



**EDISON ELECTRIC
INSTITUTE**

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Stock Performance

**Q3 2009
FINANCIAL UPDATE**

QUARTERLY REPORT
OF THE U.S. SHAREHOLDER-OWNED
ELECTRIC UTILITY INDUSTRY



About EEI

The Edison Electric Institute is the association of U.S. shareholder-owned electric companies. Our members serve 95% of the ultimate customers in the shareholder-owned segment of the industry, and represent approximately 70% of the U.S. electric power industry. We also have 79 international electric companies as Affiliate members and more than 190 industry suppliers and related organizations as Associate members.

About EEI's Quarterly Financial Updates

EEI's quarterly financial updates present industry trend analyses and financial data covering 69 U.S. shareholder-owned electric utility companies. These 69 companies include 58 electric utility holding companies whose stocks are traded on major U.S. stock exchanges and eleven electric utilities who are subsidiaries of non-utility or foreign companies. Financial updates are published for the following topics:

Dividends	Rate Case Summary
Stock Performance	SEC Financial Statements (Holding Companies)
Credit Ratings	FERC Financial Statements (Regulated Utilities)
Construction	Fuel

For EEI Member Companies

The EEI Finance and Accounting Division is developing current year and historical data sets that cover a wide range of industry financial and operating metrics. We look forward to serving as a resource for member companies who wish to produce customized industry financial data and trend analyses for use in:

- Investor relations studies and presentations
- Internal company presentations
- Performance benchmarking
- Peer group analyses
- Annual and quarterly reports to shareholders

We Welcome Your Feedback

EEI is interested in ensuring that our financial publications and industry data sets best address the needs of member companies and the financial community. We welcome your comments, suggestions and inquiries.

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Future EEI Finance Meetings

44th EEI Financial Conference
November 1-4, 2009
Westin Diplomat Resort & Spa
Hollywood, Florida

EEI International Utility Conference
March 14-16, 2010
London Hilton on Park Lane
London, United Kingdom

For more information about EEI Finance Meetings, please contact Debra Henry, (202) 508-5496, dhenry@eei.org

The 69 U.S. Shareholder-Owned Electric Utilities

The companies listed below all serve a regulated distribution territory. Other utilities, such as transmission provider ITC Holdings, are not shown below because they do not serve a regulated distribution territory. However, their financial information is included in relevant EEI data sets, such as transmission-related construction spending.

Allegheny Energy, Inc. (AYE)
ALLETE, Inc. (ALE)
Alliant Energy Corporation (LNT)
Ameren Corporation (AEE)
American Electric Power Company, Inc. (AEP)
Avista Corporation (AVA)
Black Hills Corporation (BKH)
CenterPoint Energy, Inc. (CNP)
Central Vermont Public Service Corporation (CV)
CH Energy Group, Inc. (CHG)
Cleco Corporation (CNL)
CMS Energy Corporation (CMS)
Consolidated Edison, Inc. (ED)
Constellation Energy Group, Inc. (CEG)
Dominion Resources, Inc. (D)
DPL, Inc. (DPL)
DTE Energy Company (DTE)
Duke Energy Corporation (DUK)
Duquesne Light Holdings, Inc.
Edison International (EIX)
El Paso Electric Company (EE)
Empire District Electric Company (EDE)
Energy East Corporation
Energy Future Holdings Corp. (formerly TXU Corp.)
Energy Corporation (ETR)
Exelon Corporation (EXC)
FirstEnergy Corp. (FE)
FPL Group, Inc. (FPL)

Great Plains Energy Incorporated (GXP)
Green Mountain Power Corporation
Hawaiian Electric Industries, Inc. (HE)
IDACORP, Inc. (IDA)
Integrus Energy Group, Inc. (TEG)
IPALCO Enterprises, Inc.
Kentucky Utilities
KeySpan Corporation
Louisville Gas and Electric
Maine & Maritimes Corporation (MAM)
MDU Resources Group, Inc. (MDU)
MGE Energy, Inc. (MGEE)
MidAmerican Energy Holdings Company
Niagra Mohawk Power Corporation
NiSource Inc. (NI)
Northeast Utilities (NU)
NorthWestern Corporation (NWE)
NSTAR (NST)
NV Energy, Inc. (NVE)
OGE Energy Corp. (OGE)
Otter Tail Corporation (OTTR)
Pepco Holdings, Inc. (POM)
PG&E Corporation (PCG)
Pinnacle West Capital Corporation (PNW)
PNM Resources, Inc. (PNM)
Portland General Electric Company (POR)
PPL Corporation (PPL)
Progress Energy (PGN)
Public Service Enterprise Group Inc. (PEG)

