Deutsche Bank

20 January 2011

Electric Utilities & Power

Rolling forward to 2013

Jonathan Arnold
Research Analyst
(+1) 212 250-3182
jonathan.arnold@db.com

Lauren Duke
Associate Analyst
(+1) 212 250-8204
lauren.duke@db.com

Rolling forward our estimates and valuations to 2013 basis

In this report we are rolling forward our Utilities and Power sector estimates and valuations from a 2012 basis to 2013 ahead of year-end reporting season which gets under way in earnest next week. For a detailed listing of changes see our summary Figures 3-6. We believe it makes sense to make this change ahead of earnings given that investors are increasingly asking for 2013 outlooks and the year should be closer to an open basis for diversified names as legacy hedges continue to roll off (see page 11 for updated energy hedge profiles).

Regulated: PCG back to Hold; reiterating AEP, CNP, CMS and ITC Buys

Within our 13-name regulated coverage we are lowering PCG from Buy to Hold reflecting a less certain risk/reward profile given lingering uncertainties over the future composition of the California PUC and heightened chances of a 2013 ROE adjustment. We reiterate our other regulated Buys on AEP (mainly valuation); CMS (growth and value), CNP (gas gathering growth) and ITC (transmission growth). Estimates for 2010-12 are fine-tuned with our initial 2013 numbers showing growth of 5.9% (4.9% excl. ITC). Regulated price targets increase 5% on average reflecting a similar base multiple (12x) on higher forward earnings with refreshed premiums and discounts for qualitative factors. Consistent with a preference for growth over yield our price targets increase most for higher-growth names, notably NST and NU (+10%), ITC (+9%) while SO increases the most among the larger-caps (+5%).

IPPs: Bumping target to $16 while stepping to the sidelines on CPN

CPN remains our preferred pick among the IPPs, but given still challenging commodity and power market fundamentals and the recent rally in the stock, we no longer see sufficient upside to support a Buy rating and we downgrade to Hold.

Less Regulated: Reiterating D, EIX, PEG Buy ratings; TE remains Sell

For less regulated (diversified) names we have removed our explicit carbon adder given diminished near-term likelihood of federal carbon pricing. This is offset in part by contango in the forward power curves for 2013 versus 2012 and greater differentiation in multiple targets capturing factors such as environmental and competitive position, legacy hedging and post-2013 capacity value. Our 2013 estimates reflect DB's gas price forecast ($5.50/mmbtu) which is some 5% above the current curve. Targets increase 2% on average, the largest increase being for FE (+11%). ETR and EXC are the most affected by removing carbon, but for ETR (-5%) this is compounded by a weaker regional power market (more gas and less coal on the margin) and uncertainty over continued operation at Vermont Yankee.

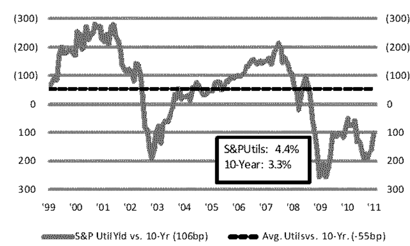
Sector valuation and risks

Regulated utility valuations are based around a core 2013 P/E multiple of 12x with premiums or discounts for positioning on factors including regulatory clarity; relative growth; execution; market capitalization and financial/credit position. For merchant generation we use a base 2013 EV/EBITDA multiple of 8x representing a rough cyclical mid-point. Individual targets range from 7x to 9.5x depending on relative positioning on a series of quantitative and qualitative factors. Sector risks include weakness in gas and/or power prices; demand weakness from energy efficiency and/or slower than expected economic recovery; uncertain future environmental mandates; higher interest rates; and financing requirements.

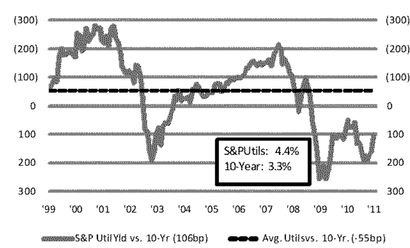
Recommendation Change

Companies featured	
American Electric Power (AEP.N),USD35.95	Buy
CMS Energy (CMS.N),USD19.00	Buy
CenterPoint Energy (CNP.N),USD15.82	Buy
DTE Energy (DTE.N),USD46.56	Hold
Duke Energy (DUK.N),USD18.00	Hold
Con Edison (ED.N),USD50.35	Hold
ITC Holdings (ITC.N),USD64.46	Buy
Northeast Utilities (NU.N),USD32.37	Hold
NSTAR (NST.N),USD42.80	Hold
PG&E Corp (PCG.N),USD47.34	Hold
Progress Energy (PGN.N),USD44.90	Hold
Southern Company (SO.N),USD38.45	Hold
Xcel Energy (XEL.N),USD23.78	Hold
Dominion Resources (D.N),USD42.97	Buy
Edison International (EIX.N),USD37.62	Buy
Entergy Corp. (ETR.N),USD72.56	Hold
Exelon (EXC.N),USD42.82	Hold
FirstEnergy (FE.N),USD38.82	Hold
NextEra Energy (NEE.N),USD54.06	Hold
PPL Corp. (PPL.N),USD25.81	Hold
PSEG (PEG.N),USD31.77	Buy
TECO Energy (TE.N),USD18.16	Sell
Calpine (CPN.N),USD14.44	Hold
GenOn Energy (GEN.N),USD4.13	Hold
NRG Energy (NRG.N),USD20.05	Hold

S&P Utilities 12M Forward P/E Relative



S&P Utils Yield Rel. to 10-Yr Treasury



DB Utilities and Power Research	
Jonathan Arnold	212-250-3182
Caroline Bone, CFA	212-250-8253
Lauren Duke	212-250-8204
Keith Stanley, CFA	212-250-3890

Deutsche Bank Securities Inc.

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1.
MICA(P) 007/05/2010

Table of Contents

SB_GT&S_0005462

Table of Figures

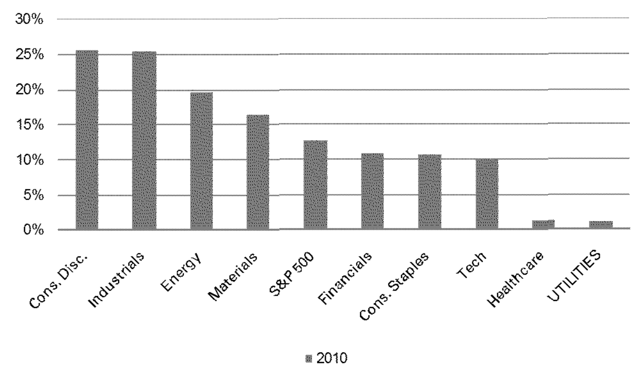
SB_GT&S_0005463

Rolling forward to 2013

Updating Utilities and Power estimates and valuations

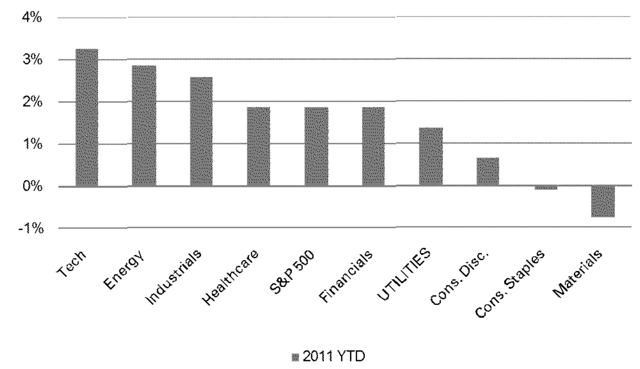
In this report we are rolling forward our Utilities and Power sector estimates and valuations from a 2012 to a 2013 basis ahead of year-end reporting season which gets under way in earnest next week. For a detailed listing of our changes to ratings, target prices and estimates please see Figure 3, Figure 4 and Figure 5. We also set out a summary of our valuation methodology for individual stocks in Figure 6.

Figure 1: Utilities Repeated as Sector Laggards in 2010



Source: Deutsche Bank and Capital IQ

Figure 2: Still Lagging in 2011 Despite Power Rally



Source: Deutsche Bank and Capital IQ

Figure 3: Summary of Rating and Price Target Changes

	Stock Ticker	Price 1/19/11	DB Stock Rating New	DB Stock Rating Old	DB Price Target New	DB Price Target Old	Chg.	% Chg.	Target Return	Div. 2011E	Yield 2011E	Total Return
MOSTLY REGULATED												
AMERICAN ELECTRIC POWER	AEP	$35.95	Buy	Buy	$39.00	$40.00	($1.00)	-2.5%	8.5%	1.86	5.2%	13.7%
CMS ENERGY	CMS	$19.00	Buy	Buy	$20.50	$20.00	$0.50	2.5%	7.9%	0.84	4.4%	12.3%
CENTERPOINT ENERGY	CNP	$15.82	Buy	Buy	$17.00	$17.00	--	--	7.5%	0.80	5.1%	12.5%
DTE ENERGY	DTE	$46.56	Hold	Hold	$47.00	$47.00	--	--	0.9%	2.24	4.8%	5.8%
DUKE ENERGY	DUK	$18.00	Hold	Hold	$17.50	$17.00	$0.50	2.9%	-2.8%	0.99	5.5%	2.7%
CON EDISON	ED	$50.35	Hold	Hold	$48.00	$48.00	--	--	-4.7%	2.40	4.8%	0.1%
ITC HOLDINGS	ITC	$64.46	Buy	Buy	$71.00	$65.00	$6.00	9.2%	10.1%	1.40	2.2%	12.3%
NSTAR	NST	$42.80	Hold	Hold	$44.50	$40.50	$4.00	9.9%	4.0%	1.70	4.0%	7.9%
NORTHEAST UTILITIES	NU	$32.37	Hold	Hold	$34.00	$31.00	$3.00	9.7%	5.0%	1.09	3.4%	8.4%
PG&E CORP	PCG	$47.34	Hold	Buy	$50.00	$50.00	--	--	5.6%	1.96	4.1%	9.8%
PROGRESS ENERGY	PGN	$44.90	Hold	Hold	$46.00	$44.00	$2.00	4.5%	2.4%	2.48	5.5%	8.0%
SOUTHERN COMPANY	SO	$38.45	Hold	Hold	$39.00	$37.00	$2.00	5.4%	1.4%	1.89	4.9%	6.3%
XCEL ENERGY	XEL	$23.71	Hold	Hold	$25.00	$24.00	$1.00	4.2%	5.4%	1.04	4.4%	9.8%
LESS REGULATED												
DOMINION RESOURCES	D	$42.97	Buy	Buy	$46.50	$46.50	--	--	8.2%	1.97	4.6%	12.8%
EDISON INTERNATIONAL	EIX	$37.62	Buy	Buy	$42.00	$41.00	$1.00	2.4%	11.6%	1.28	3.4%	15.0%
ENTERGY CORP.	ETR	$72.56	Hold	Hold	$75.00	$79.00	($4.00)	-5.1%	3.4%	3.32	4.6%	7.9%
EXELON	EXC	$42.82	Hold	Hold	$42.00	$42.00	--	--	-1.9%	2.10	4.9%	3.0%
FIRSTENERGY	FE	$38.82	Hold	Hold	$39.00	$35.00	$4.00	11.4%	0.5%	2.20	5.7%	6.1%
NEXTERA ENERGY	NEE	$54.06	Hold	Hold	$55.00	$56.00	($1.00)	-1.8%	1.7%	2.08	3.8%	5.6%
PPL CORP.	PPL	$25.81	Hold	Hold	$26.50	$27.00	($0.50)	-1.9%	2.7%	1.42	5.5%	8.2%
PSEG	PEG	$31.77	Buy	Buy	$37.00	$36.00	$1.00	2.8%	16.5%	1.40	4.4%	20.9%
TECO ENERGY	TE	$18.16	Sell	Sell	$16.50	$15.50	$1.00	6.5%	-9.1%	0.87	4.8%	-4.4%
IPPs & MERCHANT												
CALPINE	CPN	$14.44	Hold	Buy	$16.00	$15.00	$1.00	6.7%	10.8%	NA	NA	10.8%
GENON ENERGY	GEN	$4.13	Hold	Hold	$4.00	$4.00	--	--	-3.1%	NA	NA	-3.1%
NRG ENERGY	NRG	$20.05	Hold	Hold	$19.00	$19.00	--	--	-5.2%	NA	NA	-5.2%

Source: Deutsche Bank and Capital IQ. Note: Buys and Sells highlighted in bold type. Rating changes highlighted with blue shading.

SB_GT&S_0005464

Figure 4: Summary of Estimates and Estimate Changes

	Stock	2010E			2011E			2012E			2013E		
	Ticker	New	Old	% Chg.	New	Old	% Chg.	New	Old	% Chg.	New	Old	% Chg.
MOSTLY REGULATED (EPS)													
AMERICAN ELECTRIC POWER	AEP	3.05	3.05	--	3.10	3.10	--	3.25	3.25	--	3.40	NA	--
CMS ENERGY	CMS	1.37	1.37	--	1.45	1.45	--	1.55	1.55	--	1.65	NA	--
CENTERPOINT ENERGY	CNP	1.07	1.07	--	1.18	1.20	-1.7%	1.20	1.25	-4.0%	1.30	NA	--
DTE ENERGY	DTE	3.60	3.60	--	3.50	3.50	--	3.70	3.65	1.4%	3.90	NA	--
DUKE ENERGY	DUK	1.45	1.45	--	1.25	1.25	--	1.35	1.30	3.8%	1.40	NA	--
CON EDISON	ED	3.45	3.40	1.5%	3.50	3.50	--	3.65	3.60	1.4%	3.75	NA	--
ITC HOLDINGS	ITC	2.83	2.83	--	3.25	3.25	--	4.15	4.15	--	4.90	NA	--
NSTAR	NST	2.55	2.55	--	2.60	2.60	--	2.75	2.75	--	2.90	NA	--
NORTHEAST UTILITIES	NU	2.15	2.00	7.5%	2.25	2.25	--	2.45	2.40	2.1%	2.65	NA	--
PG&E CORP	PCG	3.45	3.40	1.5%	3.70	3.70	--	3.95	3.95	--	3.95	NA	--
PROGRESS ENERGY	PGN	3.05	3.05	--	3.15	3.20	-1.6%	3.25	3.35	-3.0%	3.35	NA	--
SOUTHERN COMPANY	SO	2.38	2.38	--	2.50	2.50	--	2.65	2.65	--	2.80	NA	--
XCEL ENERGY	XEL	1.65	1.65	--	1.70	1.75	-2.9%	1.80	1.85	-2.7%	1.90	NA	--
LESS REGULATED (EPS)													
DOMINION RESOURCES	D	3.40	3.40	--	3.10	3.10	--	3.25	3.25	--	3.45	3.45	--
EDISON INTERNATIONAL	EIX	3.54	3.50	1.1%	2.50	2.50	--	2.25	2.25	--	2.30	NA	--
ENTERGY CORP.	ETR	7.05	7.15	-1.4%	6.60	6.50	1.5%	6.15	6.10	0.8%	6.45	NA	--
EXELON	EXC	4.00	4.05	-1.2%	4.05	4.05	--	2.95	2.80	5.4%	2.95	NA	--
FIRSTENERGY	FE	3.65	3.65	--	3.05	3.00	1.7%	3.05	2.95	3.4%	3.00	NA	--
NEXTERA ENERGY	NEE	4.35	4.40	-1.1%	4.40	4.40	--	4.60	4.60	--	5.00	NA	--
PPL CORP.	PPL	2.87	2.87	--	2.65	2.70	-1.9%	2.45	2.50	-2.0%	2.20	2.25	-2.2%
PSEG	PEG	3.15	3.15	--	2.65	2.70	-1.9%	2.60	2.55	2.0%	2.75	NA	--
TECO ENERGY	TE	1.30	1.30	--	1.30	1.40	-7.1%	1.65	1.50	10.0%	1.80	NA	--
IPPs & MERCHANT (EBITDA)													
CALPINE (CPN BASIS)	CPN	1,715	1,715	--	1,745	1,730	0.9%	1,690	1,630	3.7%	1,955	1,850	5.7%
GENON ENERGY	GEN	NM	NM	--	675	635	6.3%	610	555	9.9%	900	835	7.8%
NRG ENERGY	NRG	2,515	2,515	--	1,880	1,860	1.1%	1,850	1,790	3.4%	1,715	1,615	6.2%

Source: Deutsche Bank

Figure 5: Company Guidance, DB Estimates and Consensus

	Stock	Company Guidance			DB Estimates				Consensus				DB Vs. Consensus			
	Ticker	2010E	2011E	2012E	2010E	2011E	2012E	2013E	2010E	2011E	2012E	2013E	2010E	2011E	2012E	2013E
MOSTLY REGULATED (EPS)																
AMERICAN ELECTRIC POWER	AEP	2.95 - 3.05	3.00 - 3.20	3.25	3.05	3.10	3.25	3.40	3.04	3.15	3.27	3.44	0%	-2%	0%	-1%
CMS ENERGY	CMS	1.35	NA	NA	1.37	1.45	1.55	1.65	1.36	1.46	1.56	1.66	1%	0%	0%	0%
CENTERPOINT ENERGY	CNP	1.02 - 1.12	NA	NA	1.07	1.18	1.20	1.30	1.07	1.19	1.26	1.37	1%	-1%	-5%	-5%
DTE ENERGY	DTE	3.50 - 3.70	3.40 - 3.80	NA	3.60	3.50	3.70	3.90	3.60	3.64	3.79	3.99	0%	-4%	-2%	-2%
DUKE ENERGY	DUK	1.40 - 1.45	NA	NA	1.45	1.25	1.35	1.40	1.43	1.34	1.35	1.41	2%	-6%	0%	-1%
CON EDISON	ED	3.40 - 3.50	NA	NA	3.45	3.50	3.65	3.75	3.44	3.51	3.65	3.82	0%	0%	0%	-2%
ITC HOLDINGS	ITC	2.75 -2.80	3.20 - 3.30	NA	2.83	3.25	4.15	4.90	2.81	3.31	4.10	4.76	1%	-2%	1%	3%
NSTAR	NST	2.45 - 2.60	NA	NA	2.55	2.60	2.75	2.90	2.55	2.64	2.76	2.85	0%	-2%	0%	2%
NORTHEAST UTILITIES	NU	2.10 - 2.20	NA	NA	2.15	2.25	2.45	2.65	2.11	2.25	2.41	2.61	2%	0%	2%	2%
PG&E CORP	PCG	3.35 - 3.50	3.65 - 3.80	NA	3.45	3.70	3.95	3.95	3.43	3.72	3.91	4.07	1%	-1%	1%	-3%
PROGRESS ENERGY	PGN	3.00 - 3.05	NA	NA	3.05	3.15	3.25	3.35	3.03	3.14	3.25	3.35	1%	0%	0%	0%
SOUTHERN COMPANY	SO	2.36	NA	NA	2.38	2.50	2.65	2.80	2.38	2.53	2.70	2.88	0%	-1%	-2%	-3%
XCEL ENERGY	XEL	1.55 - 1.65	1.65 - 1.75	NA	1.65	1.70	1.80	1.90	1.64	1.73	1.84	1.94	1%	-2%	-2%	-2%
LESS REGULATED (EPS)																
DOMINION RESOURCES	D	3.30 - 3.40	3.00 - 3.30	NA	3.40	3.10	3.25	3.45	3.35	3.17	3.23	3.55	1%	-2%	1%	-3%
EDISON INTERNATIONAL	EIX	3.45 - 3.60	NA	NA	3.54	2.50	2.25	2.30	3.46	3.02	2.81	3.01	2%	-17%	-20%	-24%
ENTERGY CORP.	ETR	6.40 - 7.20	6.35 - 6.85	NA	7.05	6.60	6.15	6.45	6.95	6.60	6.21	6.17	1%	0%	-1%	5%
EXELON	EXC	3.95 - 4.10	NA	NA	4.00	4.05	2.95	2.95	3.99	4.09	3.08	2.88	0%	-1%	-4%	3%
FIRSTENERGY	FE	3.60 - 3.70	NA	NA	3.65	3.05	3.05	3.00	3.65	3.20	2.98	2.95	0%	-5%	2%	2%
NEXTERA ENERGY	NEE	4.25 - 4.65	4.25 - 4.55	NA	4.35	4.40	4.60	5.00	4.36	4.46	4.70	5.02	0%	-1%	-2%	0%
PPL CORP.	PPL	2.80 - 2.95	NA	NA	2.87	2.65	2.45	2.20	2.85	2.61	2.41	2.28	1%	1%	1%	-3%
PSEG	PEG	3.00 - 3.25	NA	NA	3.15	2.65	2.60	2.75	3.16	2.83	2.68	2.92	0%	-6%	-3%	-6%
TECO ENERGY	TE	1.25 - 1.35	NA	NA	1.30	1.30	1.65	1.80	1.31	1.41	1.53	1.63	-1%	-8%	8%	10%
	Stock	Company EBITDA Guidance			DB Estimates				Consensus				DB Vs. Consensus			
	Ticker	2010E	2011E	2012E	2010E	2011E	2012E	2013E	2010E	2011E	2012E	2013E	2010E	2011E	2012E	2013E
IPPs & MERCHANT (EBITDA)																
CALPINE (CPN basis)	CPN	1,685 - 1,725	1,700 - 1,800	NA	1,715	1,745	1,690	1,955	1,718	1,763	1,721	1,937	0%	-1%	-2%	1%
GENON ENERGY	GEN	NA	NA	NA	NM	675	610	900	NM	604	605	NA	NM	12%	1%	NA
NRG ENERGY	NRG	2,500 - 2,550	1,750 - 1,950	NA	2,515	1,880	1,850	1,715	2,524	1,893	1,858	1,773	0%	-1%	0%	-3%

