| 2005 | .31 | .18 | .47 | .24 | 1.20 |
| 2006 | .36 | .24 | .53 | .23 | 1.35 |
| 2007 | .28 | .27 | .55 | .30 | 1.40 |
| 2008 | .30 | .28 | .57 | .30 | 1.45 |

| Calendar | QUARTERLY DIVIDENDS PAID B ■ Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2003 | .188 | .188 | .188 | .188 | .75 |
| 2004 | .188 | .188 | .208 | .208 | .79 |
| 2005 | .208 | .208 | .215 | .215 | .85 |
| 2006 | .215 | .215 | .223 | .223 | .88 |
| 2007 | .223 | .223 | | | |

**BUSINESS:** Xcel Energy Inc. is the parent of Northern States Power, which supplies power to Minnesota, Wisconsin, North Dakota, South Dakota, Michigan, & gas to Minnesota, Wisconsin, North Dakota, & Michigan; Public Service of Colorado, which supplies power & gas to Colorado; & Southwestern Public Service, which supplies power to Texas & New Mexico. Customers: 3.3 mill. electric, 1.8 mill. gas. Electric revenue breakdown, '06: residential, 28%; commercial & industrial, 53%; other, 19%. Generating sources not available. Fuel costs: 58% of revs. '06 reported deprec. rate: 3.2%. Has 9,700 employees. Chairman, President & CEO: Richard C. Kelly. Inc.: MN. Address: 414 Nicollet Mall, Minneapolis, MN 55401. Tel.: 612-330-5500. Internet: www.xcelenergy.com.

**Xcel Energy has a lot of regulatory activity pending** that was prompted by rising expenses. Its utility in Texas, which requested an electric rate increase of $48 million, reached a settlement for a $23 million (3%) boost. The rate hike has been implemented on an interim basis until the commission issues an order, probably in the current quarter. Xcel has filed some gas rate cases, too. In Minnesota, the company is seeking an increase of $16.8 million based on a return of 10.75% on a common-equity ratio of 52%. An interim increase of $15.9 million took effect in January. In Colorado, the utility filed for a raise of $41.9 million based on a return of 11% on a common-equity ratio of 60%. In North Dakota, Xcel requested a hike of $2.8 million based on an 11.3% ROE. An interim increase of $2.2 million is in effect. Orders in each of these cases are expected this summer. Xcel is also required to file electric and gas rate cases in Wisconsin. This will probably occur in June, with new tariffs to take effect in early 2008.

**We estimate higher earnings in 2007 and 2008.** Rate relief (including a full year's worth of increases totaling $291 million that were granted in 2006) should be the primary impetus. Modest kilowatt-hour sales growth is likely, too. Our 2007 earnings estimate is the midpoint of Xcel's targeted range of $1.35-$1.45 a share.

**We expect a dividend increase at the board meeting in June.** That's when the directors usually review the dividend. We estimate a raise of $0.05 a share (5.6%) in the annual disbursement.

**A dispute with the IRS is scheduled to go to trial in July.** The IRS is challenging the deductibility of Xcel's company-owned life insurance. Whatever the outcome of the trial, an appeal would likely follow, so this matter probably won't be resolved for at least a year or two. If Xcel loses the case, its earnings in 2007 would be reduced by $0.11 a share, and the company would be forced to take a charge (including interest) estimated at $499 million as of year-end 2006. We think this uncertainty is reflected in the share price.

**This stock's yield is slightly above the utility average.** Total-return potential to *2010-2012 is comparable to that of the* average utility equity as well.

*Paul E. Debbas, CFA* *May 11, 2007*

(A) Diluted EPS. Excl. nonrec. gain (loss): '01, 3¢; '02, ($6.27); gains (loss) on disc. ops.: '03, 27¢; '04, (30¢); '05, 3¢; '06, 1¢. '04 & '06 EPS don't add due to rounding. Next earnings report due late July. (B) Div'ds historically paid in mid-Jan., Apr., July, and Oct. ■ Div'd reinvest. plan avail. (C) Incl. intang. In '06: $4.36/sh. (D) In mill., adj. for split. (E) Rate base: Varies. Rate all'd on com. eq.: MN '93, 11.47%; WI '05, 11.0%; CO '03 (elec.), 10.75%; CO '05 (gas) 10.5%; TX '86, 15.05%; earned on avg. com. eq., '06: 10.1%. Regulatory Climate: Avg.

| | |
|---|---|
| Company's Financial Strength | B++ |
| Stock's Price Stability | 30 |
| Price Growth Persistence | 5 |
| Earnings Predictability | 40 |