*Puget Energy, Inc.**
SCANA Corporation (SCG)
Sempra Energy (SRE)
Southern Company (SO)
TECO Energy, Inc. (TE)
UIL Holdings Corporation (UIL)
UniSource Energy Corporation (UNS)
Unitil Corporation (UTL)
Vectren Corporation (VVC)
Westar Energy, Inc. (WR)
Wisconsin Energy Corporation (WEC)
Xcel Energy, Inc. (XEL)

* Puget Energy was acquired by Puget Energy LLC on February 6, 2009. Puget Energy LLC was formed by a group of infrastructure investors led by the Macquarie Group.

Companies Listed by Category

(as of 12/31/08)

Please refer to the Quarterly Financial Updates webpage for previous years' lists.

Given the diversity of utility holding company corporate strategies, no single company categorization approach will be useful for all EEI members and utility industry analysts. Nevertheless, we believe the following classification provides an informative framework for tracking financial trends and the capital markets' response to business strategies as companies depart from the traditional regulated utility model.

Regulated	80%+ of total assets are regulated
Mostly Regulated	50% to 80% of total assets are regulated
Diversified	Less than 50% of total assets are regulated

Categorization of the 58 publicly traded utility holding companies is based on year-end business segmentation data presented in 10Ks, supplemented by discussions with company IR departments. Categorization of the 11 non-publicly traded companies (*shown in italics*) is based on estimates derived from FERC Form 1 data and information provided by parent company IR departments.

The EEI Finance and Accounting Division continues to evaluate our approach to company categorization and business segmentation. In addition, we can produce customized categorization and peer group analyses in response to member company requests. We welcome comments, suggestions and feedback from EEI member companies and the financial community.

Regulated (44 of 69)

ALLETE, Inc.
 Alliant Energy Corporation
 Ameren Corporation
 American Electric Power Company, Inc.
 Avista Corporation
 Central Vermont Public Service Corporation
 CH Energy Group, Inc.
 Cleco Corporation
 CMS Energy Corporation
 Consolidated Edison, Inc.
 DPL, Inc.
 DTE Energy Company
Duquesne Light Holdings, Inc.
 El Paso Electric Company
 Empire District Electric Company
Energy East Corporation
 Great Plains Energy Incorporated
Green Mountain Power Corporation
 IDACORP, Inc.
IPALCO Enterprises, Inc.
Kentucky Utilities
KeySpan Corporation
Louisville Gas and Electric
 Maine & Maritimes Corporation
Niagara Mohawk Power Corporation
 Northeast Utilities

NorthWestern Energy
 NSTAR
 NV Energy, Inc.
 PG&E Corporation
 Pinnacle West Capital Corporation
 PNM Resources, Inc.
 Portland General Electric Company
 Progress Energy
Puget Energy, Inc.
 Southern Company
 TECO Energy, Inc.
 UIL Holdings Corporation
 UniSource Energy Corporation
 Unitil Corporation
 Vectren Corporation
 Westar Energy, Inc.
 Wisconsin Energy Corporation
 Xcel Energy, Inc.

Mostly Regulated (19 of 69)

Black Hills Corporation
 CenterPoint Energy, Inc.
 Dominion Resources, Inc.
 Duke Energy Corporation
 Edison International
 Entergy Corporation
 Exelon Corporation
 First Energy Corp.

FPL Group, Inc.
 Integrys Energy Group
 MGE Energy, Inc.
MidAmerican Energy Holdings
 NiSource Inc.
 OGE Energy Corp.
 Otter Tail Corporation
 Pepco Holdings, Inc.
 Public Service Enterprise Group, Inc.
 SCANA Corporation
 Sempra Energy

Diversified (6 of 69)

Allegheny Energy, Inc.
 Constellation Energy Group, Inc.
Energy Future Holdings
 Hawaiian Electric Industries, Inc.
 MDU Resources Group, Inc.
 PPL Corporation

Note: Based on assets at 12/31/08

Stock Performance

HIGHLIGHTS

■ The EEI Index's 5.5% third quarter return fell short of the S&P 500's near 16% return, and ranked the Index at the bottom of returns by industry. Defensive stocks typically lag in market rebounds coming out of recession.