Source: Deutsche Bank and CapitalIQ

SB_GT&S_0005465

Figure 6: DB Price Targets, Total Returns and Valuation Methodologies

	Stock Ticker	DB Rating	Price 1/19/11	DB Price Target Priv.	Return	Yld '11	TSR '11	2013E EPS	Actual P/E	Target P/E	Valuation Methodology
MOSTLY REGULATED											
AMERICAN ELECTRIC POWER	AEP	Buy	$35.95	$39.00	8.5%	5.2%	13.7%	3.40	10.6x	11.5x	Average 2013E multiple less 4% discount
CMS ENERGY	CMS	Buy	$19.00	$20.50	7.9%	4.4%	12.3%	1.65	11.5x	12.4x	Average 2013E multiple plus 3% premium
CENTERPOINT ENERGY	CNP	Buy	$15.82	$17.00	7.5%	5.1%	12.5%	1.30	12.2x	13.1x	Sum-of-parts: Electric 12.1x 2013E (1% premium); Gas Utilities & Field Services 8x EV/EBITDA; Pipelines 8.5x; Gas Services 6.5x
DTE ENERGY	DTE	Hold	$46.56	$47.00	0.9%	4.8%	5.8%	3.90	11.9x	12.1x	Sum-of-parts: Utilities at average multiple of 12x 2013E; Gas Midstream at 8x EV/EBITDA; P&I at 6x; Trading at 4x; E&P at $1.50/mcfe
DUKE ENERGY	DUK	Hold	$18.00	$17.50	-2.8%	5.5%	2.7%	1.40	12.9x	12.5x	Average 2013E multiple plus 4% premium
CON EDISON	ED	Hold	$50.35	$48.00	-4.7%	4.8%	0.1%	3.75	13.4x	12.8x	Average 2013E multiple plus 7% premium
ITC HOLDINGS	ITC	Buy	$64.46	$71.00	10.1%	2.2%	12.3%	4.90	13.2x	14.5x	Average 2013E multiple plus 21% premium
NSTAR	NST	Hold	$42.80	$44.50	4.0%	4.0%	7.9%	2.90	14.8x	15.3x	Derivative of value for NU (1.312 x NU PT)
NORTHEAST UTILITIES	NU	Hold	$32.37	$34.00	5.0%	3.4%	8.4%	2.65	12.2x	12.8x	Average 2013E multiple plus 7% premium
PG&E CORP	PCG	Hold	$47.34	$50.00	5.6%	4.1%	9.8%	3.95	12.0x	12.7x	Average 2013E multiple plus 6% premium
PROGRESS ENERGY	PGN	Hold	$44.90	$46.00	2.4%	5.5%	8.0%	3.35	13.4x	13.7x	Derivative of value for DUK (2.6125 x DUK PT)
SOUTHERN COMPANY	SO	Hold	$38.45	$39.00	1.4%	4.9%	6.3%	2.80	13.7x	13.9x	Average 2013E multiple plus 15% premium
XCEL ENERGY	XEL	Hold	$23.71	$25.00	5.4%	4.4%	9.8%	1.90	12.5x	13.2x	Average 2013E multiple plus 9% premium
LESS REGULATED											
DOMINION RESOURCES	D	Buy	$42.97	$46.50	8.2%	4.6%	12.8%	3.45	12.5x	13.5x	Sum-of-parts: VA utility 13.8x 2013E (15% premium); Generation at 8.75x (9% premium); Gas Distribution at 8x; Gas Transmission at 8.5x
EDISON INTERNATIONAL	EIX	Buy	$37.62	$42.00	11.6%	3.4%	15.0%	2.30	16.4x	18.3x	Sum-of-parts: SCE utility & parent 13.2x 2013E (10% premium); EME $1/sh conservative recovery value
ENTERGY CORP.	ETR	Hold	$72.56	$75.00	3.4%	4.6%	7.9%	6.45	11.2x	11.6x	Sum-of-parts: Utilities at average multiple of 12.0x 2013E; Nuclear at 9.0x EV/EBITDA (13% premium)
EXELON	EXC	Hold	$42.82	$42.00	-1.9%	4.9%	3.0%	2.95	14.5x	14.2x	Sum-of-parts: Utilities at average multiple of 12.0x 2013E; Generation at 9.5x EV/EBITDA (19% premium)
FIRSTENERGY	FE	Hold	$38.82	$39.00	0.5%	5.7%	6.1%	3.00	12.9x	13.0x	Sum-of-parts: Utilities at average multiple of 12.0x 2013E; FES at 8.75x EV/EBITDA (9% premium); Signal Peak at book value
NEXTERA ENERGY	NEE	Hold	$54.06	$55.00	1.7%	3.8%	5.6%	5.00	10.8x	11.0x	Sum-of-parts: Utility at average 2013E multiple plus 4% premium; Resources at 8.75x EV/EBITDA (9% premium); Includes NPV of PTCs
PPL CORP.	PPL	Hold	$25.81	$26.50	2.7%	5.5%	8.2%	2.20	11.7x	12.0x	Sum-of-parts: KY/Int'l utilities at 12.5x 2013E (4% premium); PA at average multiple of 12.0x; Generation at 8.5x EV/EBITDA (6% premium)
PSEG	PEG	Buy	$31.77	$37.00	16.5%	4.4%	20.9%	2.75	11.6x	13.5x	Sum-of-parts: PSE&G at average utility multiple of 12.0x 2013E; Power at 8.75x EV/EBITDA (9% premium) and Holdings at 5x EV/EBITDA
TECO ENERGY	TE	Sell	$18.16	$16.50	-9.1%	4.8%	-4.4%	1.80	10.1x	9.2x	Sum-of-parts: FL utilities at average multiple of 12.0x 2013E; Guatemala at 9x 2013E; TECO Coal at 4x EV/EBITDA; <$1 for tax benefits
IPPs & MERCHANT											
CALPINE	CPN	Hold	$14.44	$16.00	10.8%	0.0%	10.8%	1.00	NM	NM	Applies a 9.25x EV/EBITDA multiple (16% premium) to uncontracted (open) 2013 EBITDA; gives credit for value for LT contracts and NOLs
GENON ENERGY	GEN	Hold	$4.13	$4.00	-3.1%	0.0%	-3.1%	0.01	NM	NM	Applies an 8.75x EV/EBITDA multiple (9% premium) to uncontracted (open) 2013 EBITDA; includes NPV of potential environmental costs
NRG ENERGY	NRG	Hold	$20.05	$19.00	-5.2%	0.0%	-5.2%	0.25	NM	NM	Probability-adjusted for STP scenarios. Uses 7.75x EV/EBITDA multiple (3% discount) to 2013 open EBITDA if STP proceeds, 8.25x if cancelled.

Source: Deutsche Bank

SB_GT&S_0005466

Moving to sidelines on CPN, but still our preferred IPP

Raising target by $1 to $16 but lowering to Hold after recent strength

We are downgrading CPN to Hold from Buy, but raising our price target by $1 to $16/share to incorporate our now higher EBITDA estimates. We continue to find the long-term CPN story to be very compelling, with a modern fleet of environmentally friendly gas plants and geothermal assets, and a strong medium-term EBITDA growth trajectory that is driven by multiple diverse factors (rising heat rates, a contango gas curve, higher RPM capacity prices, and organic growth). However, the IPPs have now rallied ~12% since mid-December versus a ~4% increase in the S&P, and CPN has risen ~19% since the end of November despite what appears to be relatively stagnant and depressed forward commodity and power market conditions for generators. While the apparent pricing of carbon costs in California since the end of November is a fundamental positive for CPN, we had already been incorporating the value of CPN's clean fleet in our valuation framework, part of which is now being reflected in our forward estimates that embed higher California power prices.

Still our preferred relative play among IPP names

Our $16 price target implies upside of ~11%, which is not a sufficient absolute return target to justify a Buy rating in our view. However, for investors interested in owning IPP stocks, we continue to prefer CPN on a relative basis over peers NRG and GEN (both rated Hold). We remain cautious on power generators given a weak fundamental outlook driven by relatively low forward gas prices, high coal costs, and generally over-supplied power markets following the recession. Nonetheless, we find that CPN currently offers a better relative value among the IPPs, and is thematically well positioned to capitalize on industry trends toward increased gas-fired and renewable generation and the potential for a prolonged period of relatively low gas prices given continued rapid development of shale gas resources.

Stepping back from PCG on CA regulatory, San Bruno concerns

Stepping back from PCG on less certain outlook for California regulation

We are downgrading PCG to Hold from Buy based on concerns about possible changes in the California regulatory environment, the potential for an adjustment to PCG's capital structure and ROE in 2013, and ongoing headline risks from the San Bruno accident. When we upgraded PCG in early October 2010, we noted the attractive risk/reward based on our view that the stock was pricing in negative outcomes in the 2011 General Rate Case (GRC), upcoming gubernatorial election, and Manzana wind project case. Since then, PCG reached a relatively constructive settlement in the GRC, Jerry Brown was elected California's governor, and Manzana appears likely to be denied.

CPUC changes not necessarily negative but uncertainty likely weighs

We had pointed to Jerry Brown's election as a positive catalyst for PCG, as we expected he would keep the California Public Utilities Commission (CPUC) on its current track (likely with President Peevey remaining at its helm). While Governor Brown appears to remain committed to his clean energy stance, it is unclear at this point that the CPUC's overall direction will be unchanged. It currently appears that Commissioner Nancy Ryan (who was previously President Peevey's chief of staff and the CPUC executive director) will not be confirmed by the California Senate, giving Governor Brown three vacant seats to fill. News reports have focused on candidates that have been critical of the current commission and consider themselves consumer advocates. Some media reports suggest the most likely candidate to be appointed is John Geesman, a former California Energy Commissioner and board member of The Utility Reform Network (TURN). Several articles in the local press have mentioned that Brown may appoint him as the CPUC's new president. Geesman was very critical of PCG's Proposition 16 initiative and is a renewable energy supporter.

We acknowledge that it remains unclear whether the CPUC will ultimately become less constructive, but these concerns, in conjunction with PCG's greater risks in a 2013 cost of capital review (based on its higher equity ratio) and ongoing San Bruno risks, are driving our more cautious stance on PCG. We view EIX as a better way to gain California exposure based on valuation, the absence of San Bruno risks, and potential merchant upside.

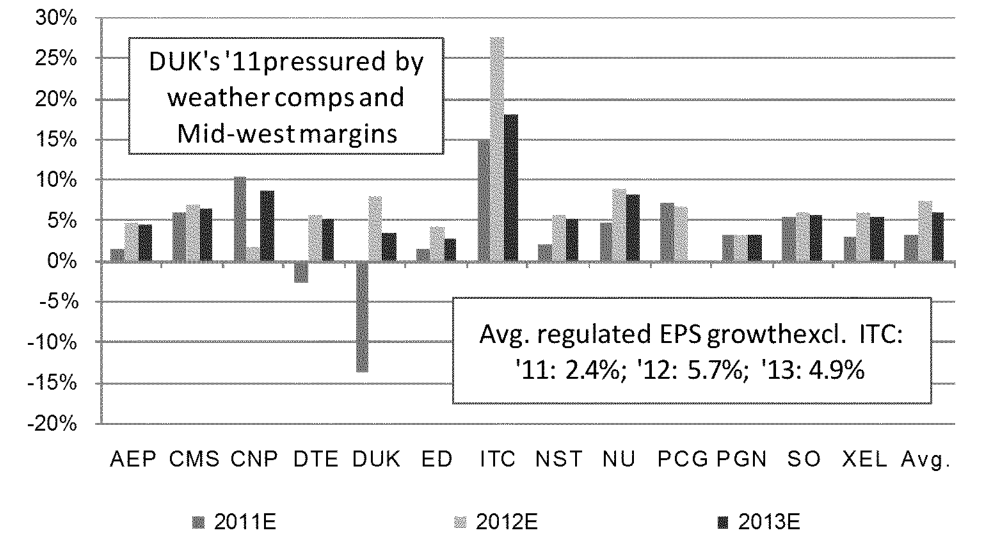
SB_GT&S_0005467

Key changes with 2013 roll

Regulated: Modest tweaks '10-'12; initial 2013E shows +5%

Within our mostly regulated coverage we have adjusted our 2010-2012 estimates for a few names as summarized in Figure 4. For 2010 we have raised numbers by 0.8% on average with the largest adjustment being NU (+7.5%) reflecting updated company guidance and capturing the stronger than expected Q3 as well as one-time tax benefits expected in Q4. We have also raised ED and PCG by 1.5% each. For 2011E our average estimate is down 0.5%, with downward adjustments at XEL (-2.9%); CNP (-1.7%) and PGN (-1.6%). For 2012 our average estimate is down marginally (-0.1%) although we have raised numbers for DUK (+3.8%) primarily on timing of rate base recovery; NU (+2.1%); DTE (+1.4%) and ED (+1.4%). Meanwhile we have lowered our 2012E for CNP (-4.0%); PGN (-3.0%) and XEL (-2.7%). After taking account of these adjustments we now show average growth from our regulated coverage of 3.3% in 2011 with the modest growth rate largely reflecting normalization of 2010's above-normal weather in both winter and summer. This is followed by 7.4% in 2012 and our initial 2013 estimates point to a number of 5.9%. Excluding the unusually high growth rate from ITC these numbers would be 2.4% in 2011; 5.7% in 2012 and 4.9% in 2013.

Figure 7: Regulated Coverage – EPS Growth Profiles (2011E-2013E)



Source: Deutsche Bank

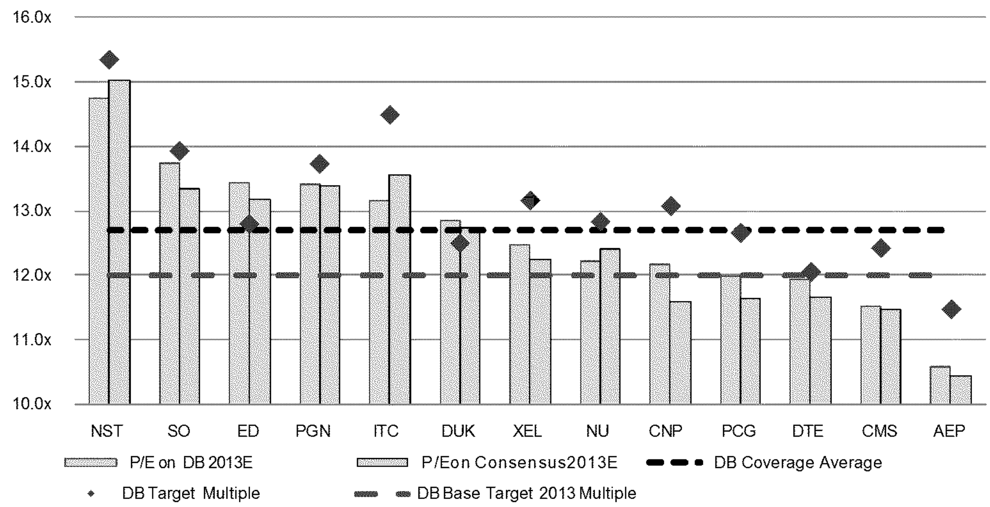
Regulated targets largely tracking 2013E growth outlooks

Our price targets for regulated utilities are generally based on P/E multiple targets applied to our 2013E. We use a base target multiple of 12x to which we add relative premiums or discounts for individual names based on factors including regulatory clarity; relative growth opportunities; consistency of execution; market capitalization and financial/credit position. These target multiples are summarized in Figure 6 and discussed in more detail in our individual company discussions. While most of our targets embed some level of premium over the base multiple of 12x we note that this reflects a favorable relative quality and size bias within our particular coverage universe. Illustrating this, our DB regulated coverage (13 names) currently trades at an average 2013 multiple of 12.6x our 2013E while the average for the broader group in our valuation comp sheet (28 names) is currently 12.3x. Changes to our regulated utility price targets are summarized in Figure 3 with an average increase of 5.1%

SB_GT&S_0005468

more or less consistent with the average increase in EPS estimate for 2013 over 2012. As would be expected the largest increases are for the growthier names within the coverage list, notably ITC (+9.2%) and NU (+9.7%) – and partly by default NU's merger partner NST (+9.9%). Our one regulated price target reduction is for AEP (-2.5%), mainly to reflect a more conservative view on the pace of their new transmission build and related earnings contributions.

Figure 8: Regulated Coverage – 2013E Target Multiples Context



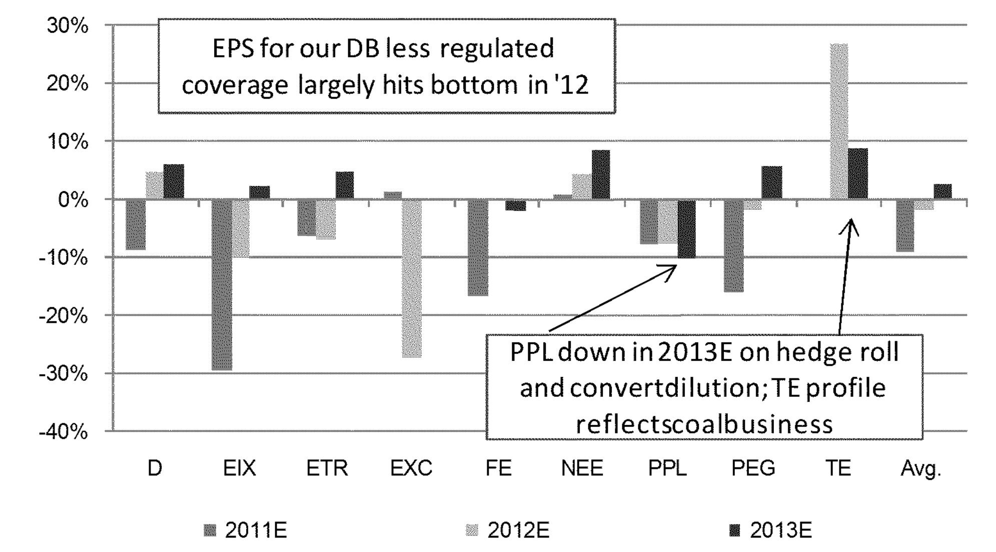
Source: Deutsche Bank and Capital IQ.

Less regulated: 2013 EPS turns corner (albeit modestly)

For our less regulated (diversified) coverage we have tweaked 2010 numbers down by 0.3% on average, with 2011 down 0.8% and 2012 increasing by 2.2% – largely reflecting a modestly higher projected forward power curve in our updated revised commodity price deck (Figure 18). As shown in Figure 4, the largest adjustment in 2011 is in fact for TECO where we have raised our coal production cost forecast in light of current market conditions with a negative net impact on margins given that TE's production is already largely hedged for 2011. For 2012 our average less regulated estimate increases by 5.7% - the largest upside being TE (+10%) on higher coal pricing, with other notable changes from generators with western PJM exposure (EXC +5.4% and FE +3.4%). With these changes we now forecast an average EPS decline of 9.1% in 2011 as high-priced legacy hedges from the last gas and power and upcycle continue to roll off. This is followed by continued net pressure in 2012 (-1.9% on average) with the most significant drop coming from EXC (-27%) where prices on 2011 hedges were particularly favorable and there is the added pressure of lower calendar year pricing on their large RTO region generation position (see Figure 10). Our initial 2013 numbers for the less regulated group show a modest increase as hedges and our forward power projections finally combine to create a bottom – or at least a low plateau – for most companies in 2012. That said, we should note that our commodity assumptions remain modestly above market for 2013, with a projected natural gas price of $5.50/mmbtu versus a recent 2013 forward market price closer to $5.30/mmbtu (~4% lower). While we show most of our less regulated coverage with modest growth in 2013 over 2012, the one notable exception is PPL where we see another 10% of incremental earnings pressure in 2013. This reflects the twin pressures of better than average commodity hedging in 2012 together with the incremental dilution of ~$0.09/sh associated with the mid-year year impact of converting equity units from last year's stock issuance to fund the E.On Kentucky utilities purchase.

SB_GT&S_0005469

Figure 9: Regulated Coverage – EPS Growth Profiles (2011E-2013E)



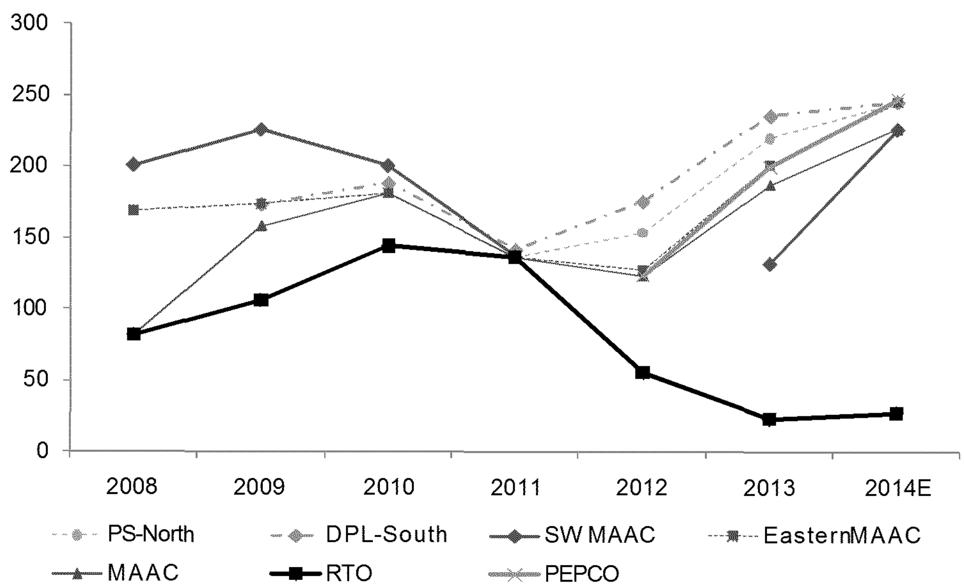
Source: Deutsche Bank

Genco values based on mid-point EV/EBITDA of 8x 2013E

Figure 11 compares disclosed energy hedging positions for key names within the less regulated and IPP/merchant groups. As shown, hedge levels where disclosed for 2013 are generally at or below 30% and in most cases those hedges are fairly consistent with the current open forward curve. As a result we believe that a valuation based on 2013 numbers is currently reasonably close to being on an open basis for most names – at least much closer than where either 2011 or 2012 have been. On the PJM capacity front (Figure 10) we note that calendar year 2013 prices in the Eastern regions are closer to their recent highs than lows, while prices in the West (RTO) remain close to their lows and clearly have the most scope to increase in an aggressive coal plant retirement scenario. Net/net, we believe that market conditions and earnings power for 2013 is towards a mid-point in the cyclical range of recent market pricing for both gas and power. As a result we are basing our merchant valuations on a mid-point EV/EBITDA multiple of 8x versus a historical cyclical range based on IPPs and other similar cyclical industries of around 4x to 12x. Investors perusing Figure 6 will notice that we assign premiums to most generators versus the 8x baseline with the range of targets being 7x (EIX) to 9.5x (EXC). These company adjustments are designed to capture relative positioning on a series of quantitative and qualitative factors – one of which is relative environmental position within a generator's given market. Whereas we had in the past included an explicit carbon adder, we no longer view this as appropriate given recent political changes and the much diminished near-term likelihood of seeing a federal pricing regime for carbon. Regional carbon pricing (RGGI and now California) remains a factor, but this is now being picked up in the forward power curves on which our estimates are based. In terms of impact the two predominantly nuclear generators (EXC and ETR) were most affected by this change – but the valuation impact is more pronounced for ETR given that its regional forward power markets in NY and the Northeast have been less robust given their lower exposure to marginal coal prices (which have been rising). Net/net, absent carbon pricing and assuming continued weak natural gas due to shale production, leverage to future market price increases driven by environmental mandates and/or higher coal prices will likely be more pronounced for nuclear operators in more coal-dependent PJM geographies.

