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A Golden State No Longer?

DowngradingEIX To Sell; PG&E To Hold; Sempra Remains Buy

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- **What Was Then**: We have long considered California to be one of most constructive regulatory jurisdictions in the Utility industry. This has been anchored by the California Public Utility Commission (CPUC) which has generally maintained a fair balance between regulatory oversight and allowing Utilities to earn a reasonable rate of return.

- **What Has Changed:** A potential change in Commission dynamics, stemming from the new Governor, could signal the first structural shift in California regulatory outlook in some time. This risk could be translated through a change in Commission composition and the appointment of possibly three new Commissioners. Several of the potential candidates, according to media reports, have backgrounds in politics and environment/wildlife advocacy; these backgrounds historically do not prioritize constructive utility regulatory policy.

- **Ryan Non-Confirmation Could Be The 'Trigger':** The confirmation process for current Commissioner, Nancy Ryan, could provide an early signal of a structural shift in California. She was appointed by former Governor Arnold Schwarzenegger, but needs to be confirmed by the California State Senate. It is our understanding that she is facing an uphill battle in being confirmed as a Commissioner. A Senate vote could occur on 1/20/11. We think a non-confirmation could begin a negative chain-reaction for California based utilities, and re-calibrate investor expectations about the direction of the CPUC.

- **Regulatory Risks To Accelerate In 2011:** There are a number of regulatory events ahead for California based utilities that could highlight increased regulatory risk. **1)** Commission decisions on PG&E's Electric & Gas, and Gas Storage & Transmission rate cases **2)** Pending rate case for Edison International's regulated utility, Southern California Edison **3)** Pending rate case for Sempra's regulated utilities, SDG&E and SoCalGas.

- **We Are Downgrading EIX And PCG To Sell And Hold, Respectively.** In the midst of shifting regulatory risks, EIX has outperformed over the last quarter, and PCG has performed in line. Accordingly, we are downgrading EIX to Sell, with a revised Target of $35/share and PCG to Hold, with a revised Target of $48/share. Sempra Energy remains the only Buy-rated name in California.

	Rating		Target Price		Current Year Earnings Estimates		Next Year Earnings Estimates	
Ticker	Old	New	Old	New	Old	New	Old	New
EIX	2M	3M	US$38.00	US$35.00	US$3.35	US$3.35	US$2.93	US$2.93
PCG	1L	2L	US$50.00	US$48.00	US$3.47	US$3.47	US$3.56	US$3.56
SRE	1M	1M	US$60.00	US$60.00	US$3.80	US$3.80	US$4.19	US$4.19

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

A More Measured View Of California

Figure 1. Relative Value of California Utilities

			EPS		P/E	
Company	Ticker	Price	2011	2012	2011	2012
Sempra Energy	SRE	51.65	4.19	4.56	12.3x	11.3x
PG&E Corp.	PCG	47.02	3.56	3.81	13.2x	12.3x
Edison Int'l	EIX	38.74	2.81	2.91	13.8x	13.3x
Regulated Utility Group Average P/E					13.7x	12.8x

Source: Citi Investment Research and Analysis. For this illustration, the EPS for Edison Int'l reflects only the 2011E & 2012E earnings of the regulated utility, SCE at $2.93/share and $3.03/share, respectively. We then deduct corporate drag of ($0.12/share) each year, leading to a net EPS of $2.81/share & $2.91/share, respectively. This illustration excludes the earnings of the merchant business. Our published 2011 & 2012 estimates of $2.93/share & $2.44/share for EIX incorporates the earnings for all segments, including the earnings at the merchant business.

Anticipating Commission Dynamics As GRC Timeline Heats Up

Our thesis is not based upon on a short-term view of what we expect next week or next month. Rather, we focus our comments on how the composition and the tone of the CPUC will evolve in the next six months to a year, precisely when the regulatory calendar accelerates, with General Rate Case (GRC) deliberations for Edison International's regulated utility, Southern California Edison and two of Sempra's regulated utilities. We ask ourselves if we are at the onset of a structural change in the CPUC.

When we pit this view against current share prices, we think that at current prices, shares of PG&E and Edison International seem to not be pricing in a potential turn for the worse in long-term regulatory dynamics in California.

We believe investors are complacently assuming that with Governor Brown's election, the CPUC's solid regulatory tone will likely continue since Governor is close to CPUC President Peevey and President Peevey has been a constructive Commissioner. We think this view can be overly simplistic because: **1)** CPUC in recent months have been criticized in local news media (including Editorials) for being too close to the Utilities. In order to prevent continued criticism of the CPUC and ease such criticism, it is possible that President Peevey and/or the Commission 'pulls back' a little bit to acquiesce some of the vocal constituents. **2)** If forceful personalities are appointed to the CPUC as Commissioners, it is possible that down the road President Peevey might reconsider his role at the CPUC. Although we do not think this is a near-term event, it is not out of the realm of possibility in the long-term.

We highlight several upcoming events that could re-calibrate investor expectations, and impact long-term value of California based utilities.

Upcoming CPUC Events

Event # 1: (The potential 'Trigger' event)

Confirmation process for Commissioner Ryan: Commissioner Nancy Ryan was appointed by former Gov. Arnold Schwarzenegger in 2010. However, she is currently waiting to be confirmed by the California State Senate. It is our understanding that the Senate would need to act (i.e., a formal vote) by 1/20/11 in order for Commissioner Ryan to remain as a Commissioner. If the Senate does not hold a formal vote, she would no longer remain as a Commissioner.

Backing of the New Administration is likely to be key: Typically, it is the State Senate Rules Committee which makes a recommendation to the overall Senate body when an Appointee (such as current Commissioner Ryan) needs to confirmed. The Senate Rules Committee might reach out to the Energy, Utilities & Communications Committee to get a view on the work that a Commissioner is doing. However, given that this is a new gubernatorial administration, the Governor will likely be more influential in Commissioner Ryan's potential confirmation than would otherwise be the case. At this point, our understanding is that it is the Governor's decision on if he would give the 'go ahead' for Commissioner Ryan to be confirmed, or if he will use this opening to begin to put his own stamp on the CPUC.

Governor putting his own 'stamp' in other Agencies: In one of Gov. Brown's first decisions, he replaced majority of the existing state Board of Education with his own appointees (see: http://www.latimes.com/news/local/la-me-0108-brown-education-20110107,0,4390922.story). If this extends to the CPUC, it might lead to the non-confirmation of Commissioner Ryan.

Outcome might happen prior to 1/20/11: We note that even though a formal vote in the Senate could occur on 1/20/11, a decision from the Governor's office could come prior to this date.

Event # 2: Appointment of New Commissioners

Given that outgoing Commissioner John Bohn and potentially outgoing Commissioner Nancy Ryan, were generally viewed as constructive, the risk is that some of the new appointees might not strike the proper balance between the need for regulatory oversight and allowing utilities to earn a reasonable rate of return. We have no way of knowing about the thought process of any future appointees, but at current prices, we do not think shares of PG&E and Edison International are pricing in this potential long-term structural risk.

Earliest Commission Appointment: Commission appointments could occur in the next few weeks/days. In the event Commissioner Ryan is not confirmed by the State Senate, Gov. Jerry Brown is likely to appoint a new Commissioner within a short timeframe to fill the vacancy. The Gov. is likely to avoid an unprecedented situation where there would only be two sitting Commissioners (President Michael Peevey and Commissioner Tim Simon) presiding over regulatory matters in front of the Commission. This has not happened in recent CPUC history, and any decisions deliberated by a two-member Commission might be open for potential legal challenges.