■ Despite electricity's central role in our lives, utilities are not immune from economic weakness. Electricity demand actually fell 5.1% year-to-year through July 2009, a rare occurrence for an industry that generally sees low single-digit growth. Industrial demand fell 13.5%.

■ EEI's Regulated group, with an average 9.6% return, outperformed the Mostly Regulated (+8.9%) and Diversified (+5.6%) groups in Q3.

■ The industry's average dividend yield at September 30 was 4.9% compared to 2.0% for the S&P 500. As the quarter closed, a number of analysts remarked on the relative undervaluation of regulated utility stocks relative to the broad market, and suggested that the underperformance over 2009 to date was unlikely to be sustained.

COMMENTARY

Utility stocks as a group significantly underperformed the major market averages during the third quarter, as the powerful stock market rebound that began in early March continued to drive share prices higher across many of the past year's most beaten-down sectors. The EEI Index's 5.5% third quarter return fell short of the S&P 500's near 16% return, and ranked the Index at the bottom of returns by industry. Telecom, healthcare and utilities were the markets weakest sectors. Utility stocks similarly lagged the market during the first nine months of 2009, as the EEI Index re-

I. Index Comparison (% Return)

Index	2003	2004	2005	2006	2007	2008	2009*
EEI Index	23.4	22.8	16.0	20.8	16.6	-25.9	2.5
Dow Jones Inds.	28.3	5.3	1.7	19.1	8.9	-31.9	13.5
S&P 500	28.7	10.9	4.9	15.8	5.5	-37.0	19.3
Nasdaq Comp.^	50.0	8.6	1.4	9.5	9.8	-40.5	34.6

*Through September 30, 2009

^Price gain/loss only. Other indices show total return.

Note: Full year, except where noted.

Source: EEI Finance Department

II. Category Comparison (% Return)

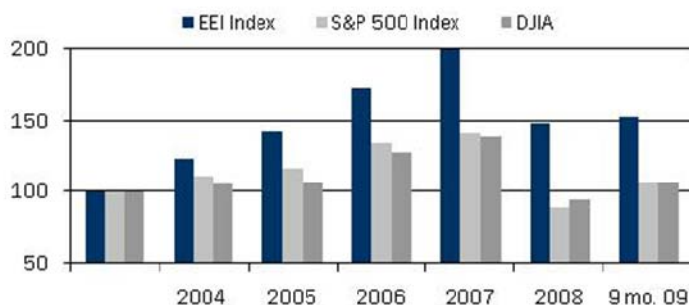
Index	2003	2004	2005	2006	2007	2008	2009*
All Companies	29.1	18.9	9.9	22.5	9.8	-20.9	4.7
Regulated	27.0	14.4	2.7	22.6	7.8	-15.6	4.3
Mostly Regulated	26.9	16.4	12.9	22.4	9.9	-27.0	6.7
Diversified	36.1	36.7	24.7	22.2	18.5	-33.9	0.1

*Through September 30, 2009

Note: Returns shown here are unweighted averages of constituent company returns. The EEI Index return shown in Table I above is cap-weighted.

Source: EEI Finance Department, SNL Financial and company annual reports.

III. Total Return Comparison

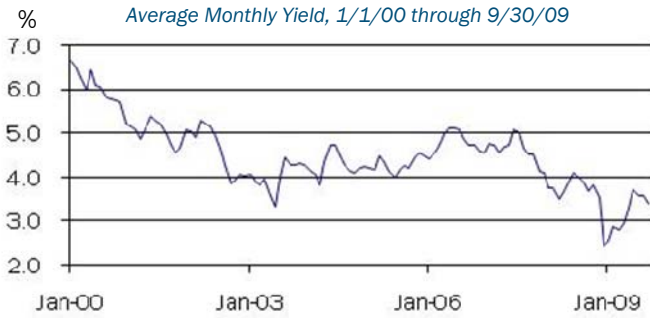


*Through September 30, 2009.