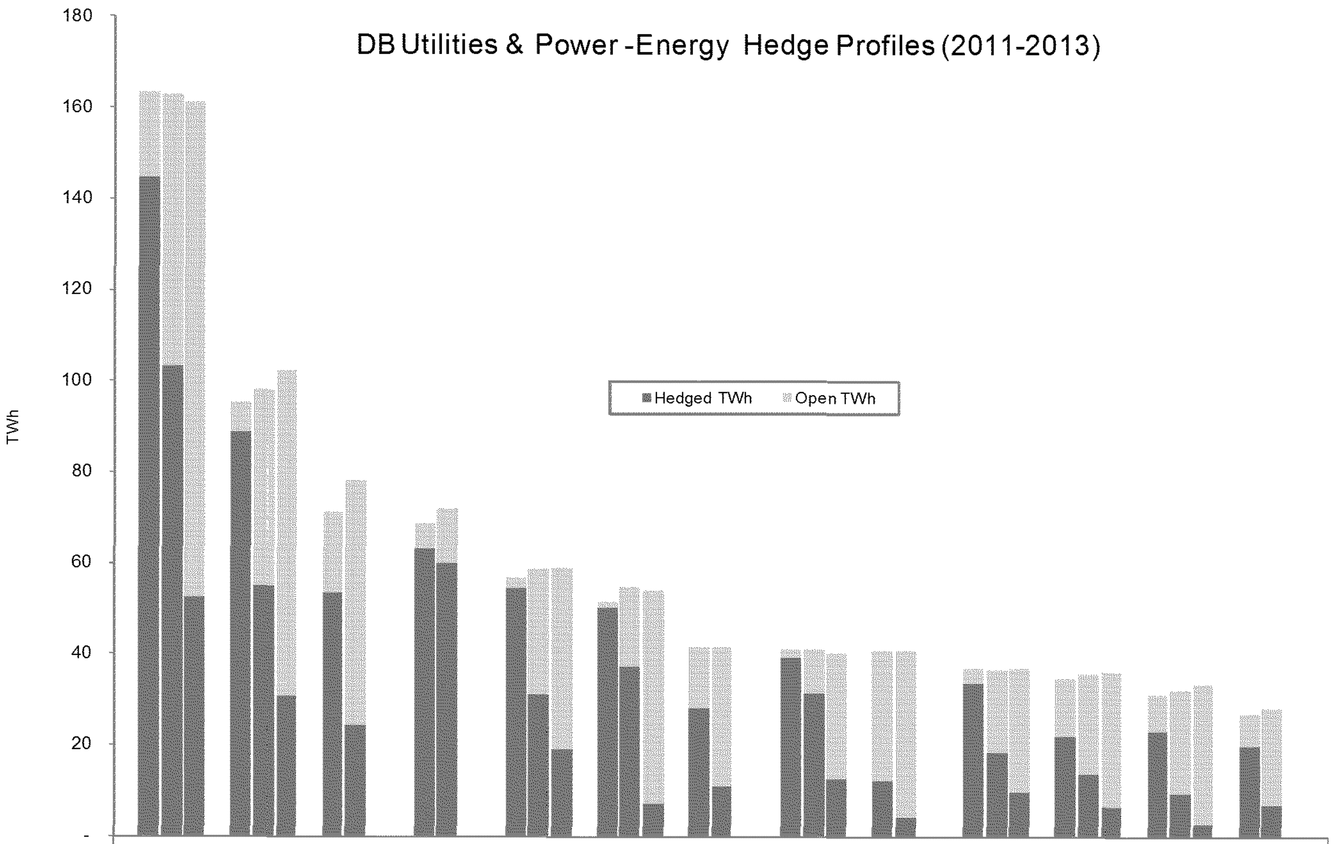
SB_GT&S_0005470

Figure 10: Calendar Year PJM RPM Pricing (2008-2014E)



Source: Deutsche Bank

Figure 11: Less Regulated and IPPs – Relative Energy Positions and Hedging



	EXC	CPN	FE	NEE	NRG	PPL	PEG	ETR	EIX	CEG	GenOn	AYE	D
Open TWh	19 59 109	7 43 71	18 54	5 12	2 27 40	2 18 47	13 31	2 10 28	28 37	3 18 27	12 22 30	8 23 31	7 22
Hedged TWh	145 103 52	88 55 31	53 24	63 60	54 31 19	50 37 7	28 11	39 31 12	12 4	34 18 10	22 13 6	23 9 2	20 7
Hedged %	89 64 33	93 56 30	75 31	92 83	96 53 32	97 68 13	68 26	95 76 31	30 10	91 50 26	64 38 17	74 29 7	73 23

Source: Deutsche Bank

SB_GT&S_0005471

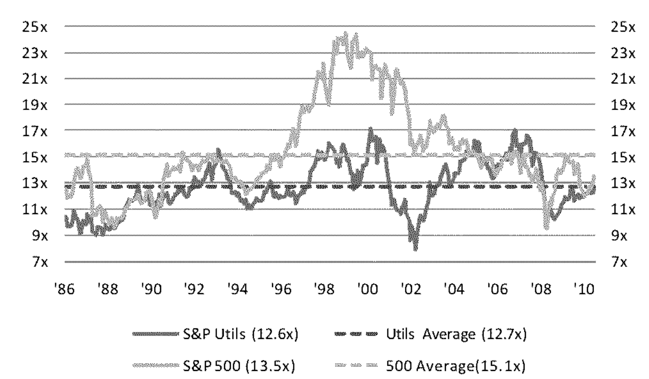
Relative valuation update

Relative P/E off 2010 highs but not compelling value

As shown in Figure 12 and Figure 13 the 12-month forward valuation on the S&P Utilities index now stands at 12.6x or 0.2x (1.6%) higher than it did when we published our 2011 outlook piece on December 21 (Utilities & Power, 12/21/10). Relative to the S&P 500 the multiple is unchanged at 93% of the S&P 500 market multiple (7% discount). Looking back to this time a year ago the forward sector multiple stood at 12.3x and the relative was at 83% or slightly below its long-run average of 85%. Over the same time period forward earnings projections for the market have increased by over 20% while forecast S&P Utility earnings are hardly changed with continued roll-off of above-market merchant hedges offsetting steady growth from the regulated group. With utility stocks enjoying a mid-year defensive rally (April through August) while market earnings projections continued to move up, the relative multiple peaked at just above parity in August but since reversed about half of its gains.

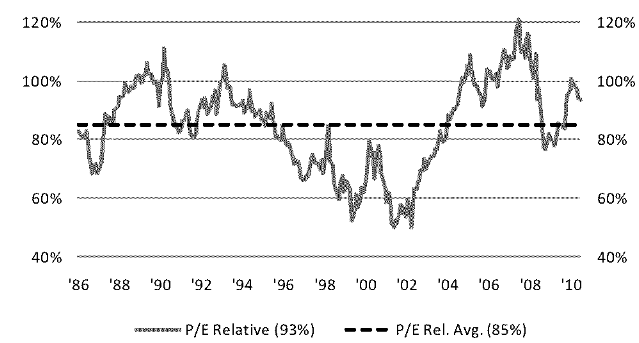
We continue to see only limited room for multiple expansion given a generally constructive view of economic recovery – essentially we have a hard time paying much more than an average relative multiple for utilities in a period of economic expansion. Reflecting this our core P/E valuation multiple for the regulated utilities – 12x 2013E – continues to be based on a modest discount to current trading levels of 12.7x for DB coverage and 12.3x for our broader comp sheet universe (Figure 25 and Figure 26). As shown in Figure 6 and Figure 8, however, we assign premiums over this base level of 12x for most of our coverage consistent with their relative quality and market cap bias versus the broader peer group.

Figure 12: S&P Utilities & S&P 500 12M Forward P/E



Source: FactSet, Capital IQ and Deutsche Bank

Figure 13: S&P Utilities 12M Forward P/E Relative



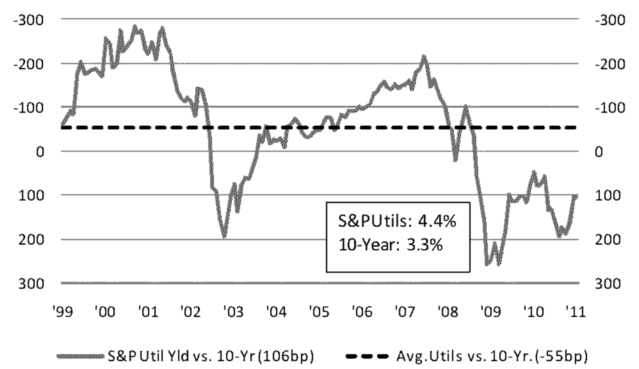
Source: FactSet, Capital IQ and Deutsche Bank

SB_GT&S_0005472

Relative yield still offers some valuation support

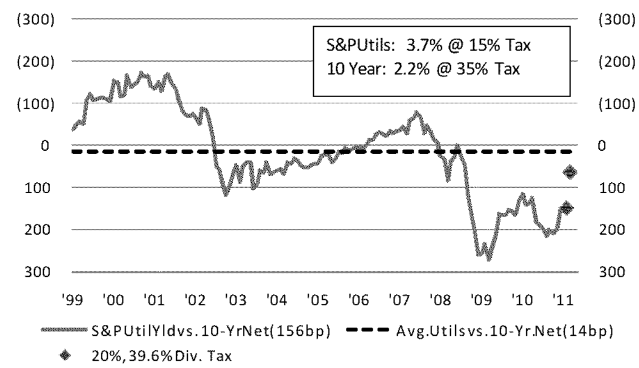
Looking at relative yields the spread between S&P Utility dividend yields and bond yields continues to offer support for utility stocks at these levels – albeit less so now that interest rates have moved up from their 2010 lows. Figure 14 shows a spread of 106bps between the current utility dividend yield (4.4%) and the 10-Year Treasury yield (3.3%) compared to a long run average of 55bps negative. Normalizing this spread versus the 10-Year through stock price change alone would imply upside of almost 60% for utility stocks and an earnings multiple of almost 20x or close to a 50% premium versus market. We continue to believe a far more likely scenario is that yield spreads revert towards more normal levels over time with higher market interest rates – as has been the case over the past six months or so with the move from the mid-2% range to the mid-3% range in 10-Year yields. While changes to dividend tax policy have been averted for the next couple of years, we continue to show an after-tax analysis of our yield relative comparisons (Figure 15 and Figure 16). As shown, the after-tax spread at current higher tax rates (15% for dividends and 35% for bond interest) is about 160bps versus a long run average of 14bps. If we assume that marginal rates for both dividends and income eventually increase to 39.6% - as they would have done for 2011 had the Bush-era tax cuts not been extended for two extra years – then the spread would decline to about 65bps or only 50bps away from the long-run average. While this clearly implies further yield headroom for utility stocks it would only take a 100bp upward move in interest rates to put the after-tax analysis back on the other side of its long-run average.

Figure 14: S&P Utilities Yield vs. 10-Year Treasury



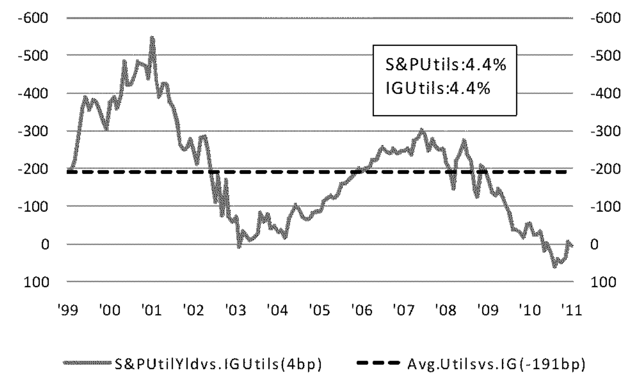
Source: FactSet, Capital IQ and DB Research

Figure 15: Tax-Adjusted S&P Utils Yield vs. 10-Year



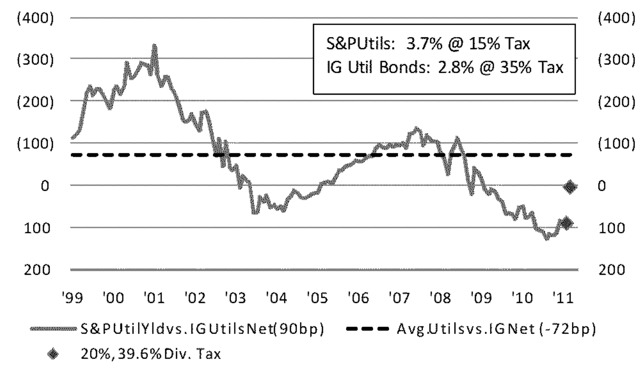
Source: FactSet, Capital IQ and DB Research

Figure 16: S&P Utilities Yield vs. IG Utility Bonds



Source: FactSet, Capital IQ and DB Research

Figure 17: Tax-Adjusted S&P Utils Yield vs. IG Utils



Source: FactSet, Capital IQ and DB Research

SB_GT&S_0005473

Commodity deck refreshed

Updated DB commodity deck lowers 2011 natural gas to $4.30 from $4.50, while capturing heat rate and coal strength

Figure 18: DB Utility & Power Commodity Price Assumptions

	2010	2011	2012	2013	2014
NYMEX Natural Gas ($/MMBtu)	4.37	4.30	5.25	5.50	5.75
Peak Mkt Heat Rate (mmBtu/MWh)					
PJM West	10.62	10.10	9.50	9.30	9.40
NEPOOL	10.43	10.30	9.60	9.40	9.50
NY Zone J	12.04	12.20	11.30	11.20	11.40
Cinergy	9.54	8.70	8.20	8.30	8.60
NI Hub	9.23	8.50	7.80	8.20	8.20
ERCOT-Houston	9.69	10.00	9.90	10.00	10.20
NP-15	8.90	9.00	10.40	10.80	11.00
SP-15	9.47	9.70	11.20	11.60	11.70
Peak Power Prices ($/MWh)					
PJM West	54.45	49.00	55.00	56.00	59.00
NEPOOL	55.31	52.00	58.00	59.00	62.00
NY Zone J	65.19	62.00	68.00	71.00	75.00
Cinergy	42.54	38.00	43.00	46.00	50.00
NI Hub	41.17	37.00	41.00	46.00	48.00
ERCOT-Houston	42.02	42.00	51.00	54.00	58.00
NP-15	40.32	39.00	55.00	60.00	64.00
SP-15	40.38	40.00	57.00	61.00	65.00
Around-the-Clock Power Prices ($/MWh)					
PJM West	45.81	43.00	48.00	49.00	52.00
NEPOOL	47.25	46.00	52.00	53.00	55.00
NY Zone J	53.56	53.00	57.00	60.00	63.00
Cinergy	34.15	32.00	36.00	39.00	43.00
NI Hub	32.14	30.00	34.00	37.00	39.00
ERCOT-Houston	34.46	36.00	43.00	46.00	48.00
NP-15	35.71	34.00	48.00	53.00	56.00
SP-15	35.34	35.00	49.00	53.00	56.00
Market Spark Spreads ($/MWh)					
PJM West	17.52	13.70	13.20	12.40	13.60
NEPOOL	17.12	16.00	14.80	14.00	15.20
NY Zone J	26.21	25.60	24.40	25.60	27.80
Cinergy	10.44	6.70	4.80	6.00	8.20
NI Hub	9.07	5.70	2.80	6.00	6.20
ERCOT-Houston	10.79	11.80	13.90	15.10	17.30
NP-15	7.72	7.70	16.80	20.00	22.20
SP-15	9.67	10.50	20.60	22.80	25.00
Coal Costs ($/ton)					
Central App; 12,000 BTU/lb; 1.0 SO2 (NYMEX)	61.58	78.00	82.00	85.00	86.50
Northern App; 13,000 BTU/lb; 3.0 SO2	64.06	76.00	79.00	81.50	83.00
PRB; 8,800 BTU/lb; 0.8 SO2	12.87	13.80	14.90	15.30	15.60
Market Dark Spreads (excl. rail costs) - $/MWh					
PJM West - NYMEX	18.87	8.90	12.10	11.80	14.20
Cinergy - PRB 8,800	26.47	23.80	27.10	29.90	33.70

Source: Deutsche Bank

SB_GT&S_0005474

Key changes to DB commodity deck

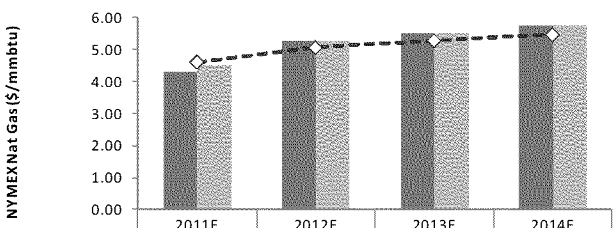
Gas prices: We have lowered our 2011 NYMEX gas price forecast to $4.30/MMBtu from $4.50 in line with the updated forecast from the DB commodity team. We are maintaining our 2012-14 gas price forecasts of $5.25, $5.50, and $5.75 per MMBtu. Our gas price forecast is about 7% below market in 2011, but about $0.20/MMBtu (3-4%) above market in 2012-14.

Heat rates: We have raised our on-peak heat rate assumptions across all regions in line with the increase seen in market heat rates since our last commodity update in September. Our heat rate assumptions rise a particularly large amount at PJM-West and Cinergy, likely due to now higher coal prices which feeds into the power price in these relatively coal-dependent markets. Additionally, we have raised our California forward heat rate assumptions for 2012 and beyond significantly, which we attribute to the incorporation of carbon compliance costs in the power price.

Power prices: Our 2011 power price assumptions remain relatively constant versus our last update as the impact of a lower gas forecast and higher heat rates offset. For 2012 and beyond, our power price assumptions rise by about $2-4/MWh at most hubs and a more significant $4-8/MWh in California due to higher market heat rates at most hubs and the incorporation of carbon compliance costs in California. Our forward power price assumptions are now about $2-4/MWh, or 4-6% above market in the key PJM, ERCOT, and California markets.

Coal costs: We have raised our coal price assumptions for the Appalachian and Illinois Basin coals by about $5-10/ton over the 2011-14 period, with a relatively larger increase in 2011 and a smaller increase in the outer years to reflect now higher market coal prices versus our last update in September. However, we have reduced our PRB coal price assumptions modestly as market prices have declined since September. Our NYMEX (Appalachian) coal price assumption is now about $1/ton above market in 2012-13.

Figure 19: DB Deck & Market – Nat Gas ($/mmbtu)

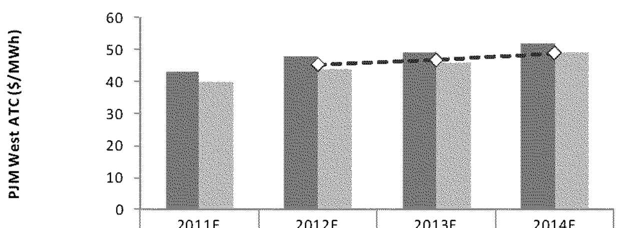


	2011E	2012E	2013E	2014E
DB Estimate	$4.30	$5.25	$5.50	$5.75
Prior DB Estimate	$4.50	$5.25	$5.50	$5.75
Current Market	$4.62	$5.07	$5.29	$5.48

DB Estimate   Prior DB Estimate   Current Market

Source: Deutsche Bank and Bloomberg Finance LP

Figure 20: DB Deck & Market – PJM West ATC ($/MWh)



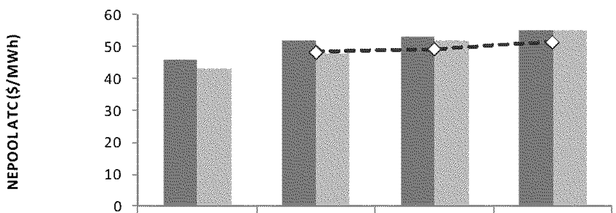
	2011E	2012E	2013E	2014E
DB Estimate	$43.00	$48.00	$49.00	$52.00
Prior DB Estimate	$40.00	$44.00	$46.00	$49.00
Current Market		$45.40	$46.77	$48.95

DB Estimate   Prior DB Estimate   Current Market

Source: Deutsche Bank and Bloomberg Finance LP

SB_GT&S_0005475

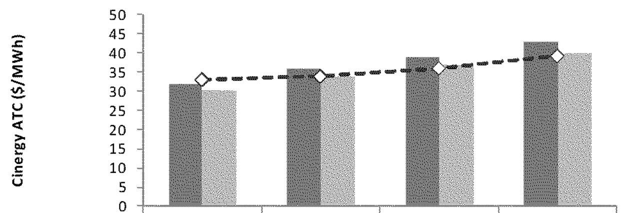
Figure 21: DB Deck & Market – NEPOOL ATC ($/MWh)



	2011E	2012E	2013E	2014E
DB Estimate	$46.00	$52.00	$53.00	$55.00
Prior DB Estimate	$43.00	$48.00	$52.00	$55.00
Current Market		$48.39	$49.44	$51.56

Source: Deutsche Bank and Bloomberg Finance LP

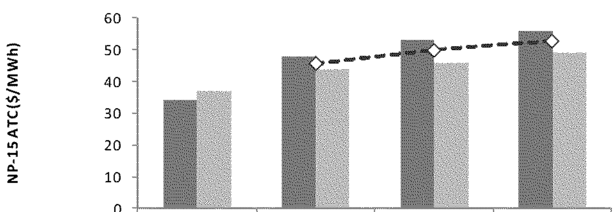
Figure 22: DB Deck & Market – Cinergy ATC ($/MWh)



	2011E	2012E	2013E	2014E
DB Estimate	$32.00	$36.00	$39.00	$43.00
Prior DB Estimate	$30.00	$34.00	$37.00	$40.00
Current Market	$33.15	$33.96	$36.12	$39.36

Source: Deutsche Bank and Bloomberg Finance LP

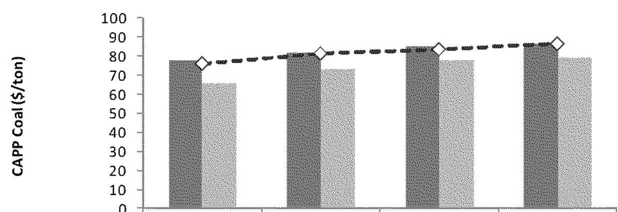
Figure 23: DB Deck & Market – NP-15 ATC ($/MWh)



	2011E	2012E	2013E	2014E
DB Estimate	$34.00	$48.00	$53.00	$56.00
Prior DB Estimate	$37.00	$44.00	$46.00	$49.00
Current Market		$45.74	$49.94	$52.86

Source: Deutsche Bank and Bloomberg Finance LP

Figure 24: DB Deck & Market – CAPP Coal ($/ton)



	2011E	2012E	2013E	2014E
DB Estimate	$78.00	$82.00	$85.00	$86.50
Prior DB Estimate	$66.00	$73.00	$77.50	$79.00
Current Market	$76.13	$81.51	$83.70	$86.75

Source: Deutsche Bank and Bloomberg Finance LP

SB_GT&S_0005476

Figure 25: DB Utilities & Power Comparative Valuation Sheet (1)