Background on Potential Commission Candidates: Based on recent press reports (see two articles at http://www.bakersfield.com/news/local/x1680088324/Q-A-Former-utilities-commissioner-talks-about-the-job-Dean-Florez-wants and http://www.latimes.com/business/la-fi-brown-puc-20110107,0,1108383,full.story), some of the potential candidates for Commissioners at the CPUC include:

- **John Geesman**: Mr Geesman helped to orchestrate the defeat of Proposition 16 against PG&E in mid-2010. Mr. Geesman is a former Commissioner at the California Energy Commission. He was appointed by former Governor Gray Davis, and served at the Energy Commission from 2002-2008. From 1983-2002, he was an investment banker specializing in debt markets. During that tenure, he also spent 8 years at The Utility Reform Network, serving on its Board and as its President. Commissioner Geesman originally served as the California Energy Commission's Executive Director from 1979-1983, after several years as a political activist. More details about Mr. Geesman's background can be found in the California Energy Commission website (see: http://www.energy.ca.gov/commissioners/geesman.html).

- **Deane Florez**: Deane Florez is a State Senator in California. He has been in the State Senate since 2002. His district includes the cities of Bakersfield and Fresno. Sen. Florez has been an outspoken critic of PG&E as it related to the deployment of Smart Meters in the Bakersfield region. At times, Mr. Florez has been an outspoken critic of the CPUC as well. For ex: Sen. Florez held a news Conference in March 2010, signaling his outrage at the apparent spike in customer bills from the Smart Meters (see: http://dist16.casen.govoffice.com/index.asp?Type=B_PR&SEC=%7B5E36B143-3FBF-4945-AD03-0BAE9ED9CB67%7D&DE=%7BE47C3324-C02E-4FF7-A9AE-E2CA1F55BED0%7D). Our understanding is that Mr. Flores has been self-promotional since 2H10 in pursuing a Commission position, and it is unclear whether Governor Brown is considering him.

- **Julia Levin**: Most recently, Julia Levin has served as a Policy Advisor to Gov. Jerry Brown during its election campaign for the California Governorship. Recent press reports have indicated that some of Gov. Brown's statewide appointments could come from those who worked with the Gov. during his campaign (see: http://www.sacbee.com/2010/11/15/v-mobile/3184969_jerry-brown-seeking-something.html). Ms. Levin is also a former Commissioner at the California Energy Commission. She was appointed by former Governor Arnold Schwarzenegger, and served from 2009-2010. Prior to her appointment to the Energy Commission, Ms. Levin was Audubon's California Policy Director, where she helped direct statewide guidelines on wind power and wildlife protection. More details about Ms. Levin's background can also be found in the California Energy Commission website (see: http://www.energy.ca.gov/commissioners/levin.html)

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Company Focus

- Company Update
- Rating Change
- Target Price Change

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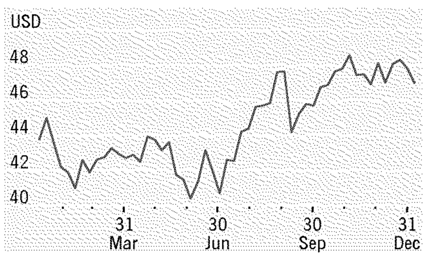
Hold/Low Risk	**2L**
from Buy/Low Risk	
Price (07 Jan 11)	US$47.02
Target price	US$48.00
from US$50.00	
Expected share price return	2.1%
Expected dividend yield	3.9%
Expected total return	**6.0%**
Market Cap	US$18,435M

Price Performance (RIC: PCG.N, BB: PCG US)



PG&E Corp (PCG)

DowngradingTo Hold On California Concerns

- **Settlements In Place, Final Outcome Can Only Be Neutral or Worse:** PG&E was successful in getting settlements in both is Electric & Gas rate case, as well as its Gas Storage & Transmission case. And to be clear, we expect the settlements will likely be approved essentially as is. However, in our view, PCG's share price reflects majority (if not all) of the outcome from the Settlements. For PCG shares to move materially higher from here: **1)** The final outcome of both cases need to better than what is stated in the Settlement. The chance of a final outcome being better than Settlement is close to nil, from our experience of following rate cases over the years. **2)** More importantly, if our thesis of a structural shift in California turns to be valid, there is a risk to the final outcome being different than the Settlement. Although this might be an unlikely event, we however, do not think shares of PG&E are currently pricing-in this potential risk.

- **Timeline of Events: 1)** Commission decision on the Manzana wind project is expected by end of January (see our comments at https://www.citigroupgeo.com/pdf/SNA69713.pdf) **2)** Final Commission decisions on the Electric & Gas and the Gas Storage & Transmission case is expected by the end of late-March or early-April. **3)** PG&E Investor Day: we would expect the Investor Day to take place after the rate matters are finalized. As such, expect an Investor Day in the May/June'11 timeframe. If the Commission composition becomes less constructive, then Southern California Edison's rate case in 2H11 becomes a relevant lateral consideration to PCG investors.

- **We downgrade shares of PG&E from Buy/Low Risk, to Hold/Low Risk.** Our target price is lowered to $48 from $50/share, based on our unchanged 2012 EPS estimate of $3.81 times a 12.5x target multiple. For investors seeking income in a relative low risk investment story, we recommend Westar Energy (WR.N; US$25.38; 1L).

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2009A	0.65A	0.83A	0.92A	0.80A	3.21A	3.21A
2010E	**0.79A**	**0.89A**	**1.04A**	**0.75E**	**3.47E**	**3.44E**
Previous	0.79A	0.89A	1.04A	0.75E	3.47E	na
2011E	**0.88E**	**0.88E**	**1.02E**	**0.78E**	**3.56E**	**3.71E**
Previous	0.88E	0.88E	1.02E	0.78E	3.56E	na
2012E	**na**	**na**	**na**	**na**	**3.81E**	**3.92E**
Previous	na	na	na	na	3.81E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

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Company Focus

- Company Update
- Rating Change
- Target Price Change
- Estimate Change

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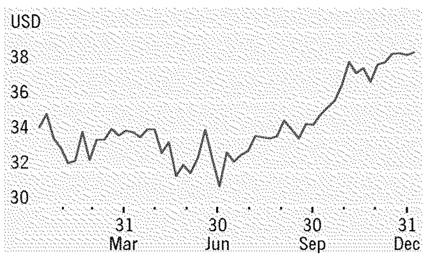
Sell/Medium Risk	**3M**
from Hold/Medium Risk	
Price (07 Jan 11)	US$38.74
Target price	US$35.00
from US$38.00	
Expected share price return	-9.7%
Expected dividend yield	3.3%
Expected total return	**-6.4%**
Market Cap	US$12,622M

Price Performance (RIC: EIX.N, BB: EIX US)



Edison International (EIX)

CaliforniaConcerns, Rate Case Uncertainty and Recent Outperformance Triggers Downgrade To Sell

- **With pending rate case, SCE at risk**: We derive 100% of the target value of Edison shares through the value of its regulated utility. We highlight the pending rate case for Southern California Edison (SCE) as a potential risk because: **1)** Recent investor focus on Edison shares has largely been at its merchant business. Therefore, when headline and actual rate case events begin to emerge in the coming months, it might lead investors to re-calibrate their expectations on the segment that has received less scrutiny in recent quarters **2)** Chances of a settlement are lower vs. PG&E. We advise investors to not assume that SCE works out a settlement, similar to the one reached by PG&E. It is more likely that the case goes the distance without a settlement. **3)** A Commission makeup with more political or consumer advocacy mix might embolden interveners in the State to be more vocal and create more headline risk throughout '11 and parts of '12.

- **Shares no longer at discount to Utility value**: One of the bull-case arguments had been that the value of the utility exceeded the price of Edison shares. Assuming our 2012E net estimate for SCE of $2.91/share, and applying a peer group 12.8x P/E multiple, fair value of the utility would be ~ $37/share. That is ~$2/share, or 5% lower than Edison's current share price.