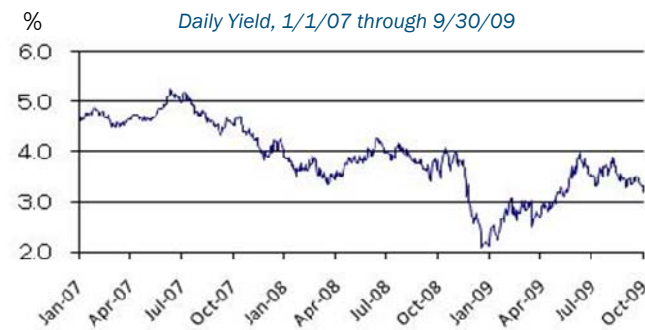
Note: Full year, except where noted.

Source: EEI Finance Department

IV. 10-Year Treasury Yield — Monthly



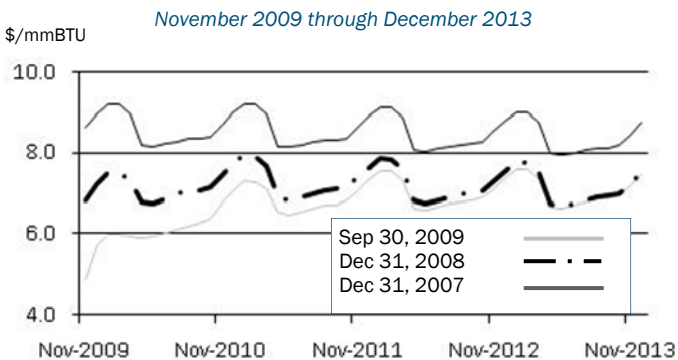
V. 10-Year Treasury Yield — Daily



VI. Natural Gas Spot Prices



VII. NYMEX Natural Gas Futures



VIII. Returns by Quarter

Index	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3
EEl Index	8.7	-1.5	1.8	6.9	-10.4	7.1	-14.3	-9.9	-11.0	9.1	5.5
Dow Jones Ind.	-0.3	9.1	4.2	-3.9	-7.0	-6.9	-3.7	-18.4	-12.5	12.0	15.8
S&P 500	0.6	6.3	2.0	-3.3	-9.5	-2.7	-8.4	-21.9	-11.0	15.9	15.6
Nasdaq Comp.^	0.3	7.5	3.8	-1.8	-14.1	0.6	-9.2	-24.3	-3.1	20.0	15.7

^Price gain/loss only. Other indices show total return.
Source: EEl Finance Department

Category*	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3
All Companies	5.9	-2.2	0.5	5.6	-12.4	6.1	-6.2	-9.3	-12.6	9.8	9.0
Regulated	4.3	-3.2	1.3	5.4	-13.6	4.9	-0.3	-5.9	-11.5	7.5	9.6
Mostly Regulated	7.5	-1.6	-1.0	5.0	-10.1	8.7	-13.9	-14.0	-11.9	11.3	8.9
Diversified	9.1	-0.1	0.1	8.6	-11.6	6.7	-15.5	-17.0	-22.8	22.8	5.6

* Returns shown here are unweighted averages of constituent company returns. The EEl Index return shown above is cap-weighted.
Source: EEl Finance Department, SNL Financial and company annual reports.

IX. Sector Comparison, Trailing 12 mo. Total Return

For the twelve-month period ending 9/30/09

Sector	Total Return
Technology	10.9%
Consumer Services	0.0%
Basic Materials	-2.0%
Telecommunications	-2.1%
Healthcare	-3.0%
Consumer Goods	-4.9%
Aggregate Index	-6.0%
Utilities	-7.4%
EEl Index	-7.7%
Industrials	-10.5%
Oil & Gas	-13.0%
Financials	-21.0%

Note: Sector Comparison page based on the Dow Jones U.S. Indexes, which are market-capitalization-weighted indices. Find more information at http://www.djindexes.com/mdsidx/downloads/fact_info/Dow_Jones_US_Indexes_Industry_Indexes_Fact_Sheet.pdf

X. Sector Comparison, Q3 2009 Total Return

For the three-month period ending 9/30/09

Sector	Total Return
Basic Materials	26.9%
Financials	24.4%
Industrials	21.3%
Consumer Services	18.0%
Technology	17.3%
Aggregate Index	16.3%
Consumer Goods	14.0%
Oil & Gas	11.1%
Healthcare	9.6%
Utilities	6.8%
Telecommunications	6.1%
EEl Index	5.5%