DEUTSCHE BANK SECURITIES UTILITIES & POWER	Basic Ticker	Price 1/19/11	DB Rating	DB Price Target: Target	DB Price Target: Return	DB Price Target: TSR '11	52 Week: Low	52 Week: High	Shs (MM)	M. Cap. ($Mn)	EPS 2010	EPS 2011	EPS 2012	EPS 2013	P/E 2010	P/E 2011	P/E 2012	P/E 2013	DPS 2011	DPS 2012	Div. Yield 2011	Div. Yield 2012	Payout Ratio 2011	Payout Ratio 2012
MOSTLY REGULATED																								
AMERICAN ELECTRIC POWER	AEP	$35.87	Buy	$39.00	8.7%	13.9%	$28.17	$37.94	480	17,218	3.05	3.10	3.25	3.40	11.7x	11.6x	11.0x	10.6x	1.86	1.90	5.2%	5.3%	60%	58%
CMS ENERGY	CMS	$18.96	Buy	$20.50	8.1%	12.6%	$14.09	$19.25	230	4,353	1.37	1.45	1.55	1.65	13.8x	13.1x	12.2x	11.5x	0.84	0.89	4.4%	4.7%	58%	57%
CENTERPOINT ENERGY	CNP	$15.79	Buy	$17.00	7.7%	12.7%	$12.75	$17.00	423	6,680	1.07	1.18	1.20	1.30	14.7x	13.4x	13.1x	12.1x	0.80	0.82	5.1%	5.2%	68%	68%
DTE ENERGY	DTE	$46.54	Hold	$47.00	1.0%	5.8%	$41.25	$49.06	169	7,871	3.60	3.50	3.70	3.90	12.9x	13.3x	12.6x	11.9x	2.24	2.36	4.8%	5.1%	64%	64%
DUKE ENERGY	DUK	$18.00	Hold	$17.50	-2.8%	2.7%	$15.47	$18.60	1,322	23,797	1.45	1.25	1.35	1.40	12.4x	14.4x	13.3x	12.9x	0.99	1.01	5.5%	5.6%	79%	75%
CON EDISON	ED	$50.16	Hold	$48.00	-4.3%	0.5%	$50.07	$50.38	284	14,255	3.45	3.50	3.65	3.75	14.5x	14.3x	13.7x	13.4x	2.40	2.42	4.8%	4.8%	69%	66%
ITC HOLDINGS	ITC	$64.33	Buy	$71.00	10.4%	12.6%	$47.45	$66.46	51	3,257	2.83	3.25	4.15	4.90	22.8x	19.8x	15.5x	13.1x	1.40	1.47	2.2%	2.3%	43%	35%
NORTHEAST UTILITIES	NU	$32.37	Hold	$34.00	5.0%	8.4%	$24.68	$32.77	177	5,719	2.15	2.25	2.45	2.65	15.1x	14.4x	13.2x	12.2x	1.09	1.15	3.4%	3.5%	48%	47%
NSTAR	NST	$42.73	Hold	$44.50	4.1%	8.1%	$32.53	$43.10	103	4,420	2.55	2.60	2.75	2.90	16.8x	16.5x	15.5x	14.8x	1.70	1.80	4.0%	4.2%	65%	65%
PG&E CORP	PCG	$47.19	Hold	$50.00	6.0%	10.1%	$34.95	$48.63	392	18,476	3.45	3.70	3.95	3.95	13.7x	12.8x	12.0x	12.0x	1.96	2.08	4.2%	4.4%	53%	53%
PROGRESS ENERGY	PGN	$44.90	Hold	$46.00	2.4%	8.0%	$37.04	$45.61	294	13,201	3.05	3.15	3.25	3.35	14.7x	14.2x	13.8x	13.4x	2.48	2.48	5.5%	5.5%	79%	76%
SOUTHERN COMPANY	SO	$38.48	Hold	$39.00	1.4%	6.3%	$30.85	$38.66	836	32,168	2.38	2.50	2.65	2.80	16.2x	15.4x	14.5x	13.7x	1.89	1.96	4.9%	5.1%	76%	74%
XCEL ENERGY	XEL	$23.72	Hold	$25.00	5.4%	9.8%	$19.81	$24.36	460	10,914	1.65	1.70	1.80	1.90	14.4x	14.0x	13.2x	12.5x	1.04	1.07	4.4%	4.5%	61%	59%
ALLIANT ENERGY	LNT	$37.44	–	–	–	–	$29.20	$37.75	111	4,150	1.96	2.85	3.01	3.05	19.1x	13.1x	12.4x	12.3x	1.70	1.80	4.5%	4.8%	60%	60%
DPL INC.	DPL	$26.27	–	–	–	–	$23.73	$28.44	119	3,125	2.01	2.45	2.56	-	13.1x	10.7x	10.3x	NA	1.26	1.36	4.8%	5.2%	52%	53%
GREAT PLAINS ENERGY	GXP	$19.83	–	–	–	–	$16.63	$19.98	136	2,690	1.14	1.57	1.68	1.91	17.4x	12.6x	11.8x	10.4x	0.84	0.86	4.2%	4.3%	54%	51%
IDACORP	IDA	$37.95	–	–	–	–	$29.98	$38.45	49	1,864	2.64	2.97	3.04	3.15	14.4x	12.8x	12.5x	12.0x	1.24	1.29	3.3%	3.4%	42%	42%
NISOURCE	NI	$18.55	–	–	–	–	$14.13	$18.74	278	5,163	1.07	1.31	1.40	1.42	17.3x	14.1x	13.2x	13.0x	0.92	0.92	5.0%	5.0%	70%	65%
NV ENERGY INC	NVE	$14.21	–	–	–	–	$10.94	$14.76	235	3,342	0.78	0.98	1.24	1.37	18.2x	14.6x	11.5x	10.4x	0.48	0.46	3.4%	3.3%	49%	37%
NORTHWESTERN CORP.	NWE	$28.64	–	–	–	–	$23.77	$30.60	36	1,037	2.02	2.24	2.34	-	14.2x	12.8x	12.2x	NA	1.39	1.41	4.8%	4.9%	62%	60%
PS NEW MEXICO	PNM	$13.49	–	–	–	–	$10.81	$13.96	91	1,234	0.94	0.78	1.17	1.20	14.4x	17.2x	11.6x	11.3x	0.51	0.55	3.8%	4.0%	65%	47%
PINNACLE WEST CAPITAL	PNW	$41.42	–	–	–	–	$32.31	$42.68	109	4,503	0.91	3.07	3.37	3.58	45.5x	13.5x	12.3x	11.6x	2.11	2.13	5.1%	5.2%	69%	63%
PEPCO HOLDINGS	POM	$18.33	–	–	–	–	$15.13	$19.80	225	4,115	1.31	1.21	1.32	1.40	14.0x	15.2x	13.9x	13.1x	1.09	1.09	5.9%	6.0%	90%	83%
PORTLAND GENERAL ELEC.	POR	$21.99	–	–	–	–	$17.46	$22.65	75	1,656	2.85	1.84	1.79	1.85	7.7x	12.0x	12.3x	11.9x	1.08	1.13	4.9%	5.2%	59%	63%
SCANA	SCG	$41.79	–	–	–	–	$34.23	$41.97	127	5,317	2.85	3.19	3.40	3.71	14.7x	13.1x	12.3x	11.3x	1.93	2.02	4.6%	4.8%	60%	59%
INTEGRYS	TEG	$48.25	–	–	–	–	$40.53	$54.45	78	3,743	2.69	3.35	3.55	-	17.9x	14.4x	13.6x	NA	2.74	2.76	5.7%	5.7%	82%	78%
WISCONSIN ENERGY	WEC	$59.37	–	–	–	–	$46.84	$61.02	117	6,940	3.20	4.16	4.56	4.72	18.6x	14.3x	13.0x	12.6x	1.98	2.34	3.3%	3.9%	48%	51%
AVERAGE - SIMPLE									**Total**	**211,207**					**16.3x**	**14.0x**	**12.8x**	**12.2x**			**4.5%**	**4.7%**	**62%**	**60%**
GROUP HIGH									**DB Rated**	**162,329**					45.5x	19.8x	15.5x	14.8x			5.9%	6.0%	90%	83%
GROUP LOW															7.7x	10.7x	10.3x	10.4x			2.2%	2.3%	42%	35%
LESS REGULATED																								
DOMINION RESOURCES	D	$42.95	Buy	$46.50	8.3%	12.9%	$36.12	$45.12	581	24,954	3.40	3.10	3.25	3.45	12.6x	13.9x	13.2x	12.4x	1.97	2.05	4.6%	4.8%	64%	63%
EDISON INTERNATIONAL	EIX	$37.50	Buy	$42.00	12.0%	15.4%	$30.37	$39.37	326	12,218	3.54	2.50	2.25	2.30	10.6x	15.0x	16.7x	16.3x	1.28	1.30	3.4%	3.5%	51%	58%
ENTERGY CORP.	ETR	$72.62	Hold	$75.00	3.3%	7.8%	$68.65	$84.33	188	13,636	7.05	6.60	6.15	6.45	10.3x	11.0x	11.8x	11.3x	3.32	3.32	4.6%	4.6%	50%	54%
EXELON	EXC	$42.76	Hold	$42.00	-1.8%	3.1%	$37.24	$49.07	662	28,286	4.00	4.05	2.95	2.95	10.7x	10.5x	14.5x	14.5x	2.10	2.10	4.9%	4.9%	52%	71%
FIRSTENERGY	FE	$38.85	Hold	$39.00	0.4%	6.0%	$33.57	$46.88	305	11,849	3.65	3.05	3.05	3.00	10.6x	12.8x	12.7x	12.9x	2.20	2.20	5.7%	5.7%	72%	72%
NEXTERA ENERGY	NEE	$54.14	Hold	$55.00	1.6%	5.4%	$45.29	$56.26	414	22,414	4.35	4.40	4.60	5.00	12.4x	12.3x	11.8x	10.8x	2.08	2.18	3.8%	4.0%	47%	47%
PPL CORP.	PPL	$25.76	Hold	$26.50	2.9%	8.4%	$23.75	$32.09	483	12,435	2.87	2.65	2.45	2.20	9.0x	9.7x	10.5x	11.7x	1.42	1.45	5.5%	5.6%	53%	59%
PSEG	PEG	$31.78	Buy	$37.00	16.4%	20.8%	$29.01	$34.93	507	16,111	3.15	2.65	2.60	2.75	10.1x	12.0x	12.2x	11.6x	1.40	1.46	4.4%	4.6%	53%	56%
TECO ENERGY	TE	$18.09	Sell	$16.50	-8.8%	-4.0%	$14.46	$18.50	215	3,889	1.30	1.30	1.65	1.80	13.9x	13.9x	10.9x	10.1x	0.87	0.93	4.8%	5.1%	66%	56%
AMEREN	AEE	$28.49	–	–	–	–	$23.09	$29.89	240	6,833	2.79	2.40	2.10	1.67	10.2x	11.9x	13.5x	17.1x	1.54	1.54	5.4%	5.4%	64%	73%
ALLEGHENY ENERGY	AYE	$25.62	–	–	–	–	$18.97	$25.66	170	4,354	2.33	2.09	1.23	1.24	11.0x	12.3x	20.9x	20.7x	0.69	0.72	2.7%	2.8%	33%	59%
CONSTELLATION ENERGY	CEG	$32.06	–	–	–	–	$27.64	$38.73	200	6,406	3.36	3.29	2.43	2.81	9.5x	9.7x	13.2x	11.4x	0.98	1.00	3.0%	3.1%	30%	41%
SEMPRA ENERGY	SRE	$51.94	–	–	–	–	$43.91	$54.45	240	12,468	4.52	4.15	4.28	0.00	11.5x	12.5x	12.1x	NA	1.84	1.94	3.5%	3.7%	44%	45%
AVERAGE - SIMPLE									**Total**	**175,854**					**11.0x**	**12.1x**	**13.4x**	**13.4x**			**4.3%**	**4.4%**	**52%**	**58%**
GROUP HIGH									**DB Rated**	**145,793**					13.9x	15.0x	20.9x	20.7x			5.7%	5.7%	72%	73%
GROUP LOW															9.0x	9.7x	10.5x	10.1x			2.7%	2.8%	30%	41%
MERCHANT & IPPs																								
CALPINE	CPN	$14.42	Hold	$16.00	11.0%	11.0%	$10.71	$14.90	487	7,029	0.29	0.25	0.32	1.00	49.7x	57.7x	45.1x	14.4x	-	-	-	-	-	-
GENON ENERGY	GEN	$4.13	Hold	$4.00	-3.1%	-3.1%	$3.49	$4.30	146	603	1.32	(0.24)	(0.31)	0.01	3.1x	NM	NM	413.0x	-	-	-	-	-	-
NRG ENERGY	NRG	$19.89	Hold	$19.00	-4.5%	-4.5%	$18.22	$25.70	253	5,032	2.86	0.98	0.82	0.25	7.0x	20.3x	24.3x	79.6x	-	-	-	-	-	-
AES CORPORATION	AES	$12.75	–	–	–	–	$8.82	$14.00	788	10,048	1.08	1.13	1.25	-	11.8x	11.3x	10.2x	NA	-	-	-	-	-	-
DYNEGY INC.	DYN	$5.67	–	–	–	–	$2.76	$9.35	121	686	(1.25)	(1.38)	(1.99)	(1.57)	NM	NM	NM	NM	-	-	-	-	-	-
ORMAT TECHNOLOGIES	ORA	$30.67	–	–	–	–	$25.80	$37.22	45	1,393	1.51	0.98	1.33	2.00	20.3x	31.4x	23.1x	15.3x	0.23	0.27	0.7%	0.9%	23%	21%
AVERAGE - SIMPLE									**Total**	**24,792**					**18.4x**	**30.2x**	**25.7x**	**130.6x**			**0.7%**	**0.9%**	**23%**	**21%**
GROUP HIGH									**DB Rated**	**12,664**					49.7x	57.7x	45.1x	413.0x			0.7%	0.9%	23%	21%
GROUP LOW															3.1x	11.3x	10.2x	14.4x			0.7%	0.9%	23%	21%

Source: Deutsche Bank and Capital IQ. Note: Numbers for DB rated stocks are DB forecasts; numbers for other names are consensus estimates derived from Capital IQ.

Figure 26: DB Utilities & Power Comparative Valuation Sheet (2)

DEUTSCHE BANK SECURITIES	Consensus EPS			Consensus P/E			EBITDA $MM			EV/EBITDA			FCF Yield			Net Debt: Capital			Net Debt: EBITDA			EBITDA/Interest		
UTILITIES & POWER	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
MOSTLY REGULATED																								
AMERICAN ELECTRIC POWER	3.15	3.27	3.44	11.4x	11.0x	10.4x	4,747	4,958	5,147	7.5x	7.3x	7.1x	2.8%	2.0%	2.8%	56%	56%	55%	3.9x	3.9x	3.8x	4.8x	4.8x	4.9x
CMS ENERGY	1.46	1.56	1.66	13.0x	12.2x	11.4x	1,590	1,668	1,745	7.4x	7.4x	7.3x	-0.5%	-5.0%	-2.0%	71%	71%	71%	4.6x	4.7x	4.8x	3.8x	3.8x	3.8x
CENTERPOINT ENERGY	1.19	1.26	1.37	13.3x	12.5x	11.6x	2,183	2,260	2,312	7.3x	7.0x	6.7x	0.2%	4.3%	7.4%	73%	72%	69%	4.2x	4.1x	3.8x	3.9x	4.0x	4.7x
DTE ENERGY	3.64	3.79	3.99	12.8x	12.3x	11.7x	2,527	2,642	2,758	6.2x	5.9x	5.7x	2.6%	2.1%	1.8%	53%	51%	50%	3.1x	2.9x	2.8x	4.8x	5.0x	5.1x
DUKE ENERGY	1.34	1.35	1.41	13.5x	13.3x	12.7x	5,201	5,571	5,824	8.3x	7.9x	7.8x	-2.5%	0.5%	0.2%	46%	47%	48%	3.7x	3.7x	3.7x	5.7x	5.7x	5.5x
CON EDISON	3.51	3.65	3.82	14.3x	13.7x	13.1x	3,048	3,238	3,391	8.4x	8.1x	7.9x	-0.7%	-0.2%	-0.9%	50%	49%	49%	3.8x	3.7x	3.7x	4.9x	5.0x	5.0x
ITC HOLDINGS	3.31	4.10	4.76	19.5x	15.7x	13.5x	503	606	706	11.9x	10.7x	9.6x	-7.5%	-13.0%	-7.1%	69%	71%	70%	5.4x	5.3x	5.0x	3.6x	4.2x	4.5x
NORTHEAST UTILITIES	2.25	2.41	2.61	14.4x	13.4x	12.4x	1,300	1,411	1,489	8.8x	8.6x	8.4x	-6.2%	-7.3%	-5.9%	59%	60%	58%	4.4x	4.5x	4.5x	4.5x	4.4x	4.3x
NSTAR	2.64	2.76	2.85	16.2x	15.5x	15.0x	835	866	879	8.5x	8.2x	8.1x	4.3%	5.2%	5.3%	57%	56%	55%	3.2x	3.1x	3.1x	7.9x	7.6x	7.1x
PG&E CORP	3.72	3.91	4.07	12.7x	12.1x	11.6x	5,044	5,362	5,511	6.5x	6.2x	6.1x	-2.0%	0.3%	0.8%	54%	53%	52%	2.8x	2.7x	2.8x	6.5x	6.6x	6.6x
PROGRESS ENERGY	3.14	3.25	3.35	14.3x	13.8x	13.4x	2,964	3,018	3,341	8.8x	8.8x	8.1x	0.3%	1.2%	2.4%	56%	56%	56%	4.4x	4.5x	4.2x	3.7x	3.7x	4.0x
SOUTHERN COMPANY	2.53	2.70	2.88	15.2x	14.3x	13.4x	5,780	6,158	6,696	9.1x	8.9x	8.5x	1.4%	-3.2%	-3.0%	53%	54%	55%	3.5x	3.7x	3.7x	6.3x	6.8x	6.7x
XCEL ENERGY	1.73	1.84	1.94	13.7x	12.9x	12.2x	2,678	2,793	2,924	7.8x	7.7x	7.5x	-1.6%	-0.3%	-4.3%	54%	54%	53%	3.8x	3.7x	3.7x	4.8x	4.9x	5.1x
ALLIANT ENERGY	2.85	3.01	3.05	13.1x	12.4x	12.3x	935	978	1,025	7.5x	7.1x	6.8x	NA	NA	NA	49%	NA	NA	3.0x	NA	NA	5.1x	NA	NA
DPL INC.	2.45	2.56	-	10.7x	10.3x	NA	629	629	-	6.3x	6.3x	NA	NA	NA	NA	40%	NA	NA	1.3x	NA	NA	9.1x	NA	NA
GREAT PLAINS ENERGY	1.57	1.68	1.91	12.6x	11.8x	10.4x	869	940	1,109	7.1x	6.5x	5.5x	NA	NA	NA	54%	NA	NA	4.0x	NA	NA	4.8x	NA	NA
IDACORP	2.97	3.04	3.15	12.8x	12.5x	12.0x	382	409	-	8.3x	7.8x	NA	NA	NA	NA	46%	NA	NA	3.4x	NA	NA	5.1x	NA	NA
NISOURCE	1.31	1.40	1.42	14.1x	13.2x	13.0x	1,577	1,686	1,733	7.5x	7.0x	6.8x	NA	NA	NA	58%	NA	NA	4.2x	NA	NA	4.0x	NA	NA
NV ENERGY INC	0.98	1.24	1.37	14.6x	11.5x	10.4x	1,024	1,143	1,245	8.1x	7.2x	6.6x	NA	NA	NA	59%	NA	NA	4.8x	NA	NA	2.8x	NA	NA
NORTHWESTERN CORP.	2.24	2.34	-	12.8x	12.2x	NA	277	286	-	7.4x	7.2x	NA	NA	NA	NA	56%	NA	NA	3.6x	NA	NA	4.2x	NA	NA
PS NEW MEXICO	0.78	1.17	1.20	17.2x	11.6x	11.3x	395	456	495	7.8x	6.7x	6.2x	NA	NA	NA	51%	NA	NA	4.6x	NA	NA	3.7x	NA	NA
PINNACLE WEST CAPITAL	3.07	3.37	3.58	13.5x	12.3x	11.6x	1,184	1,274	1,335	6.7x	6.2x	5.9x	NA	NA	NA	48%	NA	NA	2.9x	NA	NA	5.0x	NA	NA
PEPCO HOLDINGS	1.21	1.32	1.40	15.2x	13.9x	13.1x	1,096	1,207	1,306	7.8x	7.1x	6.6x	NA	NA	NA	52%	NA	NA	4.1x	NA	NA	4.0x	NA	NA
PORTLAND GENERAL ELEC.	1.84	1.79	1.85	12.0x	12.3x	11.9x	544	551	-	6.4x	6.3x	NA	NA	NA	NA	53%	NA	NA	3.3x	NA	NA	5.0x	NA	NA
SCANA	3.19	3.40	3.71	13.1x	12.3x	11.3x	1,180	1,268	1,633	8.1x	7.5x	5.9x	NA	NA	NA	54%	NA	NA	3.6x	NA	NA	4.2x	NA	NA
INTEGRYS	3.35	3.55	-	14.4x	13.6x	NA	765	756	-	7.3x	7.4x	NA	NA	NA	NA	39%	NA	NA	2.4x	NA	NA	5.4x	NA	NA
WISCONSIN ENERGY	4.16	4.56	4.72	14.3x	13.0x	12.6x	1,289	1,387	1,458	8.9x	8.2x	7.8x	NA	NA	NA	55%	NA	NA	3.5x	NA	NA	6.1x	NA	NA
AVERAGE - SIMPLE				**13.9x**	**12.8x**	**12.2x**				**7.8x**	**7.5x**	**7.1x**	**-0.7%**	**-1.0%**	**-0.2%**	**54%**	**58%**	**57%**	**3.7x**	**3.9x**	**3.8x**	**5.0x**	**5.1x**	**5.2x**
GROUP HIGH				19.5x	15.7x	15.0x				11.9x	10.7x	9.6x	4.3%	5.2%	7.4%	73%	72%	71%	5.4x	5.3x	5.0x	9.1x	7.6x	7.1x
GROUP LOW				10.7x	10.3x	10.4x				6.2x	5.9x	5.5x	-7.5%	-13.0%	-7.1%	39%	47%	48%	1.3x	2.7x	2.8x	2.8x	3.7x	3.8x
LESS REGULATED																								
DOMINION RESOURCES	3.17	3.23	3.55	13.5x	13.3x	12.1x	4,770	5,077	5,434	8.9x	8.7x	8.3x	-1.8%	-2.7%	-0.2%	59%	59%	59%	3.7x	3.8x	3.7x	5.7x	5.6x	5.6x
EDISON INTERNATIONAL	3.02	2.81	3.01	12.4x	13.4x	12.5x	3,907	3,989	4,189	6.6x	6.9x	7.1x	-11.0%	-10.1%	-10.1%	55%	58%	60%	3.4x	3.9x	4.2x	5.1x	4.8x	4.7x
ENTERGY CORP.	6.60	6.21	6.17	11.0x	11.7x	11.8x	3,334	3,288	3,406	7.2x	7.5x	7.4x	8.1%	8.3%	7.6%	52%	53%	53%	3.2x	3.3x	3.4x	6.2x	5.7x	5.8x
EXELON	4.09	3.08	2.88	10.5x	13.9x	14.9x	6,082	5,080	5,263	6.7x	8.3x	8.3x	1.2%	0.2%	0.8%	45%	46%	48%	2.1x	2.8x	2.9x	7.9x	6.3x	6.0x
FIRSTENERGY	3.20	2.98	2.95	12.1x	13.0x	13.2x	3,664	3,730	3,742	6.8x	6.6x	6.4x	8.2%	10.0%	10.5%	59%	58%	58%	3.6x	3.4x	3.2x	4.9x	4.7x	4.9x
NEXTERA ENERGY	4.46	4.70	5.02	12.1x	11.5x	10.8x	5,161	5,403	5,810	8.8x	8.8x	8.3x	-9.8%	-11.1%	-1.6%	60%	60%	59%	4.4x	4.7x	4.5x	5.2x	4.9x	5.0x
PPL CORP.	2.61	2.41	2.28	9.9x	10.7x	11.3x	2,524	2,449	2,399	9.9x	10.6x	11.2x	-3.1%	-2.3%	-3.0%	57%	57%	58%	5.0x	5.5x	6.1x	4.7x	4.3x	3.9x
PSEG	2.83	2.68	2.92	11.2x	11.9x	10.9x	3,688	3,722	3,926	6.9x	7.1x	6.8x	0.3%	0.5%	1.3%	48%	48%	48%	2.6x	2.7x	2.7x	6.8x	6.6x	6.6x
TECO ENERGY	1.41	1.53	1.63	12.8x	11.8x	11.1x	936	1,029	1,072	7.3x	6.5x	6.0x	8.1%	10.9%	12.4%	57%	53%	49%	3.2x	2.7x	2.3x	4.4x	5.3x	6.1x
AMEREN	2.40	2.10	1.67	11.9x	13.5x	17.1x	2,153	2,117	2,037	6.4x	6.5x	6.8x	NA	NA	NA	47%	NA	NA	3.2x	NA	NA	4.4x	NA	NA
ALLEGHENY ENERGY	2.09	1.23	1.24	12.3x	20.9x	20.7x	1,161	1,059	1,161	7.3x	8.0x	7.3x	NA	NA	NA	54%	NA	NA	3.5x	NA	NA	3.5x	NA	NA
CONSTELLATION ENERGY	3.29	2.43	2.81	9.7x	13.2x	11.4x	1,838	1,596	1,557	5.2x	6.0x	6.2x	NA	NA	NA	30%	NA	NA	1.7x	NA	NA	8.1x	NA	NA
SEMPRA ENERGY	4.15	4.28	-	12.5x	12.1x	NA	2,783	2,966	2,999	7.5x	7.0x	6.9x	NA	NA	NA	49%	NA	NA	3.0x	NA	NA	6.5x	NA	NA
AVERAGE- SIMPLE				**11.7x**	**13.1x**	**13.1x**				**7.4x**	**7.6x**	**7.5x**	**0.0%**	**0.4%**	**2.0%**	**52%**	**55%**	**54%**	**3.3x**	**3.6x**	**3.7x**	**5.7x**	**5.4x**	**5.4x**
GROUP HIGH				13.5x	20.9x	20.7x				9.9x	10.6x	11.2x	8.2%	10.9%	12.4%	60%	60%	60%	5.0x	5.5x	6.1x	8.1x	6.6x	6.6x
GROUP LOW				9.7x	10.7x	10.8x				5.2x	6.0x	6.0x	-11.0%	-11.1%	-10.1%	30%	46%	48%	1.7x	2.7x	2.3x	3.5x	4.3x	3.9x
MERCHANT & IPPs																								
CALPINE	0.17	0.26	0.74	84.6x	55.6x	19.6x	1,680	1,625	1,890	9.5x	9.7x	8.0x	0.1%	2.3%	8.4%	65%	65%	62%	5.3x	5.4x	4.3x	1.8x	1.9x	2.5x
GENON ENERGY	(0.18)	(0.24)	(0.03)	NM	NM	NM	675	610	900	4.8x	5.8x	3.8x	-11.0%	-9.9%	2.5%	24%	27%	27%	3.9x	4.8x	3.1x	1.9x	1.8x	2.4x
NRG ENERGY	1.21	0.91	0.55	16.5x	21.9x	36.0x	1,880	1,850	1,715	6.6x	7.3x	9.0x	-18.5%	-19.3%	-53.1%	46%	49%	54%	4.0x	4.5x	6.1x	3.1x	2.9x	2.7x
AES CORPORATION	1.13	1.25	-	11.3x	10.2x	NA	5,333	4,901	-	5.5x	6.0x	NA	NA	NA	NA	74%	NA	NA	3.6x	NA	NA	4.6x	NA	NA
DYNEGY INC.	(1.38)	(1.99)	(1.57)	NM	NM	NM	477	483	391	10.2x	10.0x	12.4x	NA	NA	NA	59%	NA	NA	8.7x	NA	NA	1.3x	NA	NA
ORMAT TECHNOLOGIES	0.98	1.33	2.00	31.4x	23.1x	15.3x	177	218	-	11.4x	9.3x	NA	NA	NA	NA	40%	NA	NA	3.5x	NA	NA	4.1x	NA	NA
AVERAGE- SIMPLE				**35.9x**	**27.7x**	**23.6x**				**8.0x**	**8.0x**	**8.3x**	**NA**	**NA**	**NA**	**51%**	**NA**	**NA**	**4.8x**	**NA**	**NA**	**2.8x**	**NA**	**NA**
GROUP HIGH				84.6x	55.6x	36.0x				11.4x	10.0x	12.4x	NA	NA	NA	74%	NA	NA	8.7x	NA	NA	4.6x	NA	NA
GROUP LOW				11.3x	10.2x	15.3x				4.8x	5.8x	3.8x	NA	NA	NA	24%	NA	NA	3.5x	NA	NA	1.3x	NA	NA

Source: Deutsche Bank and Capital IQ. Note: Numbers for DB rated stocks are DB forecasts; numbers for other names are consensus estimates derived from Capital IQ.