- **Outlook for Merchant business continues to be challenging:** Since late Nov-'10, CAAP forward dark spreads for '11 & '12 have declined by ~12% and ~20%, respectively. During the same period, forward '11 & '12 PRB darks have fallen by ~7% and ~4%, respectively. On a MTM basis, the Open EBITDA generated from Edison's core power business (coal plants only), is near zero. We continue to assign zero value to Edison's merchant fleet.

- **Risk to our rating: 1)** Cash benefit of bonus depreciation that could help alleviate the need for new equity at SCE for the foreseeable future **2)** Better than expected 2011 guidance, as we are below consensus at $2.93/share for '11 vs. consensus $3.03/share. We expect guidance to be given during the 4Q'10 call in late-Feb/early-March'11.

- **We downgrade Edison International to Sell/Medium Risk, with a revised Target of $35/share**. For investors seeking commodity exposure, we recommend Constellation Energy (CEG.N; US$32.01; 1H). This is a non-consensus call, as there 9 Buys / 11 Holds on EIX, with no Sell ratings.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2009A	0.80A	0.76A	1.05A	0.63A	3.24A	3.25A
2010E	**0.82A**	**0.59A**	**1.39A**	**0.55E**	**3.35E**	**3.47E**
Previous	0.82A	0.59A	1.39A	0.55E	3.35E	na
2011E	**0.65E**	**0.61E**	**1.16E**	**0.52E**	**2.93E**	**3.03E**
Previous	na	na	na	na	2.93E	na
2012E	**na**	**na**	**na**	**na**	**2.44E**	**2.79E**
Previous	na	na	na	na	2.45E	na

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

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Figure 2. Edison International Events

Upcoming Events	Date
2011 Guidance	Late-Feb/early March
Quantify Cash Benefit from Bonus Dep.	Late-Feb/early March
Rate Case (GRC) Hearings	2Q'11
EPA Rules on MACT	Mid-2011
ALJ Proposed Decision on GRC	4Q'11

Source: Citi Investment Research and Analysis

In our view, significant investor attention to EIX equity has recently come from non-traditional utility investors (particularly those in the high yield community) who are focused on EMG. These investors overwhelmingly focus on EMG's cash flow prospects in our view while focusing much less on regulatory issues at Southern California Edison. With qualitative risk emerging at the CPUC, we believe escalating Commission risk is likely a factor that has escaped the attention of recent EIX investors.

- **Thinking about 2011 guidance:** Our '11 estimate is $2.93/share for Edison International. We project the regulated utility, SCE, to generate $2.93/share, the merchant entity $0.12/share, offset by corporate/parent drag of ($0.12)/share. Therefore, the vast majority of 2011 earnings is expected to come from SCE. This will further highlight the importance of SCE to the overall business, and the risk associated with SCE's future earnings power due to the items mentioned throughout this report. We note 2011 is the last year of the prior rate increase for SCE. Therefore, investors will be more focused on the earnings power at SCE in '12 and beyond.

- **Items for the 4Q'10 call**: We are below consensus for '11 at $2.93/share, vs. consensus of $3.03/share. For 4Q'10, we also slightly below consensus at $0.55/share, vs. consensus of $0.63/share. Pertinent items for the call include: **1)** Update on power hedges for the Mission fleet, which is currently hedged ~38% for power in '11, and practically open in '12 and '13. **2)** Update on coal hedges: Homer City is currently hedged ~81% and ~35% for coal in '11 and '12, respectively. The Midwest fleet is currently hedged ~87% and ~54% hedged for coal in '11 and '12, respectively. Given the recent run-up in coal prices, we would be interested in hearing how management is thinking about timing & duration of additional coal hedges. **3)** Any additional details on plant retirements/pollution control equipment installment for the Midwest coal fleet **4)** Thoughts on SCE's rate case timeline and overall composition at the CPUC **5)** Questions might also come up regarding an update on the rail contract situation for Midwest Gen (discussed later in this report). However, we expect Management to keep cards close to their vest on this topic.

- **Cash benefit of Bonus Depreciation**: We expect this portion of the comment during the 4Q'10 call to be a positive item. The cash benefit from accelerated/bonus depreciation is expected to be a meaningful positive item at the regulated utility, SCE. We do not have Edison issuing equity in '11 and '12, so this factor alone is not likely to impact our estimates for '11 and '12. However, longer-term, the ability to preserve cash at the Utility might alleviate the need for new equity for the foreseeable future.

Impact of New Rail contract at Midwest Generation

We think this is an item that might capture more investor attention during 2011. Edison Mission Group's Midwest Generation fleet currently has a 'below-market' rail contract which we assume to be priced at $12/ton. This contract is set to expire at the end of 2011.

This step-up is incorporated in our 2012 estimate. However, it is possible that current 2012 consensus might not be fully capturing this potential headwind.

We note that the issue of rail cost has been a source of negative surprise for a peer integrated utility, PPL Corp (see: https://www.citigroupgeo.com/pdf/SNA62543.pdf).

In our valuation for the merchant business, both in our Open EBITDA and in our EPS estimate, we assume the new rail contract to be signed at $20/ton, beginning in 2012. Our $20/ton assumption is a proxy for current market price for a new rail contract in the Midwest.

In the table below, we illustrate the year-over-year EPS impact from the possible step-up in the rail contract price. Every $1/ton change in the future rail cost assumption would impact our 2012 EPS by ~$0.03/share.

Figure 3. Expected step-up in Rail Cost

a	Coal used at MWG (millions of tons)		18
b	Current Rail cost ($/ton)	CIR assumption	12
c	Future rail cost ($/ton)	CIR assumption	20
d = c - b	Incremental cost increase ($/ton)		8
e = a * d	Incremental increase (in millions, $)		144
f = e * .6	After-tax increase		86
g = f / 331	Per-share impact year-over-year		0.26

Source: Citi Investment Research and Analysis

Valuation

We value Edison International on a sum of the parts approach, where we value the regulated utility, Southern California Edison (SCE) on a P/E basis, and the merchant segment, Edison Mission Group, on an Open EBITDA basis. We use 2012 as the base year for our valuation.

Southern California Edison

Our 2012 EPS estimate for SCE is $3.03/share. It is based upon a rate base of ~$20B. This is consistent with SCE's ratebase range of ~$19B-21B for '12. We assume an earned-RoE of ~10.5% in 2012.

The reason we assume a ~10.5% RoE in 2012, because it is the last year of the Cost of Capital Agreement which allows SCE to earn on an 11.5% RoE. Since 2012 is our valuation year, we thought it is more appropriate to value the company on a normalized RoE basis vs. arguably a 'peak' RoE of 11.5%, given the possibility of a decline in RoE post-2012 timeframe.

This potential risk is not something that is specific only to SCE. Instead it is an item for consideration for regulated utilities as a whole. We highlighted the risk of declining RoE's in our 10/12/10 note titled 'The New Normalized RoE World' (see: https://www.citigroupgeo.com/pdf/SNA64425.pdf).

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Our base P/E multiple for regulated utilities is 14x. This is above the 30 year historical average multiple for regulated utilities of 12.5x, and reflects a historical relationship of bond yields and utility equity valuations. We have expressed this relationship through regressive analysis in prior research. Our above average multiple reflects a largely below average bond yield environment.

We conservatively assume a 10-year Treasury yield of 4.25% in 12 months. For every +1% yield assumption change, our target multiple decreases by 1.5x.

Increasing Valuation Discount

We are increasing our SCE-specific P/E discount to 2x from 1x due to: **1)** As mentioned throughout this report, possibility of heightened regulatory risk in California impacting SCE's 2011 rate case, which will be the main driver of 2012 earnings and beyond **2)** Risk of declining authorized RoE post-2012, following the expiration of the Cost of Capital Agreement. We note that one of the architects of the mechanism, Commissioner John Bohn, is no longer at the CPUC.