Note: Sector Comparison page based on the Dow Jones U.S. Indexes, which are market-capitalization-weighted indices. Find more information at http://www.djindexes.com/mdsidx/downloads/fact_info/

XI. Market Capitalization at September 30, 2009 (in \$ Mil.)

U.S. Shareholder-Owned Electric Utilities

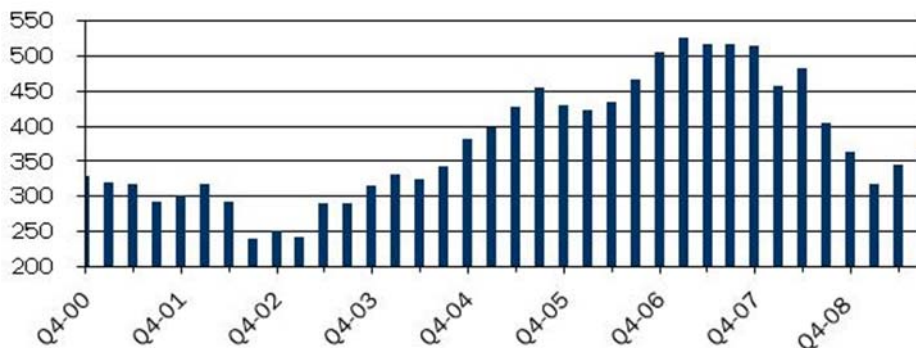
Company	Stock Symbol	Market Cap	% Total	Company	Stock Symbol	Market Cap	% Total
Exelon Corporation	EXC	32,699.6	9.00%	Alliant Energy Corporation	LNT	3,070.9	0.85%
Southern Company	SO	25,043.0	6.90%	CMS Energy Corporation	CMS	3,040.5	0.84%
FPL Group, Inc.	FPL	22,296.4	6.14%	TECO Energy, Inc.	TE	2,980.7	0.82%
Dominion Resources, Inc.	D	20,482.7	5.64%	DPL Inc.	DPL	2,928.4	0.81%
Duke Energy Corporation	DUK	20,273.1	5.58%	Integrus Energy Group, Inc.	TEG	2,756.4	0.76%
Public Service Enterprise Group Inc.	PEG	15,908.3	4.38%	NV Energy, Inc.	NVE	2,717.6	0.75%
Entergy Corporation	ETR	15,660.9	4.31%	Great Plains Energy Inc.	GXP	2,306.6	0.64%
PG&E Corporation	PCG	14,900.3	4.10%	Westar Energy, Inc.	WR	2,137.1	0.59%
American Electric Power Co. Inc.	AEP	14,634.1	4.03%	Vectren Corporation	VVC	1,859.3	0.51%
FirstEnergy Corp.	FE	13,898.9	3.83%	Hawaiian Electric Industries, Inc.	HE	1,655.9	0.46%
Sempra Energy	SRE	12,089.8	3.33%	Cleco Corporation	CNL	1,509.2	0.42%
PPL Corporation	PPL	11,404.2	3.14%	Portland General Electric Company	POR	1,481.6	0.41%
Consolidated Edison, Inc.	ED	11,238.0	3.09%	IDACORP, Inc.	IDA	1,351.9	0.37%
Edison International	EIX	10,947.1	3.01%	Avista Corporation	AVA	1,105.1	0.30%
Progress Energy, Inc.	PGN	10,936.8	3.01%	UniSource Energy Corporation	UNS	1,097.4	0.30%
Xcel Energy Inc.	XEL	8,779.3	2.42%	PNM Resources, Inc.	PNM	1,067.7	0.29%
Constellation Energy Group, Inc.	CEG	6,448.1	1.78%	ALLETE, Inc.	ALE	1,067.5	0.29%
DTE Energy Company	DTE	5,763.0	1.59%	Black Hills Corporation	BKH	971.5	0.27%
Ameren Corporation	AEE	5,399.8	1.49%	NorthWestern Corporation	NWE	878.0	0.24%
Wisconsin Energy Corporation	WEC	5,280.4	1.45%	Otter Tail Corporation	OTTR	846.9	0.23%
Allegheny Energy, Inc.	AYE	4,495.3	1.24%	MGE Energy, Inc.	MGEE	842.5	0.23%
CenterPoint Energy, Inc.	CNP	4,381.1	1.21%	EI Paso Electric Company	EE	791.3	0.22%
SCANA Corporation	SCG	4,250.8	1.17%	UIL Holdings Corporation	UIL	712.5	0.20%
Northeast Utilities	NU	4,158.7	1.15%	CH Energy Group, Inc.	CHG	698.9	0.19%
MDU Resources Group, Inc.	MDU	3,835.6	1.06%	Empire District Electric Company	EDE	618.6	0.17%
NiSource Inc.	NI	3,815.6	1.05%	Central Vermont Public Svc. Corp.	CV	225.0	0.06%
NSTAR	NST	3,398.6	0.94%	Unitil Corporation	UTL	202.4	0.06%
Pinnacle West Capital Corporation	PNW	3,318.4	0.91%	Maine & Maritimes Corporation	MAM	60.4	0.02%
Peppo Holdings, Inc.	POM	3,273.6	0.90%				
OGE Energy Corp.	OGE	3,192.2	0.88%				
				Total Industry		363,185.5	100.00%