SB_GT&S_0005478

Company updates

American Electric Power (AEP): Lowering PT to $39; Maintain Buy

We are maintaining our 2010-2012 AEP EPS estimates of $3.05, $3.10, and $3.25, respectively, and are introducing our 2013 EPS estimate of $3.40. Our 2013 estimate reflects ~4.5% growth over our 2012 estimate, in line with AEP's 4%-6% EPS growth target for 2012-2014. We note that our 2012 and 2013 estimates will be affected by AEP's upcoming Electric Security Plan (ESP) filing in Ohio. We also expect AEP's transmission projects, particularly in Texas, to begin contributing to earnings. We are reiterating our Buy rating on AEP based on its attractive valuation. We believe AEP's current stock price is already pricing in no success in additional transmission projects (such as PATH, Prairie Wind, Pioneer, and Tallgrass), as well as a negative outcome in the upcoming ESP proceeding in Ohio. Thus, we see an attractive risk/reward outlook for AEP if the ESP proceeding is resolved over the next several months in a relatively benign way or if any of the proposed transmission projects make meaningful progress.

Valuation

We are lowering our price target for AEP from $40 to $39 as we shift our valuation to 2013 and tweak our methodology. We apply an 11.5x P/E multiple to our 2013 EPS estimate of $3.40 to arrive at our $39 price target. Our multiple reflects a 4% discount versus our target 12x regulated utility P/E multiple, which we view as reasonable given AEP's heavy reliance on coal generation, regulatory uncertainty, and less favorable service territories. These negative factors are partially offset by AEP's diversity in regulatory jurisdictions, above-average growth opportunities (primarily transmission), and large cap premium. We no longer apply an explicit value to AEP's transmission pipeline, given the uncertainties associated with those projects, and instead recognize AEP's growth opportunities in the P/E multiple we apply to 2013 EPS.

Risks

AEP faces numerous regulatory events over the next several years, with capital spending and earnings growth dependent in large part on the outcome of regulatory proceedings. While we believe AEP's regulated investments could provide attractive long-term growth, the regulatory drag could delay the realization of those earnings increases. In the short term a slower economic recovery in its territories could depress growth at the utilities. The generation fleet is exposed to unplanned outages risk, which can reduce the company's ability to sell excess generation into the wholesale spot and forward markets. In addition, AEP's coal baseload generation facilities are susceptible to potentially costly carbon and other environmental legislation.

Calpine (CPN): Downgrading to Hold, but raising PT to $16

We are raising our 2011-14 EBITDA estimates for CPN by $15M, $60M, $105M, and $100M to $1.68B, $1.62B, $1.89B, and $2.19B. Our EBITDA estimates deduct stock comp expense and operating lease expense, and are thus not comparable to CPN's presentation basis which adds back these expenses to EBITDA (Figure 27). The increase in our estimates reflects a sharp $4-8/MWh increase in our 2012-14 California forward power price assumptions, which we think is being driven by the incorporation of a carbon cost in the market as the state continues to progress on its GHG trading program which is scheduled to be implemented in 2012. We have also incorporated our estimate of CPN's carbon compliance cost using a price of $13-15/ton over the 2012-14 period, modestly above the initial $10/ton floor and consistent with a few data points we have seen in what is a new and relatively illiquid market.

SB_GT&S_0005479

Our estimate increases for CPN also reflect now modestly higher forward market spark spreads in PJM and ERCOT in our commodity assumptions. CPN's strong EBITDA growth in 2013 and 2014 is driven by a much smaller impact from the roll-off of above-market hedges, rising market spark spreads, higher RPM capacity prices, and the start-up of the Russell City and Los Esteros growth projects. Note, we have not included any potential new-build at the Geysers in our estimates.

Figure 27: CPN EBITDA Estimates ($M)

	2010	2011	2012	2013	2014
Previous estimates	1,640	1,665	1,565	1,785	2,090
Estimate changes	0	15	60	105	100
New estimates	1,640	1,680	1,625	1,890	2,190
New estimates (CPN basis)	*1,715*	*1,745*	*1,690*	*1,955*	*2,255*

Source: Deutsche Bank. Note, CPN basis adds back stock comp and operating lease expense to EBITDA.

Carbon appears to have driven California forward power prices higher to CPN's benefit
Forward 2012-14 power prices in California rose significantly from the end of November through early 2011 as carbon trading rules were approved, although they have since declined over the past week, resulting in forward prices that are now about $3/MWh higher than at the end of November. Given some level of uncertainty with this new market, we would expect forward California power prices to continue to be volatile in the near future. As mentioned above, for our model we are assuming carbon compliance costs of $13-15/ton in 2012-14 and have raised our California forward power price assumptions by $4-8/MWh.

We think investors can attempt to isolate and measure the benefit to CPN from California's GHG market using a somewhat simplistic analysis. Assuming that the marginal unit in California is a gas plant with an average carbon intensity of 0.55 tons/MWh, this would result in a $7-8/MWh increase in power prices solely from incorporating a carbon cost and holding all else equal. CPN is a net beneficiary of having a carbon cost in place in CA through both its geothermal assets and relatively more efficient CCGT gas plants as shown in the example in Figure 28. Note, CPN could also be negatively impacted by carbon pricing in CA on any longer term contracts that were entered into before the concept of pricing carbon was being considered, and thus could have fixed sales prices that do not pass through the cost of emitting carbon. However, we see the potential risk on this front as minor, and see CPN as a clear overall beneficiary of California's GHG market.

SB_GT&S_0005480

Figure 28: CPN Potential Benefit from California GHG Market

	2012	2013	2014
Carbon cost ($/ton)	13.00	14.00	15.00
CO2 intensity of marginal plant (tons of CO2/MWh)	0.55	0.55	0.55
ATC power price impact ($/MWh)	7.15	7.70	8.25
CPN geothermal generation (TWh)	6.0	6.0	6.0
Assumed percentage with fixed price hedge/contract	45%	35%	35%
Unhedged geothermal generation (TWh)	3.3	3.9	3.9
Benefit from Geysers ($M)	24	30	32
CO2 intensity of marginal plant (tons of CO2/MWh)	0.55	0.55	0.55
CO2 intensity for CPN's gas plants (tons of CO2/MWh)	0.45	0.45	0.45
Difference (tons of CO2/MWh)	0.10	0.10	0.10
Carbon price ($/ton)	13.00	14.00	15.00
Carbon benefit for CPN's gas plants ($/MWh)	1.30	1.40	1.50
CPN gas plant output in California (TWh)	27	29	33
Assumed percentage hedged/contracted	45%	35%	35%
Unhedged gas plant output in CA (TWh)	15	19	21
Benefit from CCGT gas plants ($M)	19	26	32
Total CPN benefit from CA GHG market ($M)	43	57	64

Source: Deutsche Bank.

Stepping to the sidelines, but raising price target to $16/share

We are downgrading CPN to Hold from Buy, but raising our price target by $1 to $16/share on the back of our higher estimates. We value CPN using a 9.25x EV/EBITDA multiple applied to our 2013 uncontracted (open) EBITDA estimate. This is a premium to our baseline merchant multiple of 8.0x due to our expectations for 16% EBITDA growth in 2014, a modern portfolio of assets with substantial long-term upside, a structurally strong FCF position given minimal environmental spend and a large NOL position, and potential upside from higher California carbon compliance costs (our estimates assume prices close to the floor). While we think that CPN also deserves a premium for its net clean portfolio of assets, we note that part of this value is already being received within our forward estimates as California power prices are now reflecting the cost of carbon. Partially offsetting valuation negatives include high leverage and risks related to heat rates in CPN's key California market from continued subsidization of new renewable capacity without regard to supply/demand conditions.

Within our valuation framework in Figure 29, we exclude only 50% of major maintenance expense from EBITDA, which is more conservative than CPN's basis. We have incorporated the value of CPN's long-term contracts beyond 2013 as well as a probability adjusted estimate of future tax savings from its NOL position in our valuation through a reduction to net debt. Upside risks include higher gas prices, higher market heat rates, more stringent than expected environmental rules, and RPM capacity prices in the 2014-15 auction that are above expectations. Downside risks include lower gas prices and heat rates, a prolonged power market recovery, and lower than expected RPM capacity prices.

SB_GT&S_0005481

Figure 29: CPN Valuation Analysis

	2013E	Multiple	Value
Adjusted EBITDA forecast	1,890		
Add: Operating lease expense	35		
Less: 50% of major maintenance expense	(95)		
Less: In-the-money value of 2013 contracts/hedges	(235)		
Operating EBITDA forecast	1,595	9.25	14,751
Net Debt forecast at YE 2013			8,105
Add: NPV of operating lease payments			107
Add: Net debt from unconsolidated projects			172
Add: NPV of environmental capex for NJ plants			121
Less: NPV of post-2013 contracts & hedges			(561)
Less: NPV of NOL carryforwards			(982)
Operating Net Debt forecast			6,962
Target market capitalization			7,788
Diluted average shares outstanding in 2013			490
Target equity value per share			15.89

Source: Deutsche Bank

CenterPoint Energy (CNP): Maintaining $17 PT and Buy rating

We are maintaining our 2010 EPS estimate of $1.07 and lowering our 2011 and 2012 EPS estimates to $1.18 from $1.20 and to $1.20 from $1.25, respectively. We are also introducing our 2013 EPS estimate of $1.30. We have updated our assumptions for the outcome of the CenterPoint Energy Houston Electric (CEHE) rate case and CNP's ability to offset the expiration of a pipeline backhaul contract. We now assume that the ALJ recommendation in CEHE's rate case is adopted, which reflects a lower rate base and higher ROE than our previous assumption. We estimate 2011 CEHE earnings of $184M ($0.43). At Interstate Pipelines, we now assume that CNP cannot offset the expiration of the backhaul contract in mid-2011 (~$10M in 2011). We note that much of the uplift in 2013 EPS reflects the refinancing of high coupon debt (though we note that CNP issued an exchange offer for this debt earlier this year). We see upside to our estimates in the event that the CEHE rate decision is better than the ALJ's proposal, if CNP can offset some of the pipeline contract expiration, or if CNP's debt exchange offer announced earlier this year is successful.

We are reiterating our Buy rating on CNP based on its favorable gas-oriented business mix, its strong growth opportunities (particularly at Field Services), its ability to unlock value with an MLP if additional Field Services growth is realized, and the expected removal of electric utility overhangs (rate case resolution, Texas true-up case). We also note the potential for a positive catalyst at CEHE if the Public Utility Commission of Texas (PUCT) or the legislature approves a distribution cost recovery factor (DCRF) mechanism. A DCRF mechanism could spur new investment and allow CNP to recover its investments without filing a full rate case.

Valuation

We are maintaining our $17 price target based on our sum-of-the-parts analysis. We apply a 12.1x P/E multiple to the electric utility, a 1% premium to with our target multiple for regulated electric utilities based on CNP's attractive service territory. We apply an 8x EV/EBITDA multiple to the gas utilities, in line with peers; 8.5x to Interstate Pipelines,

SB_GT&S_0005482

reflecting supportive FERC regulation and higher returns; and 8x to Field Services, which we view as appropriate given its lack of regulation but supportive new contracts and significant growth opportunities. We value the Competitive Natural Gas Sales & Services segment at 6.5x and apply an 11x P/E to CNP's equity earnings from unconsolidated subsidiaries.

Figure 30: CNP Sum-of-the-Parts Valuation

Business Segment	Valuation Metric	2013E	Multiple	Value
Electric T&D	P/E	204	12.1x	2,471
Electric Utility Equity Value				**2,471**
Natural Gas Distribution	EV/EBITDA	448	8.0x	3,584
Comp. Natural Gas Sales & Services	EV/EBITDA	45	6.5x	292
Interstate Pipelines	EV/EBITDA	341	8.5x	2,902
Field Services	EV/EBITDA	260	8.0x	2,083
Parent/Other	EV/EBITDA	32	8.0x	256
Equity in Earnings	P/E	25	11.0x	275
Total Non-Utility Enterprise Value				9,392
Less: Non-Utility Net Debt (2013E)				(4,580)
Non-ElectricUtility Equity Value				**4,812**
Total Equity Value				**7,283**
Diluted Average Shares Outstanding (2013E)				435
Equity Value Per Share				**$17**

Source: Deutsche Bank

Risks

Key downside risks for CNP include an unfavorable decision by the PUCT in CEHE's upcoming electric rate review and an unfavorable decision by the Texas Supreme Court in CEHE's ongoing true-up appeal. Weakening sales growth at the utilities without decoupling and sharply lower gas and NGL prices could also be risks to our EPS estimates. The potential for M&A overhang should CNP feel the need to rebalance its business mix if Field Services grows much more quickly than the regulated segments is another risk.

CMS Energy (CMS): Raising PT to $20.50; Maintain Buy

We are maintaining our 2010-2012 EPS estimates of $1.37, $1.45, and $1.55, respectively. We are also introducing our 2013 EPS estimate of $1.65. Our 2013 estimate assumes that CMS will earn its authorized return (10.7% electric, 10.55% gas) on an $11.5B rate base by continuing to file annual rate cases. We expect a ~7% rate base CAGR for 2010-2013, which we expect to drive CMS' targeted 5%-7% EPS growth. We see upside potential from additional pipeline capex (possible in response to PCG's San Bruno explosion) and expected environmental capex at CMS' older coal units (which were expected to be retired after the now-delayed coal plant came online). We reiterate our Buy rating on CMS based on its low risk, above-average regulated growth backed by Michigan's supportive regulatory framework and recent track record of meeting or beating expectations.

Valuation

We are raising our price target for CMS to $20.50 from $20 as we shift our valuation to 2013. We value CMS by applying a 12.4x P/E multiple (a 3% premium to our target 12x regulated utility multiple) to our 2013 EPS estimate of $1.65. In our view, a slight premium for CMS is justified based on CMS' execution track record, Michigan's strong regulatory construct, and above-average growth partially offset by the impact the less favorable Michigan economy and CMS' relatively high parent debt load.

Risks

The key downside risks for CMS include the disallowance of major capital spending projects, as we expect roughly $4.7B of spending for 2010-2013 to drive rate base growth, and the inability of the utilities to earn their authorized returns. A renewed deterioration in Michigan's economy is also a downside risk for CMS, even if it is not as directly exposed since it has decoupling and an uncollectible expense tracker. A significant deepening of the recession in the state would likely further increase rate pressure and could restrict growth opportunities. Rising natural gas prices would be a risk since they would push CMS' expected 5% annual electric rate increases higher.

Consolidated Edison (ED): Maintaining Hold and $48 PT

We are introducing a new 2013 estimate for Consolidated Edison of $3.75 and are maintaining our $48 price target as we roll forward our valuation another year. ED continues to offer an attractive dividend and a lower risk earnings profile. Close to 95% of ED's earnings are generated by the company's regulated energy delivery businesses. In addition, its largest utility is operating under multi-year rate plans for its electric, gas, and steam service, thereby diminishing any regulatory risk facing the company until at least 2012 when they will file their next electric rate case. However, we believe the stock remains fully valued at current levels and reiterate our Hold rating.

Raising 2012 given reduced equity needs, but maintaining 2011

We are maintaining our 2011E of $3.50, which assumes higher earnings in the regulated segment, driven largely by rate increases at CECONY, and lower earnings at the competitive segment. ED's retail business, Con Edison Solutions, is on track to deliver 17% earnings growth (we estimate) in 2010 after delivering an already strong contribution in 2009. Declining power prices (costs) and favorable weather helped them capture strong margins in 2010, and while it is difficult to forecast earnings from this segment given modest disclosure from the company, we believe it would be best to be conservative in our estimate, especially ahead of the company's 2011 EPS guidance announcement (due today, in fact). Notably, we assume ED will finance its capital program without issuing as much new common stock as it has in prior years given tax benefits associated with bonus depreciation. We also assume that CECONY Electric earns its allowed ROE of 10.15% in 2011.

We are raising our 2012 estimate to $3.65 from $3.60, largely on reduced equity needs. Our prior forecast assumed common equity issuance of $300M in 2011 and $250M in 2012, but we now assume $100M per year, excluding DRIP and employee stock plan issuance. The December 2010 federal tax legislation allows companies to deduct 100% of qualified property placed into service after 9/8/10 and before 1/1/12 and 50% of qualified property placed into service in 2012. While ED has not disclosed what sort of cash benefit they expect in 2011 and 2012 from these tax law changes, we know that they saw a $250M benefit in 2009 under the 50% rule, so it would be reasonable to expect something higher in 2011 and potentially on par in 2012. Higher deferred taxes should temper the company's financing needs. We continue to assume CECONY Electric earns its allowed ROE of 10.15% in 2012. We also assume flat earnings versus 2011 at the competitive segment.

New 2013 estimate assumes ROE at CECONY Electric consistent with current plan

We are introducing a new 2013E of $3.75, which incorporates 3% EPS growth at the regulated utilities. We assume CECONY Electric will earn an allowed ROE consistent with the one approved in its current rate plan (10.15%). Recent rate orders and recommendations

SB_GT&S_0005484

in New York have been based on ROEs with a 9-handle (National Grid is likely to receive a new rate plan on 1/20 based on ROE in the low 9% range). However, 2013 is still a long time away, and interest rates, an important factor in the ROE calculation in NY, have already begun to rise. We also assume rate base growth and subsequently earnings growth will be reduced by the tax benefits from bonus depreciation realized in 2011 and 2012. While rate base should decrease immediately, this should not flow through to rates until new rate plans are approved, which will happen in 2013 for CECONY. We continue to assume flat earnings at the competitive business.

Raising 2010E ahead of Thursday's earnings announcement

We are raising our 2010E to $2.45 from $2.40 to account for stronger than anticipated results at the competitive business in Q3. We are now at the midpoint of management's guidance of $2.40-$2.50.

Valuation

Our price target is based on a 12.8x P/E multiple applied to our 2013E of $3.75, which reflects a 7% premium to our target 12x regulated multiple. We believe this premium is appropriate given ED's lower risk business model (mostly regulated T&D), above average regulatory certainty, history of delivering on guidance, and strong environmental and financial position.

Risks

Upside risks to our valuation and financial projections include better-than-anticipated performance under current rate plans at Con Edison of New York, stronger-than-anticipated earnings at the competitive business, faster-than-anticipated rate base growth/capital spending, lower-than-anticipated debt financing, reduced pension plan contribution requirements, and lower market interest rates. Downside risks include worse-than-expected rate case outcomes (particularly in CECONY's next electric rate case in 2012/2013), higher-than-expected financing needs, slower-than-anticipated rate base growth, weaker demand growth outlook for the region, and higher market interest rates.

Dominion Resources (D): Maintaining $46.50 PT and Buy rating

Last week, we upgraded D to Buy from Hold based on its strong regulated growth plans as well as an attractive New England merchant generation fleet. In our upgrade note, we also updated 2010-2012 estimates and introduced our 2013 estimate. Our 2010-2013 EPS estimates are $3.40, $3.10, $3.25, and $3.45, respectively. While we expect D's merchant earnings to bottom in 2012, we expect consolidated EPS to trough in 2011, at least a year earlier than D's diversified utility peers. We view D's 5%-6% EPS growth target in 2012 and beyond as achievable given current regulated capex plans and our updated commodity deck.

Valuation

We value D on a 2013 sum-of-the-parts basis. We apply a premium 13.8x P/E multiple to D's Virginia Electric & Power Company subsidiary (electric distribution, transmission, and regulated generation), which reflects a 15% premium to our target 12x regulated multiple. We continue to believe that D's Virginia regulated utility merits a premium valuation based on its constructive regulatory environment, high-quality service territory, and above-average growth opportunities. We apply an 8x EV/EBITDA multiple to D's gas distribution segment, a premium to the regulated average reflecting the regulatory construct in Ohio, and an 8.5x multiple to the gas transmission segment. We believe this premium is warranted given FERC's recovery mechanisms and above-average ROEs. We apply a premium 8.75x multiple to the merchant generation fleet, reflecting D's net clean portfolio, its attractive market position in New England, exposure to future commodity/power improvements, and strong

SB_GT&S_0005485

financial position as part of a large cap utility. We value the retail business using a 6.5x multiple, and Producer Services at 7.5x. Lastly, we apply an 8.75x multiple to the parent segment EBITDA. While our price target is based on a sum-of-the-parts analysis, we recognize that some investors view D as more of a regulated utility and value it on an overall P/E basis. Our $46.50 price target implies a 13.5x P/E multiple on our 2013 estimate, which we view as reasonable compared to large cap regulated peers.

Figure 31: D Sum-of-the-Parts Valuation

Business Segment	Valuation Metric	2013E	Multiple	Value
Virginia Electric & Power Co	P/E	$2.04	13.8x	16,513
Gas Distribution	EV/EBITDA	335	8.00x	2,682
Gas Transmission	EV/EBITDA	981	8.50x	8,335
Utility Value				**27,530**
Merchant Generation	EV/EBITDA	757	8.75x	6,625
Dominion Retail	EV/EBITDA	135	6.50x	879
Producer Services	EV/EBITDA	58	7.50x	436
Corporate and Other	EV/EBITDA	22	8.75x	194
Non-Utility Enterprise Value				**8,134**
Total Enterprise Value				35,664
Less: Total Non-VEPCO Net Debt (2013E)				(8,383)
Total Equity Value				**27,280**
Diluted Average Shares Outstanding (2013E)				587
Equity Value Per Share				**$46.50**

Source: Deutsche Bank

Risks

The key downside risk for D would be the disallowance of major capital spending projects, which drive our earnings growth outlook. Unfavorable changes to Virginia's regulatory framework, which continue to be proposed periodically in the legislature, would also be a negative. At the merchant generation segment, weaker gas and/or power prices would negatively impact our estimates and D's consolidated growth rate.