As a result, our new SCE-specific P/E multiple is 12x vs. our base utility multiple of 14x.

We value peer California utility, PG&E Corp., at a 1.5x discount, at 12.5x P/E. We maintain a lesser discount for PG&E because the company reached a Settlement in its rate case, which (if approved with no major changes) provides a higher level of earnings certainty in the near-to-medium term.

We derive the value for SCE by taking the $3.03/share, and subtracting corporate drag of ($0.12)/share to derive a net EPS for the Utility of $2.91/share. We then apply a 12x multiple to calculate a value of ~$35/share.

Value of Edison Mission Group (EMG)

Core Power portfolio: The core power portfolio consists of coal plants in the Midwest, and the Homer City coal fired plant in Pennsylvania. Based on a commodity curve as of 12/29/10, we estimate EMG to generate ~$25mm Open EBITDA in 2012 from its core power business. We assign an 8x multiple to calculate an Enterprise Value of ~$200mm.

Wind business: We expect the wind business to generate $271mm of EBITDA (including the value of PTCs) in 2012. We assign an 8x multiple to calculate an Enterprise Value of ~$2.2B.

Trading: We estimate that EMG's trading unit, EMMT, will generate a pre-tax margin of $95mm in 2012. We assign a 4x multiple to calculate a value of $380mm for EMMT.

Therefore, the total enterprise value for EMG, consisting of the core power, wind and trading businesses is ~$2.8B. We make several adjustments to this enterprise value, discussed in detail below:

Future Environmental Obligation

As a background, based on an agreement signed with the State of IL, Edison's Midwest Generation fleet has committed to reduce both Sox and Nox emissions from its coal fired plants beginning in 2012.

The NOx reduction agreement requires emission rates to be no more than 0.11lbs/million Btu beginning in calendar year 2012. There is also a separate requirement to reduce Sox emissions levels to a rate of 0.44 lbs/million Btu in 2013, and gradually declining to 0.11 lbs/million Btu by 2019.

Edison International has indicated the company's preference to utilize SNCR's to meet the Nox portion of the requirement. The estimated cost of deploying the SNCR's is expected to be ~$200mm.

During the 2Q'10 call, Edison International disclosed its potential future cap-ex obligation related to Sulfur-di-oxide, or Sox. The company expects the obligation to be $1.2B.

We simplify our NPV calculation by assuming that the $1.2B is spent equally from 2011-2018. The actual spending is likely to be lumpy, as individual plant decisions need to be made.

Potential environmental spending for Homer City: The Homer City facility has three units, totaling ~1,880MW. All three units have Nox controls (SCRs) already installed. One of the units also has a Sox control equipment installed.

Therefore, potential environmental spending exposure for Homer City would be for the two units (totaling ~1,240MWs) having to install Sox control equipment. If we assume capital cost of ~$500/kw, the future environmental obligation for the two units would be ~$600mm.

For simplicity, we assume that the ~$600mm is spent evenly over a three year period, from '11-'13. The present value of this spending is ~$450mm.

Therefore, in our base case, we estimate future environmental obligations for EMG (consisting of both the Midwest and the Homer City fleet) to be ~$1.6B.

We believe recent statements from neighboring states on Homer City emissions are less of a material investment consideration than the spending datapoints we note above.

NPV of Long-Term Capacity Price

Approximately 75% of Edison Mission Group's capacity is located in the RTO region (Midwest Gen. plants) of the PJM, and the remainder (Homer City facility) is located in the MAAC region.

Our prior assumptions for the '14/'15 – '16/'17 auctions were as follows:

MAAC: $200Mw-d/$175Mw-d/$150MW-d

RTO: $35Mw-d/$50Mw-d/$60Mw-d

We have updated our overall capacity price assumptions following more in depth analysis of impact from possible coal plant retirements, and also the latest development regarding the possible buildout of new gas fired capacity in New Jersey, utilizing state-backed long-term capacity contract (see: https://www.citigroupgeo.com/pdf/SNA68946.pdf and https://www.citigroupgeo.com/pdf/SNA65400.pdf)

As a result, our new assumptions are:

MAAC: $240Mw-d/$230Mw-d/$292Mw-d

RTO: $42Mw-d/$72Mw-d/$118Mw-d

Since our valuation year is 2012, the capacity prices ($/Mw-d) embedded in our valuation is ~$121/$63 for MAAC/RTO. We take the delta between these prices, and our long-term forecasts. We calculate the NPV of this delta to be ~$255mm.

Value of Future Climate Change Legislation: We estimate the NPV of an expected future Climate change legislation to be ($172mm). Our estimate assumes that a climate change legislation is implemented in 2019, with a carbon price of $15/ton.

Equity Income: The final adjustment we make on valuation is the Equity Income contribution from other power projects. We calculate the Equity Income contribution (on an after-tax basis) to be $47mm in 2012. We assign a 10x multiple on this earnings stream to arrive at an equity value of ~$468mm.

The sum of the above-mentioned items, and a ~$6B net debt adjustment, equates to an equity value of $(4B), or ~($13/share).

However, given that EMG is structurally and legally separate from the parent company, Edison International, the **maximum negative equity value is zero**.

Therefore, in our valuation, we continue to assign a zero value to EMG.

- Estimate update: Our '10-'12 estimates are essentially unchanged. We are introducing quarterly estimates for 2011.

Company Focus

Company Update

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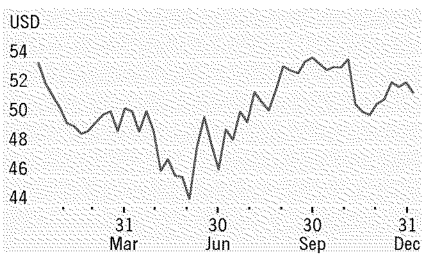
faisel.khan@citi.com

Buy/Medium Risk	**1M**
Price (07 Jan 11)	US$51.58
Target price	US$60.00
Expected share price return	16.3%
Expected dividend yield	3.0%
Expected total return	**19.3%**
Market Cap	US$12,382M

Price Performance (RIC: SRE.N, BB: SRE US)



Sempra Energy (SRE)

MaintainBuy Rating; Diversified Portfolio Provides Some Cover

- **Recommendation** — We continue to rate SRE Buy with a $60 target. Despite the political headwind in California, we believe SRE's diversified gas and power portfolio (36% of profits) leave it less exposed than the other California utilities to a political fall out at the CPUC. Furthermore, we believe SRE's SoCal Gas subsidiary (27% of profits) does not get the same attention from interveners as the electric utilities because gas utility bills are a fraction of electric utility bills. Furthermore, SoCal Gas delivers gas to its customers at a substantial discount when compared to the rest of the country.

- **SoCal Gas Rate Case** — SoCal Gas filed on 12/15/10 for a $308 mm base rate increase premised on a 2012 test year. The increase is largely predicated on increased spending related to a $500 mm smart meter program, higher health care and increased integrity costs. We do not project a rate increase at this point. SoCal gas has been able to earn 200-300 bps above its cost of capital (10.8% ROE) as a result of incentive mechanisms and operating efficiencies. Our current model projects an achieved long-term ROE of nearly 14% excluding $16 mm of earnings outside of the utility but reported within SoCal Gas Company operating results. The clear risk to our numbers would be if the CPUC denied SoCal's incentive mechanisms.

- **SDG&E Rate Case** — SDG&E filed for a $276 mm base rate increase across its utility system on 12/15/10. SDG&E is currently earning under an 11% ROE on our rate base calculation of $4.8 billion (fire costs). We estimate SDG&E will need a rate increase to earn its allowed ROE of 11.1% for the 2012 test year assuming a normal rate of inflation in the cost structure of the company. We do not believe there is a high level of political risk to SDG&E's rate base growth given that projects such as Sunrise, the steam generator replacement and AMI initiative have already been approved by the CPUC. Therefore SDG&E should continue to grow earnings at a steady pace. The clear risk to our estimates is that a new commission may take longer to decide on SDG&E's rate case, which could impact our 2012 estimates.

- **Thesis** — SRE endured a salvo of issues in 2012 including the slow sale of its commodity business, lower than anticipated 2011 guidance, and a number of litigation and reputational issues related to the California Energy Crisis, land rights in Mexico and a poorly conceived conference center at Costa Azul. These issues caused the stock to be one of the worst performing stocks in the natural gas sector in 2010. We believe these issues are behind the company. In our opinion, the debate going forward on SRE is 2012 EPS. We currently estimate $4.56 per share compared to the Street of $4.28.

- **2012 EPS** — We currently estimate pre-tax profits from the Power business will fall $140 mm in 2012 from 2011. We estimate SRE will make up these lost earnings largely from higher earnings from SDG&E as result of the drop down of the El Dorado plant from the Power business into SDG&E, the sale of the Elk Hills plant, the ramp-up of the Sunrise Transmission line, and slight improvements in both Storage and LNG. Separately, we currently estimate an overall tax rate of 32%, which could be lower depending on the timing of tax credits from renewable power projects.

Figure 4. SDG&E Proposed Timeline for Rate Case

December 15, 2010	Application filed
January 14, 2011	Protests due to Application
February 15, 2011	Prehearing Conference
TBD	Public Participation Hearings
March 2, 2011	DRA Report served
April 2, 2011	Intervenor Testimony served
April 2011	Discovery on Intervenor Testimony
May 2, 2011	SDG&E Rebuttal Testimony served
June/July 2011	Evidentiary Hearings
August 2011	Opening Briefs filed
September 2011	Reply Briefs filed
September 2011	Update Filing and Hearings, if necessary
October 2011	Proposed Decision
November 2011	Commission Decision
December 2011	Final Tariffs filed
January 1, 2012	Implementation

Source: General rate case application of SDG&E (U 902-M)

Figure 5. SoCal Gas Proposed Timeline for Rate Case

December 15, 2010	Application filed
January 14, 2011	Protests due to Application
February 15, 2011	Prehearing Conference
TBD	Public Participation Hearings
March 2, 2011	DRA Report served
April 2, 2011	Intervenor Testimony served
April 2011	Discovery on Intervenor Testimony
May 2, 2011	SoCalGas Rebuttal Testimony served
June/July 2011	Evidentiary Hearings
August 2011	Opening Briefs filed
September 2011	Reply Briefs filed
September 2011	Update Filing and Hearings, if necessary
October 2011	Proposed Decision
November 2011	Commission Decision
December 2011	Final Tariffs filed
January 1, 2012	Implementation

Source: General rate case application of SocalGas (U 904 G)

PG&E Corp

Investment strategy

We rate the shares of PG&E Corporation Hold/Low Risk (2L). At this time, we feel that the regulatory pendulum in California might be shifting to less than constructive. Given the potential for heightened regulatory risks in California stemming from the possible non-confirmation of Commissioner Nancy Ryan, and appoint of New Commissioners, we rate PG&E a Hold.

Valuation

Our target price is ~$48/share and represents a one-year forward horizon. Our target is based on our 2012 EPS of $3.81, multiplied against our 14x defensive base multiple less a 1.5x discount. We have raised our PG&E specific discount by 0.5x to 1.5x, in order to reflect: 1) Possibility of heightened regulatory risk in California, with possibly three new Commissioners being appointed 2) A change in the Cost of Capital mechanism post 2012, that might impact future earnings power at the Utility.

Our base utility multiple of 14x is above the 30-year historical average multiple for regulated utilities of 12.5x, and reflects a historical relationship of bond yields and utility equity valuations. We have expressed this relationship through regressive analysis in prior research. Our above average multiple reflects a largely below average bond yield environment. We conservatively assume a 10-year Treasury yield of 4.25% in 12 months. For every +1% yield assumption change, our target multiple decreases by 1.5x. Our regression also assumes a repeal of the dividend tax cut by YE 2010.

Risks

We rate PG&E Corporation Low Risk based on its utility, which we believe is a defensive utility with fairly predictable earnings stream. Although we are concerned about the future direction of California's regulatory outlook, the existing Settlements in PG&E's Electric & Gas, Gas Storage & Transmission cases does offer a level of certainy for the near-to-medium term. Risks to our target valuation include the following:

Growth in capital spending - Capital spending growth is contingent on approval of new infrastructure investment by the CPUC. If the company fails to receive regulatory approval for increases in capital expenditures or fails to receive them in a timely manner, earnings trajectory may differ from our projection. On the flip side higher capital spending could be additive to our forecast.

Cost pressure could impact growth in EPS - We have modified our earnings growth forecast and target to reflect some cost cutting. If they are able to manage these costs better than forecast, our EPS estimates and target could be conservative. On the flip side, if we have over-estimated their ability to reduce costs they could cause downside to our forecast.

The future political and regulatory impact from the San Bruno accident & investigation carries a risk not only in financial penalties and fines, but more importantly, potentially damaging the standing of the company, infront of the CPUC and other statewide stakeholders. This is a risk that we are continually monitoring.

Edison International

Investment strategy

We rate the shares of Edison International Sell/ Medium Risk (3M). Even though our regulatory outlook for California is shifting to the negative, we continue to maintain Edison as a Medium risk becuase vast majority of its earnings are derived from a fully regulated business, Southern California Edison. In addition, the company's merchant generation unit, could benefit from improving power markets over the long-run. This is offset by concerns over the repricing of a rail transport contract, environmental capex spending and future EPA regulations.

Valuation

Our target price is $35/share. We value Edison International, an integrated utility, based on a sum of the parts approach. Our target is intended to reflect where the shares should trade one year forward from today.

We are increasing our SCE-specific P/E discount to 2x from 1x due to: 1) As mentioned throughout this report, possibility of heightened regulatory risk in California impacting SCE's 2011 rate case, which will be the main driver of 2012 earnings and beyond 2) Risk of declining authorized RoE post-2012, following the expiration of the Cost of Capital Agreement. We note that one of the architects of the mechanism, Commissioner John Bohn, is no longer at the CPUC.

As a result, our new SCE-specific P/E multiple is 12x vs. our base utility multiple of 14x.

We value peer California utility, PG&E Corp., at a 1.5x discount, at 12.5x P/E. We maintain a slighly less discount for PG&E because the company reached a Settlement in its rate case, which (if approved with no major changes) provides a higher level of earnings certainty in the near-to-medium term.

We derive the value for SCE by taking the $3.03/share, and subtracting corporate drag of ($0.12)/share to derive a net EPS for the Utility of $2.91/share. We then apply a 12x multiple to calculate a value of ~$35/share.

We continue to assign a zero-value to the merchant business.

Risks

We rate Edison International Medium Risk.

Southern California Rate Case: A possible change in California Commission dynamics, could heighten the risk for future earnings power, and rate base growth prospects for Southern California Edison.

Expiration of Cost of Capital Mechansim: Currently, Southern California Edison (SCE) has a cost of capital mechanism that allows the utility to enjoy a premium-RoE of 11.5% (premium to the national average of ~10%). This mechanism expires at the end of 2012. A change in the current mechanism could impact the long-term earnings power at SCE.

Commodity risk at Merchant unit: Given depressed power prices, we estimate the merchant coal fleet to generate near-zero Open EBITDA in 2012. The unit is mostly unhedged on both power and coal beyond 2012. Therefore, a combination of depressed power prices and/or higher coal prices, might marginalize this business over the long-run.