DTE Energy (DTE): Maintain $47 PT and Hold rating

We are maintaining our 2010 and 2011 EPS estimates of $3.60 and $3.50, respectively, and are increasing our 2012 estimate to $3.70 from $3.65 on higher expectations for the Power & Industrial (P&I) segment. We are also introducing our 2013 EPS estimate of $3.90, which reflects 5.4% EPS growth over 2012. Key 2013 EPS drivers include nearly 6% utility rate base growth and a greater contribution from wood renewables and reduced emissions fuels (REF) projects at P&I. Our estimate assumes that DTE earns its authorized 11% ROE at Detroit Edison (either through new rate cases or O&M cuts), but we note that DTE's recent request to discontinue its decoupling pilot increases the risks surrounding the utility's earnings. We reiterate our Hold on DTE based on continued uncertainty in the earnings outlook and our below-consensus estimates. DTE's earnings remain volatile relative to the percentage of its earnings that come from regulated businesses.

Valuation

We are maintaining our $47 price target, despite some tweaks to our assumptions. We value DTE on a sum-of-the-parts basis. We value Detroit Edison and MichCon at $41-$42 by applying a P/E multiple of 12x to our 2013 EPS estimates, which is in line with our target

SB_GT&S_0005486

regulated utility multiple. In our view, the utilities' supportive Michigan regulatory construct and slightly above-average growth offset a relatively weak service territory. We value DTE's non-utility businesses at $5-$6. We apply an 8x EV/EBITDA multiple to the Gas Pipelines and Storage segment, which is a premium to the average regulated utility multiple. In our view, this premium is justified given the segment's FERC-regulated gas pipeline and storage assets that are allowed a higher ROE than the average utility. We apply a 6x multiple to the Power and Industrial segment and 4x to the volatile Energy Trading segment. We value DTE's western Barnett Shale E&P assets by applying a $1.50/Mcfe value to 2009 proved reserves of 234 Bcfe.

Figure 32: DTE Sum-of-the-Parts Valuation

Business Segment	Valuation Metric	2013E	Multiple	Value
Detroit Edison	P/E	$2.82	12.0x	6,025
MichCon	P/E	$0.64	12.0x	1,374
Utility Equity Value				**7,399**
Gas Pipelines and Storage	EV/EBITDA	78	8.00x	628
Power & Industrial	EV/EBITDA	130	6.00x	779
Energy Trading	EV/EBITDA	61	4.00x	243
Unconventional Gas Production	$/Mcfe	234	$1.50	351
Total Non-Utility Enterprise Value				2,001
Less: Non-Utility Net Debt (2013E)				(1,054)
Non-Utility Equity Value				**946**
Total Equity Value				**8,345**
Diluted Average Shares Outstanding (2013E)				178
Equity Value Per Share				**$47**

Source: Deutsche Bank

Risks

Upside risks include stronger rate base growth than we assume and a stronger economic recovery, which could increase capital spending opportunities. Detroit Edison earning above their authorized ROE would also be a risk. Asset sales, particularly the Barnett Shale assets, would offset some of our expected equity issuance assumptions. Downside risks include less favorable rate case outcomes than we assume, especially if they disallow capital spending, the inability to offset the loss of the SIF tax credit, and a renewed economic downturn in Michigan.

Duke Energy (DUK): Raising PT to $17.50 but maintain Hold

We are introducing a 2013E of $1.40 and are raising our price target to $17.50 as we roll forward our valuation another year. We maintain our below-consensus 2011E of $1.25, but raise our 2012E to $1.35, assuming rate relief at the utilities, sales growth, and lower consolidated interest expense given reduced debt financing needs as a result of stronger operating cash flow (bonus depreciation). Our 2011E remains below consensus by $0.08/sh and assumes lower earnings at the utilities driven by more normal weather than experienced in 2010 (-$0.13/sh) and O&M cost creep, in addition to continued margin pressure from customer switching in Ohio (-$0.05/sh). Our forecasts through 2013 imply DUK would be unable to meet its standalone long-term 4-6% EPS growth target using a 2009 base. While we are raising our target price, we are maintaining our Hold rating. DUK remains a relatively low-growth utility on a full valuation facing potential downside risk to earnings given margin pressure at Commercial Power in Ohio and regulatory challenges in Indiana. While we

SB_GT&S_0005487

believe their proposed merger with Progress Energy (PGN) could help shore up DUK's growth rate, the combined entity would still be growth challenged relative to other regulated utilities names.

Valuation

We value DUK by applying a 12.5x P/E multiple to our 2013E of $1.40. We believe DUK deserves a modest premium (4%) versus regulated peers, reflecting its position as one of the largest market capitalization utilities in the sector with above average regulatory diversity. These positive attributes are tempered by regulatory uncertainty facing its utilities in Indiana and Ohio, a below average environmental position given a heavy reliance on coal-fired generation (48% of total capacity), below normal growth potential, and perceived execution and consistency challenges (problems meeting long-term growth targets).

Risks

Upside risks to our Hold rating and price target include better-than-expected regulatory outcomes in future rate cases, a faster-than-anticipated economic recovery, and stronger results from DUK's non-utility operations. Downside risks include the potential for regulatory disappointments and continued margin compression at Commercial Power. Additionally, the company's international assets are subject to sovereign risk and foreign currency exchange volatility.

Edison International: Raising PT to $42; Maintain Buy

We are raising our 2010 EPS estimate to $3.54 from $3.50 which reflects the California Public Utilities Commission (CPUC) decision to allow EIX utility Southern California Edison (SCE) to receive an additional $19M in incentive revenues for its 2006-2008 energy efficiency programs. Our 2011 and 2012 EPS estimates remain $2.50 and $2.25, respectively, as lower rate base assumptions for SCE (based on the estimated impact of bonus depreciation) are offset by higher power pricing assumptions in our updated commodity deck. We are also introducing our 2013 EPS estimate of $2.30, implying that EIX consolidated EPS will trough in 2012.

Given that our EIX valuation is largely based on SCE's earnings power, we show our segment EPS breakdown in Figure 33. We continue to assume that SCE's annual rate base is equal to company's projected "low case" scenario (now lowered to reflect the estimated impact of bonus depreciation) and that SCE earns roughly in line with its authorized ROE (despite historically higher earned ROEs). Our 2013 estimate at SCE is roughly flat versus 2012 despite our expectation for ~8% rate base growth based on our assumption of an ROE adjustment. In 2Q11, the California utilities (SCE, PG&E, and SDG&E) will file full cost of capital applications to set 2013 ROE and capital structure. We have assumed that the CPUC will lower the authorized ROEs for PG&E and SCE (we do not cover SDG&E parent Sempra) by 70 basis points. We see this as a real risk given the pending changes at the CPUC and that California's utilities have higher authorized ROEs than the national average. Rising interest rates over the next year could lessen this risk, but we still believe it is reasonable to assume some adjustment in 2013. If the CPUC did not adjust SCE's ROE in 2013, it could add ~$0.25 to our 2013 EPS estimate.

SB_GT&S_0005488

Figure 33: EIX DB EPS Forecast (2010-2013)

	2009A	2010E	2011E	2012E	2013E
SCE	$2.68	$2.99	$2.90	$3.20	$3.22
EMG	$0.62	$0.63	($0.31)	($0.83)	($0.79)
Parent	($0.10)	($0.08)	($0.09)	($0.12)	($0.13)
EIX	$3.25	$3.54	$2.50	$2.25	$2.30

Source: Deutsche Bank and Edison International

We are also reiterating our Buy rating on EIX. While we are concerned about potential developments in California at the CPUC, we are not convinced that the outcome will ultimately be a significant incremental negative. We view EIX as relatively more attractive than PCG from a valuation perspective, particularly with the upside from the merchant segment if the market begins assigning it any value. We see fewer risks to EIX's outlook given PCG's equity ratio adjustment risks in 2013 and ongoing San Bruno headline risks. While we acknowledge risks surrounding EIX's 2012 General Rate Case, we believe a potentially consumer-oriented commission (which we would expect to continue to support the clean energy agenda) would focus more on trimming utility returns than reducing job-supporting and renewable-encouraging capital spending. We also believe that SCE has stronger growth prospects supported by a more favorable service territory.

Valuation

We are increasing our price target to $42 from $41 as we shift our valuation to 2013. While our consolidated EPS estimates are weak reflecting our updated commodity deck, our valuation remains focused primarily on SCE where the earnings remain on a solid growth trajectory. We value EIX on a sum-of-the-parts basis. We apply a premium 13.2x P/E multiple to our 2013 estimate for Southern California Edison (SCE) to value the utility at ~$43 per share. Our premium multiple reflects a 10% premium to our target 12x regulated utility multiple, which we believe is appropriate given the supportive California regulatory construct, SCE's relatively favorable environmental position, above-average growth expectations, the utility's attractive Southern California service territory, and management's execution track record. We then subtract parent expenses of $2 per share. We value EME at zero plus the potential value we believe could be extracted from the business (~$1 per share). In our view, EME cannot be valued at less than zero despite the fact that our estimate of its obligation (including future carbon exposure and environmental spending) outweighs the value we see provided by EME's cash flows. This is because its debt is non-recourse to EIX, and we do not expect management to provide additional capital to the business while it faces such challenging conditions and until there is greater clarity on eventual environmental requirements.

SB_GT&S_0005489

Figure 34: EIX Sum-of-the-Parts Valuation

Business Segment	Valuation Metric	2013E	Multiple	Value
Southern California Edison	P/E	$3.22	13.2x	13,899
Parent Overhead	P/E	($0.13)	13.2x	(543)
Utility and Parent Equity Value				**13,356**
Adjusted Merchant Generation	EV/EBITDA	169	7.0x	1,180
Less: NPV of Environmental CapEx				(646)
Add: NPV of Wind PTCs				561
Less: Merchant Net Debt (2013E)				(3,778)
Less: Sale-Leaseback Obligations				(490)
Total Merchant Generation				(3,172)
Adjusted Merchant Generation Value				*0*
Potential Distribution to Parent				*403*
Non-Utility Equity Value				**403**
Total Equity Value				**13,758**
Diluted Average Shares Outstanding (2013E)				327
Equity Value Per Share				**$42**

Source: Deutsche Bank

Risks

In our view, the primary downside risk for EIX is disallowance or delays of major capital spending at SCE, which drives EIX consolidated EPS. We view this risk as most acute for SCE's transmission projects, which have historically had problems with delays throughout the regulatory review process. The inability of EIX management to extract or rebuild value from within EME or to add leverage on the wind assets (restricting cash flexibility) are also risks for EIX. We also view the regulatory uncertainty in California as a potential concern for SCE as new Governor Jerry Brown will appoint at least two new commissioners and potentially a new president this year.

Entergy (ETR): Reducing PT to $75; Maintain Hold

We are introducing a new 2013E of $6.45 and adjusting our 2011 and 2012 forecasts, reflecting higher power price assumptions on unsold generation volumes at the Nuclear segment, the shutdown of Vermont Yankee (VY) at the end of 2011, as we believe closure is a reasonable possibility at this point, lower consolidated interest expense, faster net income growth at the utilities in the South, but still below management's forecast of 6-8% per year, and the inclusion of ETR's $500M share buyback program in 2012 and 2013. We are also reducing our price target to $75 from $79. This reflects the loss of VY and the removal of carbon value from our valuation framework, offset in part by a higher multiple applied to Nuclear segment EBITDA and a higher value for the utilities. With total return potential in the 8% range, we are reiterating our Hold rating. The successful relicensing of VY would be a positive catalyst for the stock, in our view, and would add about $4/sh to our valuation. That being said, we see other challenges facing ETR's merchant nuclear segment, including relicensing hurdles at Indian Point 2 & 3 and Pilgrim, potential cooling tower requirements at Indian Point, and underfunded decommissioning trusts, particularly for VY. (none of which are explicitly captured in our valuation).

2011 and 2012 benefit from higher power prices and lower interest expense

We are raising our 2011E to $6.60 from $6.50 and our 2012E to $6.15 from $6.10. Our new 2011E largely reflects higher utility EPS, driven in large part by higher other income and lower O&M expense consistent with ETR's guidance for this segment. This is offset by lower EPS

SB_GT&S_0005490

at Nuclear, reflecting lower other income and a higher tax rate, and higher parent company/other drag, in line with management guidance. Our new 2011E is at the midpoint of management guidance of $6.35-$6.85. Our new 2012E reflects higher utility net income, driven in large part by reduced net interest expense assuming lower effective interest rates and lower shares outstanding. Lower Nuclear segment net income, capturing the loss of Vermont Yankee, will be offsetting. In 2012, we assume ETR completes 60% of its $500M share repurchase authorization versus our assumption for zero share buybacks previously.

Higher utility net income drives increase in 2013 EPS

Our new 2013E assumes 8% utility net income growth versus 2012, but only 4.8% on a compound annual rate versus 2010, below management's long-term guidance for 6-8% growth. Rate base investment and assumptions on future rate relief necessary to recover these investments, as well as modest sales growth, drive this forecast. Offsetting improving results at the utilities in the South will be another decline in Nuclear segment results, driven by a 3% decline in generation volumes and higher D&A. Lower shares outstanding, assuming the completion of ETR's $500M buyback authorization by the end of 2013 will be offsetting.

Valuation

Our valuation is based on a sum-of-the-parts analysis that attributes $64 to the Utilities and $11 to Non-utility Nuclear and Parent & Other. We calculate the Utility value by applying a 12.0x multiple to our 2013 EPS estimate of $5.33. Our valuation for Non-Utility Nuclear is based on 2013E adjusted EBITDA of $459M and 9.0x EV/EBITDA multiple. Our EBITDA forecast for the nuclear segment is adjusted for the non-cash Palisades PPA accrual ($18M in 2013), and projected NYPA value sharing payments of $72M. The former is a non-cash revenue item while the latter is a cash expense booked in the investing section of the cash flow statement. Both relate to accounting treatment of the acquired assets and are not typically adjusted in company presentations of EBITDA. Given that in 2013 they represent around 16% of Entergy Nuclear's EBITDA we believe investors should adjust for them in valuation work. Finally, we subtract estimated non-utility net debt of $2.5B to get to our non-utility equity value of $1.9B or about $11/sh.

Figure 35: ETR Sum-of-the-Parts Valuation

Business Segment	Valuation Metric	2013E	Multiple	Value
Utility	P/E	$5.33	12.00x	11,206
Utility Equity Value				**11,206**
Adjusted Nuclear Generation	EV/EBITDA	459	9.00x	4,132
Parent & Other	EV/EBITDA	30	8.00x	239
Total Non-Utility Enterprise Value				4,371
Less: Non-Utility Net Debt (2013E)				(2,486)
Non-UtilityEquityValue				**1,885**
Total Equity Value				**13,091**
Diluted Average Shares Outstanding (2013E)				175
EquityValue Per Share				**$74.70**
				3.32

Source: Deutsche Bank

Some other factors to consider in valuing Entergy

As noted above, we believe the successful relicensing of Vermont Yankee would be a positive catalyst for the stock. This would add about $4/sh to our current valuation. On the flipside, we believe there are other risks facing ETR that have not been incorporated into our valuation or ETR's share price, namely the installation of cooling towers at Indian Point 2 & 3,

SB_GT&S_0005491

the risk that VT passes a new law requiring upfront funding of the VY decommissioning trust, or potential challenges securing a license extension at Pilgrim. If forced by New York State to install cooling towers at Indian Point Units 2 & 3, ETR estimates a cost of $1.19B excluding the loss of 14.5 TWh of generation while the plants are closed during installation. While ETR has made a robust argument that the installation of cooling towers would be unreasonably costly and potentially impossible to permit and is challenging a draft ruling requiring them to do so by the New York State Department of Conservation, we note that the ultimate decision will rest with the NYSDEC commissioner. This individual will likely be appointed by current NY Governor, Andrew Cuomo, who has been a vocal supporter of shutting down Indian Point, making it seem more possible that the ultimate decision might not play out in Entergy's favor. In addition, the Vermont legislature has previously attempted to pass laws which would require ETR to fully fund its nuclear decommissioning trust for VY, but the Governor at the time had vetoed all attempts. The current Governor, Peter Shumlin, is more likely to pass such a bill, having been a key proponent for this type of legislation while a member of the state Senate.

Risks

We see the following upside risks to our Hold rating and price target: better-than-expected regulatory outcomes, stronger-than-expected power markets in the Northeast, a faster-than-anticipated economic recovery, and benefits from a future federal carbon pricing regime (only one company under our coverage is more exposed to this factor). Downside risks include: negative rate case decisions (especially in light of historical challenges in some of the company's jurisdictions), nuclear plant license renewal challenges, weaker-than-expected power prices, delays on major capital projects and a weaker economic environment.

Exelon (EXC): Maintain $42 PT and Hold rating

We are introducing a new 2013E of $2.95 and are raising our 2012E from $2.80 to $2.95 largely reflecting higher power price assumptions on unsold generation in the Midwest and Mid-Atlantic. Our new assumptions suggest EXC will be able to hold 2013 EPS flat with 2012, and that Generation's gross margin will trough in 2012. We are also maintaining our current $42 price target as we roll forward our valuation to 2013. While results at Generation could potentially be on the upswing post 2012, we continue to believe EXC's outlook and stock price remain challenged by weak forward natural gas and power prices. Downside remains limited by the current dividend yield (4.9%), which we do not believe is at risk.

New power price assumptions suggest reduced earnings cliff in 2012

We are raising our 2012E to $2.95 from $2.80 on higher power price assumptions at NiHub and PJM-West. Our PJM-West around-the-clock forecast for unsold generation rises $4/MWh to $48/MWh from $44/MWh. Our NiHub forecast becomes $34/MWh up $1 from $33/MWh. Taken together these changes drive a $111M increase in Generation's gross margin.

No longer expecting a down year in 2013

We expect EXC to hold 2013 EPS flat with 2012 and are introducing a new 2013E of $2.95. We had previously expected that lower power prices and higher fuel costs would make 2013 another down year for EXC, but now expect Generation's gross margin to be up close to $170M versus 2012 based on an improved forward curve. This should offset O&M cost creep and support a $100M rise in Generation EBITDA. Flat to modest growth at the utilities, ComEd and PECO, will also support flat EPS in 2013.

SB_GT&S_0005492

Lowering 2010E but maintaining 2011E

We are reducing our 2010E by $0.05 to $4.00 but are maintaining our 2011E at $4.05. EXC recently disclosed in an 8K filing that they will realize a $1B cash flow benefit from tax legislation enacted in late 2010. They will use this excess cash to make a $2.1B contribution to its underfunded pension plans as compared to the $800M contribution they were originally expected to make in Q1-11. The net impact of the tax legislation and incremental pension funding will reduce 2010 EPS by $0.05 and 2011 EPS by $0.03. The tax legislation is expected to reduce EXC's manufacturing deduction, negatively impacting 2010 EPS by $0.01 and 2011 EPS by $0.11. A higher proposed pension contribution in early 2011 will also reduce 2010 EPS by $0.04 as a result of a lower manufacturing deduction, but will reduce pension expense in 2011 generating $0.08 of higher EPS. We view EXC's decision to fund its pension plan favorably as this should improve EXC's FFO to Debt ratios that have been a focus for investors who have been concerned about whether the company would have to issue new equity or cut its capital plans in order to maintain the dividend. We believe this will positively impact financing needs through 2013 by reducing future pension contribution requirements.

Valuation

Our price target of $42 attributes $14 to the Utilities and $28 to the Non-Utility segments (Exelon Generation and Corporate/Other drag). We arrive at our utility value by applying a target regulated utility P/E multiple of 12.0x to our 2013 estimates for ComEd and PECO. We believe EXC's utilities warrant an average regulated utility valuation at best given modest growth prospects, and a challenging regulatory environment for ComEd in Illinois. Our valuation for the merchant business is based on our 2013E for EBITDA at Exelon Generation and a 9.5x EV/EBITDA multiple, the highest multiple we afford to merchant businesses in our coverage. We value Exelon Generation at an 18% premium to our target baseline merchant generation multiple of 8.0x, reflecting EXC's strong environmental and market position as the largest nuclear generator in the country with plants in favorable markets, and relatively strong cash flow and financial position. We then subtract $72M reflecting parent overhead and our estimate for non-utility net debt of $7.45B to get to our non-utility equity value of $18.3B or $28/sh.

Figure 36: EXC Sum-of-the-Parts Valuation

Business Segment	Valuation Metric	2013E	Multiple	Value
PECO Utility Value	P/E	$0.48	12.0x	3,876
ComEd Utility Value	P/E	$0.70	12.0x	5,610
Utility Equity Value				**9,486**
Adjusted Merchant Generation	EV/EBITDA	2,715	9.5x	25,653
Parent Overhead	EV/EBITDA	(9)	8.0x	(72)
Total Non-Utility Enterprise Value				25,581
Less: Non-Utility Net Debt (2013E)				(7,450)
Less: Off-Balance Sheet Debt				-
Plus: NPV of Future Wind PTCs				205
Non-Utility Equity Value				**18,336**
Total Equity Value				**27,821**
Diluted Average Shares Outstanding (2013E)				668
Equity Value Per Share				**$ 41.68**

Source: Deutsche Bank

SB_GT&S_0005493

Risks
We see the following upside risks to our rating and price target: higher-than-anticipated power market prices in the Mid-Atlantic and Midwest, including a stronger than expected impact on forward prices from pending environmental regulations, lower-than-anticipated costs, better-than-anticipated rate case outcomes for ComEd and PECO, a faster-than-anticipated recovery in electric sales, and better-than-anticipated PJM capacity prices. Downside risks include: lower-than-expected forward power prices, including the impact from delays in the implementation of EPA regulations or generally less stringent regulations, the potential for new water intake regulations requiring the installation of costly cooling towers at some of EXC's nuclear plants (Clinton, Dresden, Quad Cities, Peach Bottom, and Salem), higher-than-anticipated costs, worse-than-anticipated rate case outcomes, slower-than-anticipated recovery in electric sales, and higher-than-anticipated financing requirements, including the potential need for new equity.

FirstEnergy (FE): Maintain Hold rating; Raising PT to $39

We are maintaining our 2010 operating EPS estimate of $3.65/share. We are raising our 2011 and 2012 estimates by $0.05 and $0.10, respectively, to $3.05/share for both years due to now more favorable power price assumptions at Cinergy and PJM, partially offset by several modeling tweaks and the recently announced sale of a 6.65% stake in OVEC (150 MW) and the retirement of Burger units 4&5 (310 MW). Our initial 2013 EPS estimate for FE is $3.00/share. This represents a slight decline from our 2012 estimate of $3.05 due to lower RPM capacity revenues as the relatively higher prices for the ATSI territory of ~$109/MW-day in the 2011-12 delivery year are replaced with the lower RTO prices of ~$28/MW-day in the 2013-14 delivery year, resulting in lower CY 2013 capacity revenues relative to CY 2012. This negative driver for 2013 is mostly offset by higher forward power prices given contango in the natural gas curve and slightly higher market heat rates at Cinergy.

Valuation and risks
We are maintaining our Hold rating on FE stock but raising our price target to $39/share from $35 previously. We value FE's utility businesses using a 12.0x P/E multiple applied to our 2013 estimate, which is in line with our baseline multiple for regulated utilities. We apply an 8.75x EV/EBITDA multiple to 2013 EBITDA at the FirstEnergy Solutions (FES) business and value FE's Signal Peak coal mine at book value. The 8.75x multiple we apply to FES is a premium to our baseline 8.0x multiple for merchant businesses, which we think is appropriate given the bottom of the cycle Western PJM capacity prices embedded in our 2013 estimate and FE's favorable environmental position given a portfolio of nuclear and large controlled coal plants in a power market that could tighten meaningfully over the next five years as coal plants retire on the back of more stringent environmental rules. These valuation positives for FE are partially offset by a relatively weak financial/credit position. Within our valuation framework, we adjust FE's enterprise value for the NPV of long-term operating leases and add operating lease expense to our EBITDA estimate. See Figure 37.