Sempra Energy

Valuation

We average multiple valuation methodologies to derive our $60 target.

Our NAV yields a value of $56.02. We value regulated assets at a multiple of rate base (1.3x for utilities, 1.5x for pipelines, transmission and storage assets). The company's trading business is valued at the expected sale price. We value SRE's electric generation at replacement value ($800-$1,000/KW for CCGT assets). These values are partially offset by the company's net debt.

Our DDM values the company at $58.76. Our P/E and EV/EBITDA multiples are based on our proprietary analyses, which utilize current equity risk premiums, current betas and projected risk-free yields. For our P/E analysis, we apply multiples of 13.0x , 13.5x and 16.0x to 2012 earnings at the utility, pipeline and generation segments. Our P/E analysis yields a value of $61.98.

For our EV/EBITDA analysis, we apply multiples of 7.5x, 8x and 9x to 2012 utility, pipeline and generation EBITDA. Our EV/EBITDA analysis yields a value of $61.53.

Risks

Our Medium Risk rating takes into account a constructive regulatory environment in California and an extensive capital expansion program supported by regulated and/or capacity contracts partially offset by SRE's more volatile merchant energy businesses.

Additional risks include:

SRE's energy trading JV is inherently volatile - While unprofitable trading operations could cause unexpected downside, if operations are more profitable than expected, this could cause material outperformance of our target price.

SRE's trading unit runs a short-dated book, which makes its net trading assets fairly liquid. While earnings will remain volatile from this business, we do not believe there is a great deal of financial stress because of the short-dated nature of the book and SRE's customer business, which essentially acts as a brokerage for energy buyers.

The utilities are subject to regulation from federal, state and local authorities which may impose rulings adverse to Sempra's interests.

California's Department of Water Resources holds a power contract with Sempra Generation that expires in 2011. If this contract is not renewed or the capacity is not sold to another party, earnings may be materially impacted.

Uncertainty in the contracting of capacity on expansions at the company's LNG facilities may negatively impact earnings in the coming years.

Sempra is exposed to currency issues in Mexico and earnings could be impacted with significant volatility in the value of the Mexican Peso.

Ability to access debt or equity markets at a reasonable cost in the future could materially impact growth in the future.

The ability of Sempra's JV partner (RBS) to access the capital markets could materially impact our valuation and estimates relating to the company's commodities business.

The opportunity for further upside exists if Sempra can take advantage of the growing need for renewable generation in the desert SW.

A sale of any of Sempra's businesses could materially impact our valuation and earnings estimates. Specifically, the SRE and RBS are actively looking to sell their commodities JV.

If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause our target price to be materially outperformed.

Westar Energy

Valuation

Our target price is ~$27/share. We value Westar Energy on a P/E basis. Our valuation year is 2012. We derive our target price by applying a 14x P/E multiple to our expected 2012 EPS of ~$1.91/share.

Our 14x P/E multiple assumption is above the 30 year historical average multiple for regulated utilities of 12.5x, and reflects a historical relationship of bond yields and utility equity valuations.

We have expressed this relationship through regressive analysis in prior research. Our above average multiple reflects a largely below average bond yield environment. We conservatively assume a 10-year Treasury yield of 4.25% in 12 months. For every +1% yield assumption change, our target multiple decreases by 1.5x. Our regression also assumes a repeal of the dividend tax cut by YE 2010.

For additional clarity on the methodology utilized to derive our peer average defensive multiple including a discussion of our out-of-market view on the 10-year treasury, please refer to our 2010 Electric Utility Outlook note: Pinpointing Power Picks for 2010 at https://www.citigroupgeo.com/pdf/SNA46598.pdf. Citigroup's economics team forecasts a 3.3% 10-year Treasury yield in 12 months; our regression analysis indicates this is consistent with a 15-16x target multiple.

Risks

Decline in Allowed ROE: As we highlighted in our Industry Report, 'New Normalized RoE World' (see: https://www.citigroupgeo.com/pdf/SNA64425.pdf), lower long-term US Treasury yields could prompt lower allowed rates of return nationwide. Allowed ROE for Westar is currently 10.4%. For Westar's rate case next year, it is possible that the Kansas commission could lower rates of return. In our forecast, we assume an allowed ROE of 10%. Every 50 basis points equates to ~$0.06/share of EPS impact. Peer Kansas-based regulated utility, Great Plains Energy, recently received an authorized RoE of 10% from the Kansas Commission. Therefore, we believe our 10% RoE estimate for Westar is a reasonably good target that captures this potential risk.

Slowdown in Transmission growth: The wind market is being impacted negatively due to lower power prices. This could potentially have an impact for investments in Transmission lines. In our forecast, we have assumed total cap-ex of $700 million and $800 million over the next two years, about $100 million less per year than the current company forecasts. So we've incorporated a more conservative cap-ex outlook than company forecasts.

Small nuclear operating risk: Westar is a co-owner of a large nuclear power plant, Wolf Creek. The Wolf Creek plant is scheduled to have a routine refueling outage Spring 2011. The schedule also includes turbine replacement. We will be monitoring the refueling outage and the turbine replacement closely, as a prolonged nuclear plant outage could potentially impact Westar Energy shares.

Rise in Inflation: Increase in the overall inflation rate in the US economy could pose a potential macro-level risk for Westar shares. A resumption of inflation could lead into higher interest rates, thus impairing dividend-yield oriented equities, such as Westar.

Constellation Energy Group, Inc.

Valuation

Our Constellation target price is $35/share. We value Constellation, an integrated utility, based on a sum of the parts approach. Our target is intended to reflect where the shares should trade one year forward from today. Our consolidated target is the result of the sum of our $14 target for the regulated business and our $21 target for the merchant competitive business.

Risks

Regulated rate base growth risk — Our current rate base profile implies ~6% rate base growth from 2009 to 2013E. If our rate base growth projections are too aggressive and Constellation is unable to meet our expectations, the earnings and stock price could be materially impacted and fail to achieve our target. Conversely, if rate base growth for Constellation exceeds our estimates, the stock may materially outperform and exceed our projections and target.

Liquidity risk from merchant Customer Supply hedges. Retail power sales when not matched with generation may lead to significant collateral swings when gas and power prices vary materially. Only 60% of Constellation's customer supply load is matched by generation.

Regulatory risk affecting merchant Generation business in Maryland. In 2009 Maryland Governor O'Malley proposed legislation to re-regulate Maryland's power generation but the proposal did not pass. The Governor continues to promote re-regulation and has asked the Public Service Commission to order new electricity generation to be built in Maryland. The new generation would be

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built under a traditional rate regulated cost of service basis. It is unclear how or if the PSC will implement this request by the governor. But if the PSC were to issue a request for proposal (RFP) we would expect fears of incremental capacity coming online could result in lower energy and capacity prices in Maryland.

Commodities price risk affecting merchant Generation. If natural gas prices fall (rise), wholesale power prices will likely fall (rise), limiting (raising) dark spreads. Constellation is inherently a long natural gas position since natural gas generation sets the price of power in its key coal generation markets. If forward natural gas prices fall significantly from current prices, Constellation might have to re-contract at incrementally lower margins.

Environmental regulation risk on merchant Generation. Environmental regulations are expected to tighten in the near future. EPA is planning to issue new SOX, NOX, Particulate Matter, Mercury, and other pollutants rules between 2010E and 2012E. Although Constellation's plants are currently complying with the Maryland Health Air Act, if EPA were to issue more stringent rules, some Constellation plants could potentially either be forced to invest in SOX scrubbers or retire. The main plants at risk would be the C.P. Crane and H.A. Wagner coal plants of~ 400 MW and ~1,000 MW respectively.