Our valuation is based solely on our estimates for FE as a standalone entity and is not reflective of the outlook for FE post the AYE merger (closing expected in 1Q11). Key upside risks to our Hold rating include higher gas prices, lower coal costs, more stringent environmental rules, and better than expected results in the upcoming May RPM capacity auction. Downside risks include lower gas prices, stagnant power demand post the recession, continued weak RPM capacity prices in Western PJM, and lower than expected synergies from the AYE merger.

SB_GT&S_0005494

Figure 37: FE Valuation Analysis

Business Segment	Valuation Metric	2013E	Multiple	Value
Utilities	P/E	$1.99	12.00x	7,291
Utility Equity Value				7,291
Adjusted Merchant Generation	EV/EBITDA	1,127	8.75x	9,858
Signal Peak	BV	134	1.00x	134
Parent Overhead	EV/EBITDA	($40)	8.75x	(350)
Total Non-Utility Enterprise Value				9,652
Less: Non-Utility Net Debt (2013E)				(3,696)
Less: Off-Balance Sheet Debt				(1,487)
Non-Utility Equity Value				4,459
Total Equity Value				11,749
Diluted Average Shares Outstanding (2013E)				305
Equity Value Per Share				$39

Source: Deutsche Bank

GenOn Energy (GEN): Maintain Hold rating and $4 PT

We are raising our 2011-14 EBITDA estimates for GEN by $40M, $55M, $65M, and $35M, respectively, to $675M, $610M, $900M, and $1.16B. Our higher estimates reflect our updated commodity price assumptions in which we have raised our PJM forward power price outlook and our coal price assumptions, with the net impact of a slightly higher dark spread outlook for GEN. We note that GEN is more substantially hedged on its coal requirements in 2011 than on its expected generation, which should enable the company to benefit from the rise in both commodities over the past few months. Significant EBITDA growth in 2013 and 2014 is driven by rising PJM capacity revenues, rising dark spreads and generation assumptions, and the start of operations at the 760-MW Marsh Landing plant in CA (COD mid-2013).

Our 2014 EBITDA estimate assumes that RPM capacity prices in the 2014-15 auction clear at the same price as in the '13-14 auction for each locational deliverability area (LDA), a particularly important assumption given GEN's significant exposure to PJM capacity prices. We continue to see a high level of uncertainty regarding the possible outcome of the '14-15 auction given a lower demand forecast, the potential for subsidized new-build in NJ, uncertainty over the timing and stringency of future environmental rules and the related impact on bidder behavior, and potential changes to demand response product offerings in the market.

Valuation and risks

We value GEN using an 8.75x EV/EBITDA multiple applied to our 2013 unhedged (open) EBITDA estimate. This is above our baseline multiple for merchant businesses of 8.0x given our expectations of significant ~30% EBITDA growth in 2014, partially offset by risks around the company's environmental position, aging fleet of assets, and a large exposure to volatile dark spreads and RPM capacity prices. However, the 8.75x multiple is a modest reduction from the 9.5x multiple that we have used previously for the company. We have made this change to better account for the risks associated with a concentrated portfolio of older coal plants, a higher degree of uncertainty as to the longer term sustainability of the attractive

SB_GT&S_0005495

RPM capacity model following recent developments in NJ and MD, and now slightly lower (though still robust) expectations for 2014 EBITDA growth.

Within our valuation framework (Figure 38) we have made several adjustments for items that are likely to impact earnings and/or the balance sheet post 2013, including adding our probability-weighted estimate of future environmental expenditures to our net debt estimate. Additionally, we have treated GEN's long-term operating leases as debt and added back the corresponding lease expense to EBITDA within our valuation. Key upside risks to our Hold rating include higher gas prices, lower coal costs, better than expected results in the May RPM auction for the '14-15 delivery year, and the potential for GEN to raise its $150M/yr merger synergy target. Key downside risks are lower gas prices, higher coal costs, weaker than expected near-term financial results, and lower than expected prices in the May RPM auction.

Figure 38: GenOn Valuation Analysis

	2013E	Multiple	Value
Adjusted EBITDA forecast	900		
Add: Operating lease expense	156		
Less: Value of 2013 hedges	(188)		
Operating EBITDA forecast	868	8.75	7,592
Net Debt forecast			2,821
Add: NPV of operating leases			1,109
Add: NPV of future environmental spend post 2013 (a)			726
Add: NPV of gas transportation contracts			144
Less: NPV of 2014 power/gas hedges			(199)
Less: NPV of NOL carryforwards			(92)
Operating Net Debt forecast			4,510
Target market capitalization			3,082
Diluted average shares outstanding			778
Target equity value per share			3.96

Source: Deutsche Bank. (a) Environmental spending related to NJ gas, Portland, Shawville, and Titus.

ITC Holdings (ITC): Maintain Buy and raising PT to $71

We are maintaining our 2010-2013 estimates for ITC of $2.83, $3.25, $4.15, and $4.90 but are raising our price target to $71 from $65, as we roll forward our valuation to 2013. Our new valuation is based on a lower premium (21% vs. 30% previously) because we believe it will be more difficult for ITC to maintain the same level of growth off 2013 as we'd expect off 2012 given a larger base. We continue to afford ITC the highest multiple of any regulated utility given above average growth potential – we expect ITC to deliver EPS CAGR of 17% through 2015 (3-4x as fast as other regulated utilities) – and an attractive position as the only publicly-traded transmission pure play in the US. We maintain our Buy rating.

Valuation

Our price target for ITC is based on a 14.5x P/E multiple applied to our 2013E $4.90. We now apply a 21% premium as compared to the 30% premium we applied to our 2012E, which assumes ITC's growth will slow beyond the 17% we project through 2015. This eventual moderation in growth rate seems reasonable as ITC's base becomes larger and competition for additional growth opportunities increases.

SB_GT&S_0005496

Risks

Downside risks to our Buy rating and price target include transmission project delays, greater-than-anticipated financing needs, lower-than-anticipated spending on generator interconnects, and reduced support for transmission at the FERC. Our earnings outlook for ITC is dependent on the company successfully acquiring all necessary regulatory approvals and permits in order to move forward with transmission projects. A delay in starting construction or bringing a line into service would negatively impact ITC's valuation. We also highlight greater-than-anticipated financing needs and lack of future progress on development projects as risks. Finally, our outlook assumes that the FERC will continue providing incentives for companies to invest in transmission. Any indication that the FERC will no longer offer these incentives would negatively impact ITC.

NextEra Energy (NEE): Maintain Hold and lowering PT to $55

We are lowering our 2010 operating EPS estimate by $0.05 to $4.35/share, which is more or less in line with NEE's guidance of earnings in the "lower half" of the $4.25-$4.65/sh range. Our 2011 estimate remains $4.40/sh, which is in line with guidance of $4.25-$4.55/share, and we are also maintaining our 2012 EPS estimate of $4.60/share. We are initiating a 2013 EPS estimate of $5.00/share. Growth in 2013 is driven by continued high levels of spending and an assumed rate increase at the FP&L utility, as well as growth at Energy Resources from new renewable development, among other factors.

Valuation and risks

We are maintaining our Hold rating and lowering our price target for NEE by $1 to $55/share. Our valuation applies a 12.5x P/E multiple to our 2013 EPS estimate for FP&L, which is a modest 4% premium to our baseline utility multiple of 12.0x. This seems appropriate given the utility's large capital base and the potential for better regulated returns over the medium-term than those assumed in our model, partially offset by a lack of regulatory diversity. We also include the NPV of the EPS contribution of the Riviera modernization (COD 2014) in our utility valuation. For Energy Resources, our valuation applies an 8.75x EV/EBITDA multiple to 2013 EBITDA, which is a 9% premium to our baseline merchant multiple of 8.0x (Figure 39). A premium multiple appears warranted in our view given NEE's clean portfolio of nuclear, gas, and renewable assets and strong financial position, partially offset by the existence of significant in-the-money long-term hedges and contracts that result in a 2013 outlook that is higher than the core earnings power of the merchant business assuming market prices, in our view.

Our valuation also includes the NPV of post-2013 production tax credits (PTCs) and depreciation benefits associated with renewable projects in-service by 2013. Relative to our prior valuation analysis, we have removed the benefit to NEE from potential future carbon pricing as this seems unlikely over the next several years, although it is now captured to some extent through our premium multiple. Additionally, we no longer give NEE credit for its large pipeline of wind and solar projects given continued challenging economics for renewables and difficulties in finding PPA offtake agreements, particularly in the wind business. Upside risks to our Hold rating include a faster than expected economic recovery in Florida, improvement in the economic outlook for renewable development, and the potential adoption of a federal renewable standard. Downside risks include regulatory and political risk in Florida over the longer term, the potential for a reduced capex budget at the utility if it is unable to earn an appropriate return on its investments, and the potential for a scaled back renewable growth rate if market conditions do not improve.

SB_GT&S_0005497

Figure 39: NextEra Valuation Analysis

Business Segment	Valuation Metric	2013E	Multiple	Value
FP&L	P/E	$2.64	12.50x	14,006
Addl. plant	P/E	$0.12	12.50x	641
Utility Equity Value				14,647
Energy Resources	EV/EBITDA	2,624	8.75x	22,960
Parent Overhead	EV/EBITDA	(20)	8.75x	(175)
Total Non-Utility Enterprise Value				22,785
Less: Non-Utility Net Debt (2013E)				(15,771)
Plus: NPV of future PTCs, other tax benefits				1,531
Non-Utility Equity Value				8,545
Total Equity Value				23,191
Diluted Average Shares Outstanding (2013E)				424
Equity Value Per Share				$55

Source: Deutsche Bank

Northeast Utilities (NU): Raising PT to $34 but maintain Hold

We are raising our price target to $34 from $31 and are revising our 2010-2013 EPS forecasts for NU. Our new 2010E of $2.15 is more consistent with the company's late October guidance raise to $2.10-$2.20, and includes the impacts from stronger than expected results in Q3, lower O&M and uncollectible expense, and one-time tax benefits expected in Q4. We are maintaining our 2011E of $2.25, but raising our 2012E by $0.05 to $2.45 and our 2013E to $2.65 from $2.56. Important changes to our forecast include higher AFUDC equity forecasts and delayed equity issuance – we now expect a $250M stock offering in 2013 versus 2012 previously. We estimate that tax benefits from bonus depreciation will allow NU to delay equity financing. While NU management noted that they do not expect to issue equity to fund their capital programs once merged with NST, our forecasts remain on an NU standalone basis. We view NU as a core utility holding with above average long-term growth potential (6-9%) coupled with a decent albeit below average dividend yield. At current levels NU offers total return potential of 8.4%, insufficient to merit a Buy rating, but more attractive than other Hold-rated regulated peers.

Valuation

We value Northeast Utilities by applying a P/E multiple of 12.8x to our 2013E of $2.65. We believe NU merits a 7% premium to peers given above average growth potential and exposure to FERC-regulated transmission, regulatory diversity (albeit modest) with operations in three states, an attractive environmental position, and lower risk profile as a mostly T&D (transmission and distribution) utility in the Northeast.

Risks

Upside risks to our target include better-than-anticipated rate case outcomes, accelerations in construction schedules for major transmission projects, additional transmission spending, higher-than-expected electric sales, and lower-than-anticipated financing needs. Downside risks include worse-than-anticipated rate case outcomes, transmission project delays or cancellations, lower-than-anticipated sales, higher-than-anticipated financing needs, and reduced support for transmission at the FERC.

SB_GT&S_0005498

NRG Energy (NRG): Maintain Hold rating and $19 PT

We are maintaining our 2010 EBITDA estimate and raising our 2011-14 estimates for NRG as shown in Figure 40 due to our revised commodity price assumptions, the incorporation of the 250-MW California Valley and 20-MW Roadrunner solar projects, and more favorable assumptions around the Ivanpah solar project (net ~200 MW). Our forward estimates for NRG incorporate the 550-MW El Segundo CCGT growth project in California (COD 2013) and all of NRG's announced solar projects except for the 290-MW Aqua Caliente project, as the company's acquisition of this project is still contingent on the receipt of a federal loan guarantee. Our revised commodity deck contains slightly higher ERCOT and Northeast power price assumptions in most forward years, as well as slightly lower PRB coal price assumptions. The negative EBITDA trajectory that we expect over the next several years for NRG continues to be driven by the roll-off of well above market hedges and a return to more normalized EBITDA levels at the retail business, partially offset by a growing portfolio of solar projects.

Figure 40: NRG Adjusted EBITDA Estimates ($M)

	2010	2011	2012	2013	2014
Previous estimates	2,515	1,860	1,790	1,615	1,590
Solar contribution	0	5	25	55	85
Commodity assumptions	0	15	35	45	10
New estimates	2,515	1,880	1,850	1,715	1,685

Source: Deutsche Bank. (a) Note, our 2010 estimate excludes the $23M gain on the sale of Padoma, which is included in NRG's guidance.

Probability adjusted valuation based on possible outcomes for STP

We value NRG using a probability weighted analysis based on possible outcomes for the STP nuclear project. We apply a 7.75x EV/EBITDA multiple to unhedged 2013 EBITDA for scenarios where NRG moves forward with the project and an 8.25x multiple to the scenario where STP is cancelled in 2011 to account for its high risk and weak economics (Figure 41). This is more or less in line with our baseline multiple for merchant businesses of 8.0x, as the attractiveness of NRG's integrated wholesale/retail business model in Texas is offset by a relatively weak environmental profile given a high coal intensity. Key upside risks to our Hold rating include higher gas prices, better than expected results from the Reliant retail business, and a cancellation of the STP project. Downside risks include lower gas prices, weaker than expected results at Reliant, and continued uncertainty regarding the future of the STP project.

We now believe there is about a 50% probability that the STP project will eventually be cancelled given a continued weak commodity price outlook and likely reluctance on the part of the DOE to offer NRG a loan guarantee on reasonable credit terms without having firm PPA agreements in place. We think NRG will face a decision point by the middle of this year, by which time it will need to secure firm PPAs at prices that are well above market in order to support the economics of the project and secure the low-cost financing associated with a loan guarantee. If the company cannot make further progress on this front, we believe it is reasonably likely that NRG will cancel the project this year, and that the stock would react favorably under such a scenario.

SB_GT&S_0005499

Figure 41: NRG Probability Adjusted Valuation

	NPV of STP project	$M $/share	NRG valuation ($/sh)	EV/EBITDA mult.	Probability Adj.	Value
Scenario 1: STP on budget, in service 2017 (a)	407	1.73	20.06	7.75	20%	4.01
Scenario 2: STP on budget, in service 2019 (a)	68	0.29	18.62	7.75	10%	1.86
Scenario 3: STP 10% cost overrun, in service 2017 (a)	29	0.12	18.46	7.75	10%	1.85
Scenario 4: STP 10% cost overrun, in service 2019 (a)	(263)	(1.12)	17.22	7.75	10%	1.72
Scenario 5: STP cancelled at YE 2011 (b) (c)	NA	NA	19.05	8.25	40%	7.62
Scenario 6: STP cancelled at YE 2012 (c)	NA	NA	15.61	7.75	10%	1.56
Weighted average valuation ($/share)						18.62

Source: Deutsche Bank. (a) Based on an NPV of future equity cash flows from the STP project as of YE 2010 using a 15% cost of equity capital. (b) Assumes the TEPCO sale does not close prior to project cancellation. (c) Assumes a default on debt incurred on the project.

Figure 42 shows our valuation framework for NRG under the scenario where the company is able to complete the STP project on budget and on schedule (Scenario 1 in Figure 41 above). Within our valuation framework, our net debt forecast at YE 2013 excludes spending on the STP nuclear project as the financial contribution from this capital-intensive project will not be realized until the project comes into service in 2017 at the earliest. We then adjust this net debt forecast for off-balance sheet debt, our estimate of post-2013 environmental spending, the value of MACRS tax benefits from NRG's solar projects that will be realized in 2014 and beyond, and our estimate of the NPV of the STP project net to NRG under the particular scenario being assessed. These adjustments, as shown in Figure 42, enable us to value NRG's core business using an EV/EBITDA methodology and value the STP project on a standalone DCF basis.

Figure 42: NRG Valuation Analysis

	2013E	Multiple	Value
Adjusted EBITDA forecast	1,715		
Less: Value of 2013 hedges	(213)		
Less: Indian River unit 3 (closes at YE 2013)	(10)		
Operating EBITDA forecast	1,492	7.75	11,564
Net Debt forecast (excluding STP spend)			6,747
Add: Off-balance sheet debt			187
Add: NPV of possible environmental capex post 2013			361
Less: NPV of solar tax benefits post-2013			(301)
Less: NPV of STP equity cash flows at YE 2010			(407)
Operating Net Debt forecast			6,586
Preferred stock			248
Target market capitalization			4,728
Diluted average shares outstanding in 2013			236
Target equity value per share			20.06

Source: Deutsche Bank

SB_GT&S_0005500

NSTAR (NST): Raising PT to $44.50 but maintaining Hold

We are introducing a 2013E of $2.90, implying long-term EPS growth potential of about 5% using a 2009 base, and are raising our price target to $44.50 from $40.50, as we roll forward our valuation another year. We are maintaining our 2010 through 2012 estimates of $2.55, $2.60, and $2.75, which are relatively consistent with the net income projections for NSTAR released by NSTAR and Northeast Utilities in their S-4 merger filing with the SEC.

Valuation
We value NST based on the exchange ratio with Northeast Utilities (NU) in their planned merger. Per the merger agreement, NU will acquire NST in an all stock transaction, paying 1.312 NU shares for each NST share. We value NU at $34/sh implying NST value of $44.50 ($34 x 1.312).

Risks
Upside risks to our target include better-than-anticipated NU stock price performance, better-than-anticipated regulatory outcomes, especially for NSTAR electric distribution, acceleration of planned transmission projects, higher-than-anticipated electric sales, greater-than-anticipated increases in the GDP-PI index through the end of their current electric rate plan, better-than-anticipated cost creep mitigation, and lower-than-anticipated financing needs. Downside risks include the failure for NU and NST to complete their planned merger (since we would attribute a lower value to NST absent its merger with NU), worse-than-anticipated regulatory outcomes, transmission project delays, lower sales, weaker GDP-PI growth, and higher-than-expected financing needs.

PG&E Corp. (PCG): Maintain $50 PT; Downgrade to Hold

We are downgrading PCG to Hold from Buy as we shift our valuation to 2013 and assume that PCG's authorized ROE is lowered by 70 basis points for 2013 during next year's cost of capital review process. As discussed in our EIX rating discussion, we are concerned about California regulatory developments, but not enough to move to the sidelines on both EIX and PCG. Given our view that EIX is more attractive from a valuation perspective and PCG's unique San Bruno and 2013 equity ratio adjustment risks, we believe that EIX is the better way to maintain California utility exposure.

San Bruno – likely an ongoing headline risk
On San Bruno, recent headlines in the state have begun to focus on PCG's practice of spiking pressure occasionally on specific pipelines to support its maximum operating pressures. We believe these types of articles are likely to continue as the National Transportation Safety Board (NTSB) investigation is ongoing. This headline, in conjunction with the NTSB request that PCG verify its pipeline records as soon as possible, could drive additional political and regulatory pressure on PCG in addition to providing support to lawsuits against PCG and any potential pushback from PCG's insurers.

2013 cost of capital potentially riskier for PCG than California peers
In 2Q11, PCG along with the other California utilities will file a full cost of capital application to set ROE and capital structure for 2013. We have assumed that PCG's ROE is lowered by 70 basis points but that the equity ratio is not adjusted. Despite our assumption, we note that PCG's equity ratio of 52% is 3%-4% above its California utility peers, reflecting the terms of its post-bankruptcy agreement. This ratio could be adjusted in 2013, however, to a level more in line with peers now that PCG's credit ratings have improved to be in line with those of EIX utility SCE. We note that the EPS impact of a lower authorized equity ratio would be partially offset in the longer-term by lower parent equity needs.

SB_GT&S_0005501

2010-2012 EPS estimates

We are increasing our 2010 EPS estimate to $3.45 from $3.40 to reflect the CPUC approving a $29M incentive payment for 2006-2008 energy efficiency programs. We are maintaining our 2011 and 2012 EPS estimates of $3.70 and $3.95, respectively. We are also introducing our 2013 EPS estimate of $3.95. Our 2013 estimate reflects expected rate base growth of 6.1% offset by the 70 basis point ROE cut we assume for 2013. If the CPUC were to maintain PCG's authorized ROE and capital structure in 2013, our rate base assumptions would support 2013 EPS in the $4.15-range.

Valuation

We are maintaining our price target for PCG at $50. We value PCG by applying a 12.7x P/E multiple to our 2013 EPS estimate of $3.95. The multiple reflects a 6% premium to our target regulated utility peer group P/E multiple of 12x as we believe that California's attractive regulatory construct (in conjunction with PCG's 2011 General Rate Case settlement), more favorable environmental position versus peers, above-average growth potential, and larger cap size merit a premium despite the ongoing risks from the San Bruno explosion.

Risks

Upside risks include no ROE or equity adjustment in 2013 and no major change in the CPUC's overall tone and direction. Downside risks for PCG include disallowance or disapproval of capital spending projects that are needed to drive rate base and earnings growth. A further reduction in bond yields, which could trigger an earlier ROE adjustment, is also a negative risk. A more pronounced ROE adjustment in 2013 than we assume or a lower authorized equity ratio would also impact earnings. An increase in cost sensitivity by PCG's ratepayers (which could become politicized) could also force PCG to slow its growth plans. The inability to recover costs associated with the San Bruno explosion is also a risk.

PPL Corp. (PPL): Lowering PT to $26.50; Maintain Hold

We are maintaining our 2010 EPS estimate of $2.87 and lowering our 2011-2013 EPS estimates by $0.05 to $2.65, $2.45, and $2.20, respectively. Our 2011-2013 EPS estimates reflect the positive impact of our updated commodity deck (we now assume higher power prices at the PJM West hub) and PPL's actual financing costs to fund the Kentucky utilities acquisition offset by a less favorable GBP/USD exchange rate at PPL's International Delivery segment. Our DB FX strategy team now forecasts an exchange rate of $1.49 per GBP in 2012 and $1.45 in 2013.

We are maintaining our Hold rating on PPL on valuation, as well as concerns ahead of the Q4 earnings call. We note that recent earnings calls have been negative drivers for PPL's stock, as investors have tended to focus on incremental negative data points mentioned during the call (like Q3's collar pricing discussion or Q2's power basis and coal transportation concerns). In addition, PPL is poised to provide its 2011 guidance, which will reflect the Kentucky utilities acquisition which was completed late last year. There is some uncertainty surrounding whether PPL may adjust its disclosures on the Supply segment (to avoid some of the recent call questions) or International Delivery (based on management's comments that it is not well understood). We expect questions on the call about recent reports that PPL may be bidding for E.ON's UK distribution assets. We also highlight that PPL is the only company in our coverage universe where we are forecasting a decline in 2013 EPS versus 2012. While the mid-year conversion of PPL's convertible securities is one driver, most of the decline is actually more due to the roll-off of favorable power and coal hedges at Supply.

SB_GT&S_0005502

Valuation

We are lowering our price target to $26.50 from $27 based on our updated 2013 EPS outlook of $2.20. We value the UK Delivery and the KY utilities on a 12.5x P/E multiple, reflecting a half-turn premium versus our target regulated utility multiple based on their attractive regulatory constructs. We value Pennsylvania Delivery on a 12x P/E multiple, in line with our target 2013 regulated multiple. We apply an 8.5x EV/EBITDA multiple to our 2013 EBITDA outlook for the Supply segment, which is a half-turn premium to our baseline merchant multiple. We believe PPL's generation portfolio merits a premium based on its net clean fleet, attractive market position in PJM, and upside from higher capacity pricing in 2014 partially offset by its sizable coal hedging position in 2013.