Appendix A-1

Analyst Certification

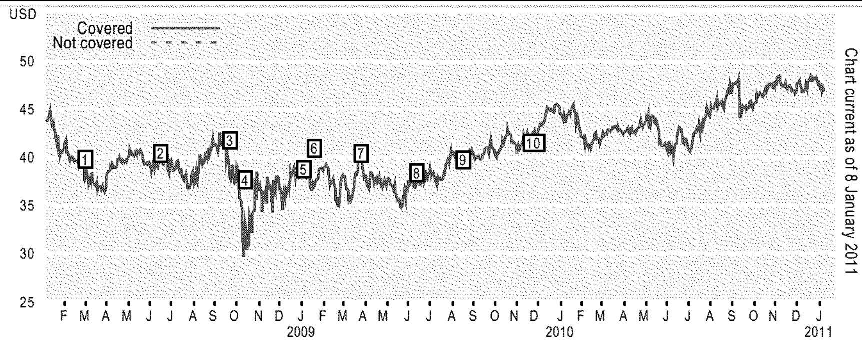
The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

PG&E Corp (PCG)

Ratings and Target Price History
Fundamental Research

Analyst: Brian Chin



	Date	Rating	Target Price	Closing Price
1	2-Mar-08	1L	*46.00	37.66
2	17-Jun-08	1L	*44.75	39.64
3	23-Sep-08	1L	*43.75	37.78
4	14-Oct-08	1L	*37.25	32.95
5	4-Jan-09	1L	*41.00	38.81
6	20-Jan-09	1L	*42.50	37.26
7	26-Mar-09	*2L	42.50	40.41
8	12-Jun-09	*1L	*43.20	38.04
9	18-Aug-09	1L	*48.00	39.86
10	25-Nov-09	1L	*50.00	42.94

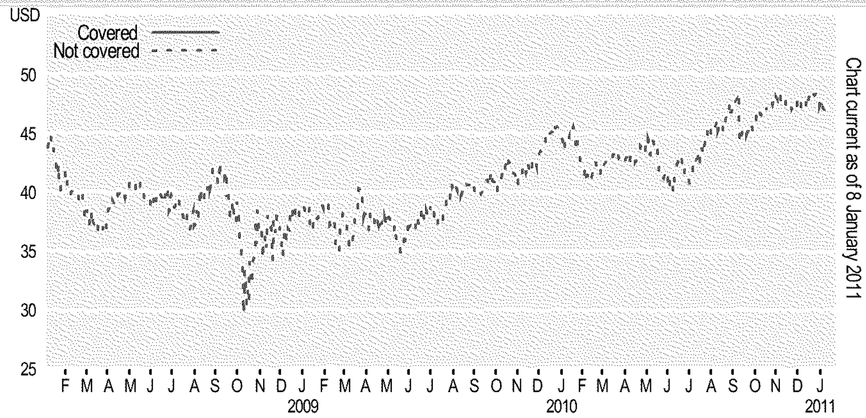
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

PG&E Corp (PCG)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Brian Chin



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Rating/target price changes above reflect Eastern Standard Time

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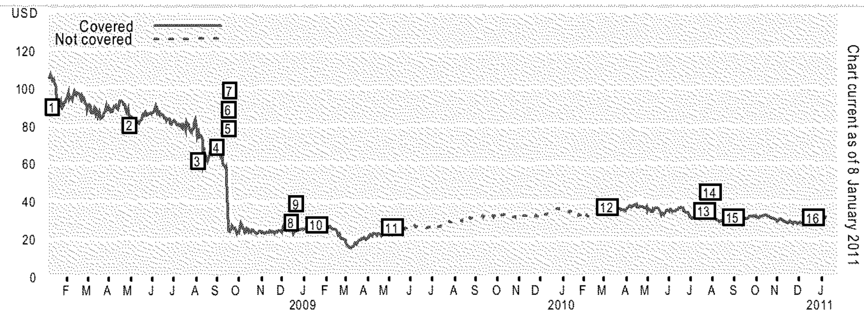
Constellation Energy Group, Inc. (CEG)

Ratings and Target Price History
Fundamental Research

Analyst: Brian Chin
Covered since March 5 2010



	Date	Rating	Target Price	Closing Price
1	11-Jan-08	1M	*122.00	103.78
2	30-Apr-08	*1H	*112.00	84.65
3	5-Aug-08	1H	*105.00	76.38
4	1-Sep-08	1H	*95.00	66.71
5	17-Sep-08	*1S	*53.00	24.77
6	17-Sep-08	*2S	*40.00	24.77
7	18-Sep-08	2S	*26.50	24.20
8	15-Dec-08	2S	*29.75	27.30
9	22-Dec-08	2S	*30.00	24.57
10	20-Jan-09	2S	*34.00	26.85
11	6-May-09	Coverage terminated		
12	5-Mar-10	*2H	*37.00	36.65
13	21-Jul-10	2H	*36.00	32.89
14	29-Jul-10	2H	*34.00	31.75
15	31-Aug-10	2H	*33.00	29.33
16	22-Dec-10	*1H	*35.00	30.75

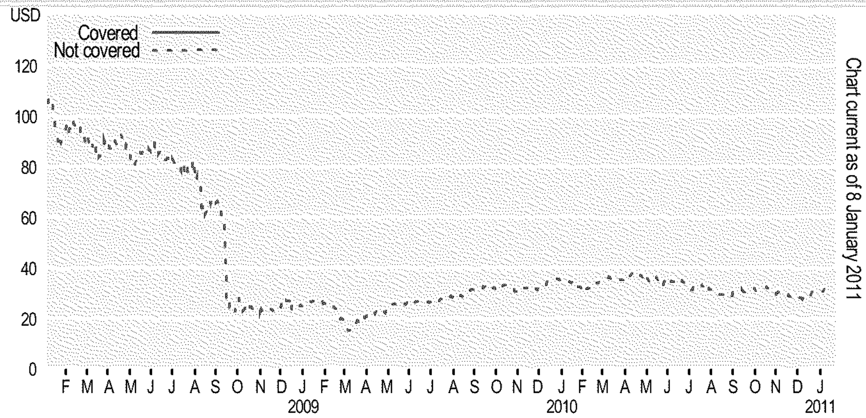
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Constellation Energy Group, Inc. (CEG)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Brian Chin
Covered since March 5 2010



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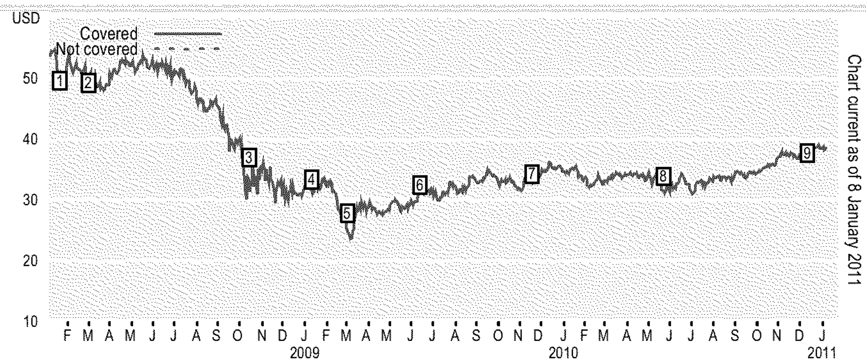
Rating/target price changes above reflect Eastern Standard Time

Edison International (EIX)