Figure 43: PPL Sum-of-the-Parts Valuation

Business Segment	Valuation Metric	2013E	Multiple	Value
International Delivery	P/E	$0.43	12.50x	2,745
Pennsylvania Delivery	P/E	$0.36	12.00x	2,194
KU/LG&E	P/E	$0.74	12.50x	4,752
Utility Equity Value				**9,690**
Adjusted Merchant Generation	EV/EBITDA	1,238	8.50x	10,524
Less: Non-Utility Net Debt (2013E)				(6,096)
Less: Off-Balance Sheet Debt				(528)
Non-Utility Equity Value				**3,899**
Total Equity Value				**13,589**
Diluted Average Shares Outstanding (2013E)				514
Equity Value Per Share				**$26.50**

Source: Deutsche Bank

Risks

Downside risks for PPL include weaker power prices or higher coal prices than we assume, weaker-than-expected generation performance, and inability to contain and manage risks at the marketing and trading subsidiary. Further delays in capital projects (such as the Susquehanna-Roseland transmission line) or unfavorable rate case outcomes at Pennsylvania Delivery are also risks. At International Delivery, inability to manage costs and improve efficiency could weaken expected returns. Upside risks for PPL include higher power prices or lower coal prices than we assume and the ability to earn higher ROEs at the regulated utilities.

Progress Energy (PGN): Maintain Hold but raising PT to $46

We are introducing a 2013E of $3.35 and reducing our 2011E and 2012E to $3.15 and $3.25, respectively, from $3.20 and $3.35 previously. We are also raising our price target to $46 from $44, as we now value PGN as a function of our DUK price target given their planned merger. While we believe there is greater upside in owning PGN than DUK, given a gross deal spread of about 5%, the upside is not sufficient to warrant a change in opinion. We reiterate our Hold rating.

Estimate changes

Our new estimates reflect lower AFUDC equity and debt forecasts through 2012, offset by reduced equity and debt issuance, resulting in lower shares outstanding as well as lower interest expense. Our new 2011 and 2012 estimates assume equity issuance of about $15M per year for dividend reinvestment and employee stock plans versus $300M per year previously. December 2010 tax law changes should reduce PGN's financing needs over the

SB_GT&S_0005503

next few years given the ability to deduct 100% of qualified property placed into service in after 9/8/10 and before 1/1/12 and 50% placed into service in 2012. DUK management noted on the DUK-PGN merger conference call that both companies would not issue equity after 2010. Our forecast is consistent with this commentary.

Our new 2013E assumes new rates take effect in Florida at the beginning of the year and new rates take effect in the Carolinas towards the end of the year. We estimate that the Florida utility will require a significant rate increase in 2013 in order to keep its ROE flat with 2012. Progress Energy Florida is currently amortizing a cost of removal obligation (worth $466M at the end of Q3) that will help support the utility's ability to earn close to or at the cap (11.5%) of its allowed ROE range. This artificial reduction to D&A will roll off at the end of 2012, and absent reductions to other costs or a meaningful increase in electric sales, the utility will need a large increase in rates in order to maintain an ROE close to 11.5%.

Valuation

We value PGN as a function of our target value for Duke Energy (DUK) given their planned merger. Per the merger agreement, DUK will acquire PGN in an all stock transaction, paying 2.6125 DUK shares for each PGN share. We value DUK at $17.50/sh implying PGN value of $46 ($17.50 x 2.6125).

Risks

Downside risks for PGN include the failure to complete their planned merger with DUK as we would value PGN at a lower stock price absent the offer from DUK, a weaker than expected economic environment, which would put further pressure on the company's ability to earn its allowed returns, weaker-than-anticipated future rate case outcomes in Florida and the Carolinas, and failure to complete major capital projects in the Carolinas. Credit ratings downgrades could make it more difficult for PGN to access the capital it needs to sustain its capex program, although this risk would abate with the merger. Upside risks for PGN include better than expected regulatory outcomes and lower than expected costs. A faster than expected economic recovery in the Carolinas and Florida could also cause earnings to grow faster than our current expectations.

PSEG (PEG): Reiterate Buy rating and raising PT to $37

We are maintaining our 2010 EPS estimate for PEG of $3.15/sh. Meanwhile, we are lowering our 2011 estimate by $0.05 to $2.65/sh on the back of PEG's updated power hedging disclosures and various other tweaks to our model. We are raising our 2012 estimate by $0.05 to $2.60/sh following an update of our commodity price assumptions, which include higher PJM forward power prices as well as other adjustments. We are initiating a 2013 EPS estimate of $2.75/share as higher capacity revenues ($0.31/sh) and utility earnings ($0.08/sh) are partially offset by the continued roll-off of above-market hedges and fuel and operational cost increases at Power.

We have also incorporated PEG's recently announced sale of its Texas gas plants (2,000 MW) for $687M. The impact of the sale is immaterial to our forward EPS estimates as the relatively minimal earnings contribution from the assets (PEG disclosed a $0.03/sh contribution in 2010) is roughly offset by reduced financing costs. From a valuation perspective, we view the sale as a positive given our estimate of only about $40-50M of EBITDA from the Texas plants in 2010 (14-17x EV/EBITDA). While the contribution from the assets likely would have increased over the next few years given rising ERCOT market spark spreads, this asset sale appears very attractive from a near-term valuation perspective in our view.

SB_GT&S_0005504

Valuation and risks

We are maintaining our Buy rating and raising our price target by $1 to $37/share. We value PEG using a 12.0x P/E multiple applied to 2013 earnings at the PSE&G utility, which is in line with our baseline multiple for utilities. We see positives such as an outsized level of FERC-regulated transmission spending and capex related to state clean energy goals, both of which earn attractive contemporaneous returns, as roughly offset by the risks of having a utility business in only one state and uncertainty regarding the soon to be updated NJ Energy Master Plan. We apply an 8.75x EV/EBITDA multiple to our 2013 EBITDA estimate at the Power business, a premium to our baseline 8.0x multiple for merchant businesses to reflect PEG's environmental position as a nuclear, controlled coal and gas generator in the PJM market, as well as likely RPM capacity revenue upside in 2014 relative to 2013. Lastly, we apply a 5.0x EV/EBITDA multiple to the Energy Holdings business (Figure 44). Key downside risks to our Buy rating are lower gas prices, increased customer switching from BGS in NJ which reduces the volume of PEG's above-market hedges, lower than expected capacity prices in the upcoming May RPM auction, additional transmission delays, and a large pull back in clean energy goals in NJ.

Figure 44: PEG Valuation Analysis

Business Segment	Valuation Metric	2013E	Multiple	Value
Utility	P/E	$1.02	12.00x	6,213
Utility Equity Value				6,213
Adjusted Merchant Generation	EV/EBITDA	1,765	8.75x	15,446
Adjusted Energy Holdings	EV/EBITDA	113	5.00x	563
Total Non-Utility Enterprise Value				16,008
Less: Non-Utility Net Debt (2013E)				(3,442)
Non-Utility Equity Value				12,566
Total Equity Value				18,779
Diluted Average Shares Outstanding (2013E)				507
Equity Value Per Share				$37

Source: Deutsche Bank

Southern Company (SO): Raising PT to $39 and maintain Hold

We are introducing a 2013E of $2.80, reflecting long term EPS growth of 6.3% off the midpoint of SO's original 2010 guidance range of $2.30-$2.36, and are raising our price target to $39 from $37 as we roll forward our valuation another year. SO has indicated that they would expect to achieve long-term EPS growth in the range of 5-7% using 2010 guidance as a base. This would imply expectations for 2013 earnings to be in the range of $2.66/sh (5% CAGR off $2.30 base) to $2.90/sh (7% CAGR off $2.36 base). We are maintaining our 2011 and 2012 estimates of $2.50 and $2.65.

Valuation

We calculate our price target by applying a 13.8x P/E multiple to our 2013E of $2.80. We believe SO merits a 15% premium to peers, reflecting (1) above average regulatory certainty given favorable formula rate plans in Alabama and Mississippi, as well as a history of negotiating constructive rate plans in Georgia; (2) regulatory diversity with utilities in four states; (3) a better than average service territory; (4) strong growth prospects (5-7%); (5) a history of delivering on or exceeding management targets; and (6) a strong financial position. We consider SO to be a core regulated utility holding with an attractive 4.9% dividend yield,

SB_GT&S_0005505

however, our new price target implies only modest upside of 1.4% excluding the dividend. We are reiterating our Hold rating.

Risks

Risks to our valuation and financial projections include outcomes in future regulatory proceedings, financing requirements, market interest rates, and economic conditions in the Southeast. Higher- or lower-than-anticipated financing requirements, particularly equity needs, could also have a material impact on our estimates and valuation. Economic conditions in the Southeast, which influence sales and capital plans, could also negatively or positively impact our target. We also highlight interest rates as a risk, since SO, as a higher dividend yielding stock, can trade more like a bond proxy than many other stocks in our coverage universe.

TECO Energy (TE): Maintain Sell rating but raising PT to $16.50

We are introducing a 2013E of $1.80 and are raising our price target to $16.50 from $15.50 as we roll forward our valuation another year to 2013. We are also revising our estimates, largely to reflect higher coal price forecasts for metallurgical and steam coals, offset by higher per ton production costs. While TE could see its earnings rise meaningfully through 2013 given higher earnings from the coal segment, we believe the run up in TE's stock price since the beginning of December has more than accounted for this upside. We reiterate our Sell rating in light of negative total return potential of 4.4%, including a 4.8% dividend yield.

Lowering 2011E on projections for higher costs at TECO Coal

We are reducing our 2011E to $1.30 from $1.40, largely reflecting lower earnings at TECO Coal than previously expected. We now expect per ton production costs to come in at the top end of TECO Energy's prior guidance range of $71-$75 per ton, which will squeeze per ton margins. While prices for metallurgical and steam coal are up significantly since the last time we updated our model, TE is already largely hedged for 2011. They have hedged close to 100% of their expected metallurgical and pulverized coal injection sales and close to 85% of their expected thermal coal sales.

Higher coal prices to drive higher earnings in 2012 and 2013

We are raising our 2012E to $1.65 from $1.50 and our introducing a 2013E of $1.80. We currently estimate that TECO Coal will capture higher margins in 2012 and 2013, as higher coal prices offset cost creep. TE remains largely unhedged in 2012 and 2013 at 18% and 5% respectively, allowing for significant upside should coal prices, particularly met prices, remain at current levels. We assume modest earnings growth at the Florida utilities driven by lower interest expense as debt is refinanced at lower interest rates. We also expect parent company debt retirements to positively impact earnings at all of the non-utility segments as we expect TE to use cash generated from the coal business to retire parent company debt.

Valuation

We value TECO Energy using a sum-of-the-parts analysis, which is consistent with how we value most other stocks in our diversified utility coverage universe. We attribute $13/sh of value to the Florida utilities by applying an average regulated utility P/E multiple target of 12x to our 2013E for Tampa Electric and Peoples Gas. We value TECO Guatemala at about $1/sh by applying a P/E multiple of 9x to our 2012E, a discount to the Florida utilities reflecting higher regulatory risk and lower visibility on the operations of this subsidiary. We calculate enterprise value of close to $1B for TECO Coal by applying an EV/EBITDA multiple of 4.0x to our 2013 EBITDA estimate of $238M. We note that US coal stocks are currently trading at EV/EBITDA multiples in the 5x range versus 3-4x in 2010, which could suggest that consensus forecasts have not been adjusted to reflect higher coal prices. We do not believe

SB_GT&S_0005506

it is appropriate to apply an above average "peak" multiple to our new EBITDA forecast for TECO Coal since we believe our 2013 estimate could reflect top of the cycle earnings. We value parent company overhead at -$69M by applying a 7x EV/EBITDA multiple to our estimate for corporate drag. We then subtract non-utility net debt of $494M to get to our total non-utility equity value of $390M or $2/sh. Finally, we add $19M or less than $0.10/sh to reflect the net present value of the remaining NOLs and AMT carry forwards to get us to our $16.50 price target.

Figure 45: TE Sum-of-the-Parts Valuation

Business Segment	Valuation Metric	2013E	Multiple	Value
Florida Utilities	P/E	1.12	12.0x	2,917
TECO Guatemala	P/E	0.14	9.0x	279
Total Utility Equity Value				**3,195**
TECO Coal	EV/EBITDA	238	4.0x	953
Parent Overhead	EV/EBITDA	(10)	7.0x	(69)
Less: Non-Utility Net Debt				(494)
Total Non-Utility Equity Value				**390**
NPV of NOL				19
Total Equity Value				**3,604**
Diluted Average Shares Outstanding				217
Equity Value Per Share				**$16.61**

Source: Deutsche Bank

Risks

We see the following upside risks to our valuation and rating: faster-than-anticipated economic recovery in Florida, faster-than-anticipated rate base growth at Tampa Electric and Peoples Gas, higher-than-forecast production and prices at TECO Coal, the sale of TECO Coal at a price above what we have included in our valuation, lower-than-expected operating expenses at all subsidiaries, and lower-than-expected financing needs.

Xcel Energy (XEL): Raising PT to $25; Maintain Hold

We are maintaining our 2010 EPS estimate of $1.65 and are lowering our 2011 and 2012 EPS estimates by $0.05 to $1.70 and $1.80, respectively. We are also introducing our 2013 EPS estimate of $1.90, which reflects ~5.5% EPS growth over 2012. Our lower 2011 and 2012 EPS estimates are based on an adjustment to our view of "normalized" 2010 EPS after management's comments on the Q3 earnings call. We expect 2010 EPS of $1.65, at the high end of the XEL's guidance range, but note that favorable weather and a shift to seasonal rates in Colorado were key drivers to the strong performance that are not expected to recur in 2011. Our new 2011 estimate is at the midpoint of XEL's 2011 guidance range of $1.65-$1.75, and our 2012 estimate reflects nearly 6% EPS growth (at the midpoint of the 5%-7% EPS growth target). In 2013, we assume XEL benefits from the outcome of new rate cases, but see earnings closer to the low end of the growth rate as we forecast a $400M market equity issuance. We are maintaining our Hold rating as we believe XEL's growth, strong execution track record, and regulatory diversity are mostly priced in at current levels.

SB_GT&S_0005507

Valuation

We value XEL by applying a 13.1x P/E multiple to our 2013 EPS estimate of $1.90. Our multiple reflects a 9% premium to our target regulated utility multiple of 12x. In our view, XEL's service territory diversity helps reduce earnings volatility and reliance on a single regulatory agency and provides exposure to a variety of industries and economies. The different operating companies also allow XEL's capital spending program to not be dependent on any single project or state policy initiative. Among the various states in which XEL operates, we view their relationships with regulators to be generally constructive. We also believe that XEL's management team has established a solid track record of good execution and financial discipline. We also believe XEL merits a premium for its proactive push to reduce the company's exposure to coal generation, though we acknowledge that XEL has the benefit of operating in states with attractive renewable development opportunities.

Risks

As a fully regulated utility, the most important downside risk for XEL is negative rate case decisions. XEL is also exposed to the general economic environment in its territories, and a continued sales decline would weaken earnings growth. XEL also faces a risk if any future CO2 emissions regulation proves to be especially costly. Since XEL is fully regulated, we would view this as a risk more for the pressure it would put on regulators to find ways to mitigate potential rate impacts on customers. Upside risks include a faster or stronger economic recovery in XEL's service territories than we expect and better rate case outcomes than we forecast.

SB_GT&S_0005508

Appendix 1

Important Disclosures

Additional information available upon request

For disclosures pertaining to recommendations or estimates made on a security mentioned in this report, please see the most recently published company report or visit our global disclosure look-up page on our website at http://gm.db.com/ger/disclosure/DisclosureDirectory.eqsr.

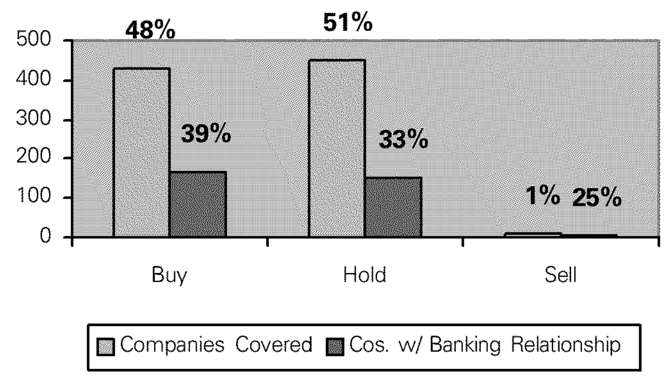
Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst about the subject issuers and the securities of those issuers. In addition, the undersigned lead analyst has not and will not receive any compensation for providing a specific recommendation or view in this report. Jonathan Arnold

Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.
Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock
Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.
Notes:
1. Newly issued research recommendations and target prices always supersede previously published research.
2. Ratings definitions prior to 27 January, 2007 were:
   Buy: Expected total return (including dividends) of 10% or more over a 12-month period
   Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
   Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships



North American Universe

SB_GT&S_0005509

Regulatory Disclosures

1. Important Additional Conflict Disclosures

Aside from within this report, important conflict disclosures can also be found at https://gm.db.com/equities under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

2. Short-Term Trade Ideas

Deutsche Bank equity research analysts sometimes have shorter-term trade ideas (known as SOLAR ideas) that are consistent or inconsistent with Deutsche Bank's existing longer term ratings. These trade ideas can be found at the SOLAR link at http://gm.db.com.

3. Country-Specific Disclosures

Australia: This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act.

Brazil: The views expressed above accurately reflect personal views of the authors about the subject company(ies) and its(their) securities, including in relation to Deutsche Bank. The compensation of the equity research analyst(s) is indirectly affected by revenues deriving from the business and financial transactions of Deutsche Bank.

EU countries: Disclosures relating to our obligations under MiFiD can be found at http://globalmarkets.db.com/riskdisclosures.

Japan: Disclosures under the Financial Instruments and Exchange Law: Company name - Deutsche Securities Inc. Registration number - Registered as a financial instruments dealer by the Head of the Kanto Local Finance Bureau (Kinsho) No. 117. Member of associations: JSDA, The Financial Futures Association of Japan. Commissions and risks involved in stock transactions - for stock transactions, we charge stock commissions and consumption tax by multiplying the transaction amount by the commission rate agreed with each customer. Stock transactions can lead to losses as a result of share price fluctuations and other factors. Transactions in foreign stocks can lead to additional losses stemming from foreign exchange fluctuations. "Moody's", "Standard & Poor's", and "Fitch" mentioned in this report are not registered as rating agency in Japan unless specifically indicated as Japan entities of such rating agencies.

New Zealand: This research is not intended for, and should not be given to, "members of the public" within the meaning of the New Zealand Securities Market Act 1988.

Russia: This information, interpretation and opinions submitted herein are not in the context of, and do not constitute, any appraisal or evaluation activity requiring a license in the Russian Federation.

SB_GT&S_0005510

Deutsche Bank Securities Inc.

North American locations

Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005
Tel: (212) 250 2500

Deutsche Bank Securities Inc.
One International Place
12th Floor
Boston, MA 02110
United States of America
Tel: (1) 617 217 6100

Deutsche Bank Securities Inc.
222 South Riverside Plaza
30th Floor
Chicago, IL 60606
Tel: (312) 537-3758

Deutsche Bank Securities Inc.
3033 East First Avenue
Suite 303, Third Floor
Denver, CO 80206
Tel: (303) 394 6800

Deutsche Bank Securities Inc.
1735 Market Street
24th Floor
Philadelphia, PA 19103
Tel: (215) 854 1546

Deutsche Bank Securities Inc.
101 California Street
46th Floor
San Francisco, CA 94111
Tel: (415) 617 2800

Deutsche Bank Securities Inc.
700 Louisiana Street
Houston, TX 77002
Tel: (832) 239-4600

International locations

Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250 2500

Deutsche Bank AG London
1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank AG
Große Gallusstraße 10-14
60272 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG
Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG
Filiale Hongkong
International Commerce Centre,
1 Austin Road West,Kowloon,
Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.
2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
Japan
Tel: (81) 3 5156 6770

Global Disclaimer

The information and opinions in this report were prepared by Deutsche Bank AG or one of its affiliates (collectively "Deutsche Bank"). The information herein is believed to be reliable and has been obtained from public sources believed to be reliable. Deutsche Bank makes no representation as to the accuracy or completeness of such information.

Deutsche Bank may engage in securities transactions, on a proprietary basis or otherwise, in a manner inconsistent with the view taken in this research report. In addition, others within Deutsche Bank, including strategists and sales staff, may take a view that is inconsistentwith that taken in this research report.

Opinions, estimates and projections in this report constitute the current judgement of the author as of the date of this report. They do not necessarily reflect the opinions of Deutsche Bank and are subject to change without notice. Deutsche Bank has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. Prices and availability of financial instruments are subject to change without notice. This report is provided for informational purposes only. It is not an offer or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Target prices are inherently imprecise and a product of the analyst judgement.

As a result of Deutsche Bank's recent acquisition of BHF-Bank AG, a security may be covered by more than one analyst within the Deutsche Bank group. Each of these analysts may use differing methodologies to value the security; as a result, the recommendations may differ and the price targets and estimates of each may vary widely.

Deutsche Bank has instituted a new policy whereby analysts may choose not to set or maintain a target price of certain issuers under coverage with a Hold rating. In particular, this will typically occur for "Hold" rated stocks having a market cap smaller than most other companies in its sector or region. We believe that such policy will allow us to make best use of our resources. Please visit our website at http://gm.db.com to determine the target price of any stock.

The financial instruments discussed in this report may not be suitable for all investors and investors must make their own informed investment decisions. Stock transactions can lead to losses as a result of price fluctuations and other factors. If a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the investment. Past performance is not necessarily indicative of future results. Deutsche Bank may with respect to securities covered by this report, sell to or buy from customers on a principal basis, and consider this report in deciding to trade on a proprietary basis.

Unless governing law provides otherwise, all transactions should be executed through the Deutsche Bank entity in the investor's home jurisdiction. In the U.S. this report is approved and/or distributed by Deu Securities Inc., a member of the NYSE, the NASD, NFA and SIPC. In Germany this report is approved and/or communicated by Deutsche Bank AG Frankfurt authorized by the BaFin. In the United Kingdom this report is approved and/or communicated by Deutsche Bank AG London, a member of the London Stock Exchange and regulated by the Financial Services Authority for the conduct of investment business in the UK and authorized by the BaFin. This report is distributed in Hong Kong by Deutsche Bank AG, Hong Kong Branch, in Korea by Deutsche Securities Korea Co. This report is distributed in Singapore by Deutsche Bank AG, Singapore Branch, and recipients in Singapore of this report are to contact Deutsche Bank AG, Singapore Branch in respect of any matters arising from, or in connection with, this report. Where this report is issued or promulgated in Singapore to a person who is not an accredited investor, expert investor or institutional investor (as defined in the applicable Singapore laws and regulations), Deutsche Bank AG, Singapore Branch accepts legal responsibility to such person for the contents of this report. In Japan this report is approved and/or distributed by Deutsche Securities Inc. The information contained in this report does not constitute the provision of investment advice. In Australia, retail clients should obtain a copy of a Product Disclosure Statement (PDS) relating to any financial product referred to in this report and consider the PDS before making any decision about whether to acquire the product. Deutsche Bank AG Johannesburg is incorporated in the Federal Republic of Germany (Branch Register Number in South Africa: 1998/003298/10). Additional information relative to securities, other financial products or issuers discussed in this report is available upon request. This report may not be reproduced, distributed or published by any person for any purpose without Deutsche Bank's prior written consent. Please cite source when quoting.

Copyright © 2011 Deutsche Bank AG