Ratings and Target Price History
Fundamental Research

Analyst: Brian Chin



	Date	Rating	Target Price	Closing Price
1	22-Jan-08	*1M	*59.00	49.70
2	2-Mar-08	1M	*57.00	49.40
3	15-Oct-08	1M	*40.50	31.36
4	11-Jan-09	1M	*37.00	31.81
5	3-Mar-09	1M	*33.00	24.84
6	12-Jun-09	*2M	*35.00	32.49
7	18-Nov-09	2M	*37.00	33.40
8	23-May-10	2M	*33.00	31.71
9	13-Dec-10	2M	*38.00	38.36

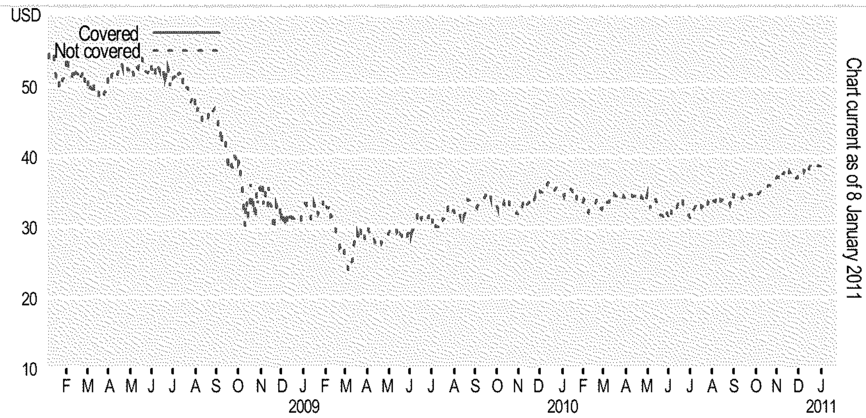
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Edison International (EIX)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Brian Chin



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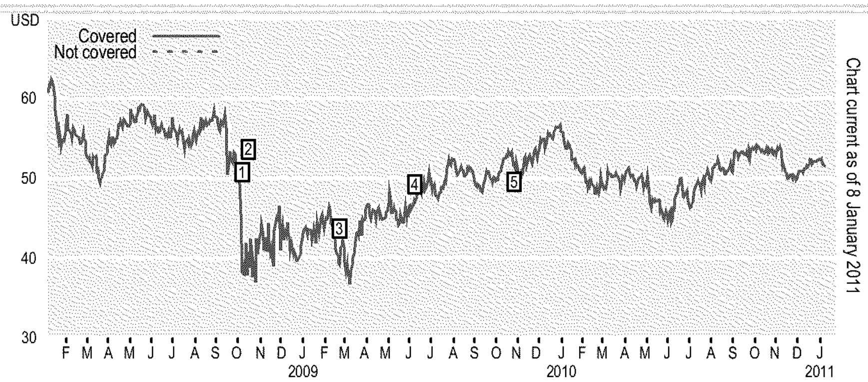
Rating/target price changes above reflect Eastern Standard Time

Sempra Energy (SRE)

Ratings and Target Price History
Fundamental Research

Analyst: Faisel Khan, CFA



	Date	Rating	Target Price	Closing Price
1	8-Oct-08	*1H	69.00	39.53
2	16-Oct-08	1H	*51.00	39.87
3	22-Feb-09	1H	*49.00	39.37
4	9-Jun-09	*1M	*55.00	47.22
5	27-Oct-09	1M	*60.00	51.75

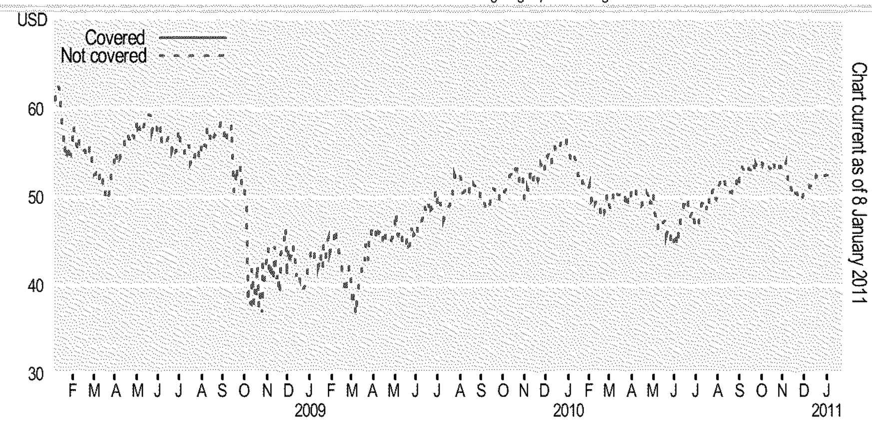
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Sempra Energy (SRE)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Faisel Khan, CFA



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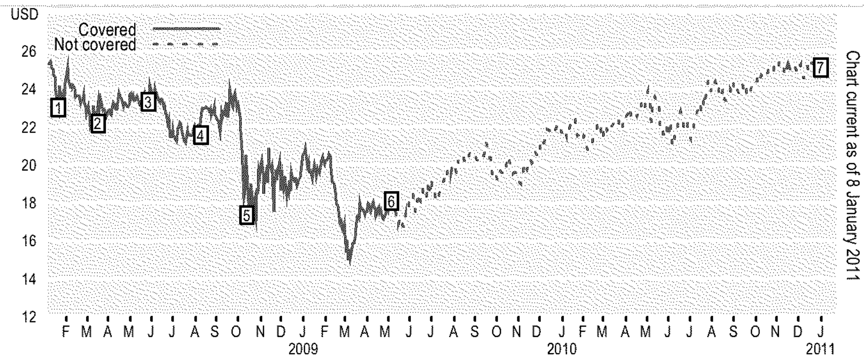
Rating/target price changes above reflect Eastern Standard Time

Westar Energy (WR)

Ratings and Target Price History
Fundamental Research

Analyst: Brian Chin
Covered since January 2 2011



	Date	Rating	Target Price	Closing Price
1	22-Jan-08	*1M	*28.00	23.03
2	18-Mar-08	1M	*26.50	23.40
3	28-May-08	1M	*26.00	23.50
4	11-Aug-08	1M	*25.50	22.81
5	14-Oct-08	*2M	*21.00	19.54
6	6-May-09	Coverage terminated		
7	2-Jan-11	*1L	*27.00	25.16

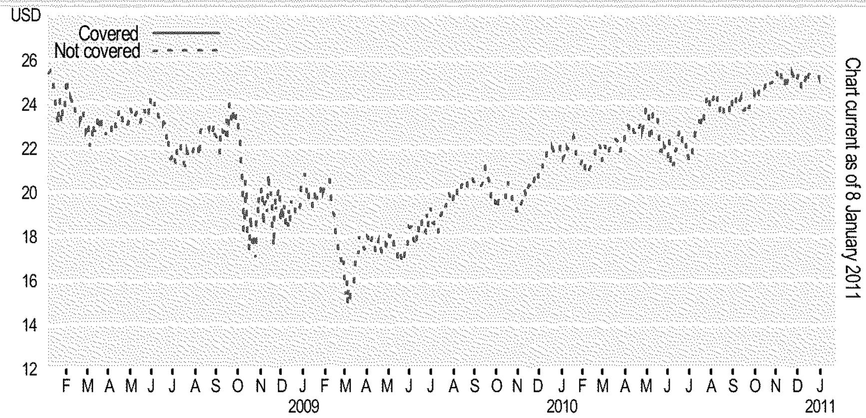
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Westar Energy (WR)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Brian Chin
Covered since January 2 2011



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Citigroup Global Markets Inc. is acting as a manager for the announced equity "dribble" program for PG&E Corp.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Constellation Energy Group, Inc.. This position reflects information available as of the prior business day.

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of PG&E Corp, Constellation Energy Group, Inc., Edison International, Sempra Energy, Westar Energy.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from PG&E Corp, Constellation Energy Group, Inc., Edison International, Sempra Energy, Westar Energy.

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