Source: EEI Finance Department and Wall Street Journal

XII. EEI Index Market Capitalization (at Period End)

U.S. Shareholder-Owned Electric Utilities

\$ Billions



EEI Index Market Cap (in \$Billions)

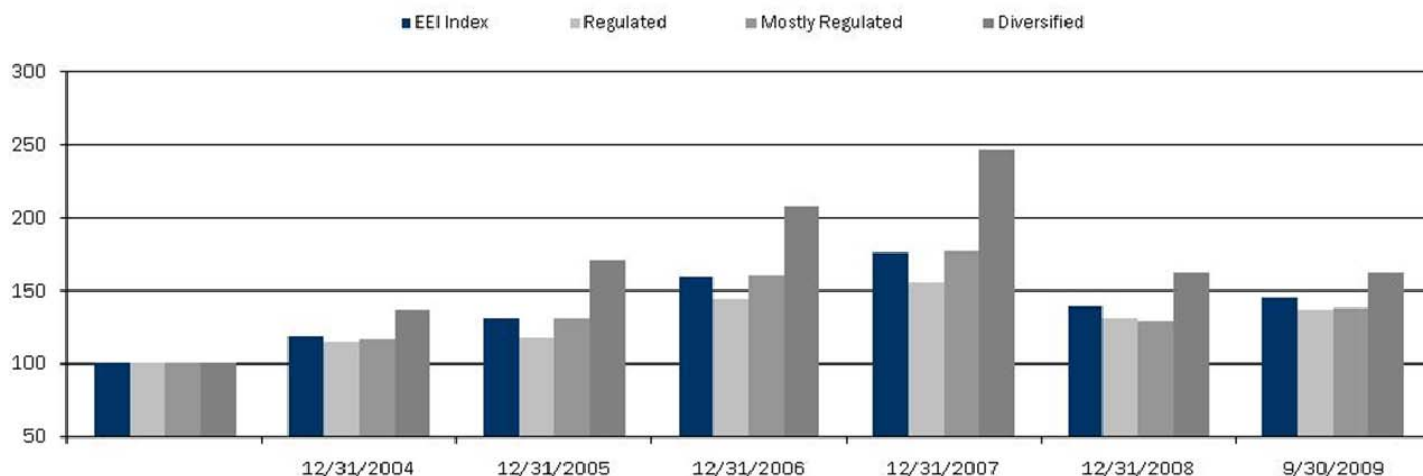
Q1-01	319,484	Q3-05	454,727
Q2-01	317,546	Q4-05	428,825
Q3-01	291,035	Q1-06	422,899
Q4-01	300,200	Q2-06	432,848
Q1-02	317,668	Q3-06	464,281
Q2-02	292,238	Q4-06	503,858
Q3-02	238,331	Q1-07	525,088
Q4-02	249,553	Q2-07	515,565
Q1-03	240,598	Q3-07	514,946
Q2-03	289,454	Q4-07	514,486
Q3-03	288,073	Q1-08	456,711
Q4-03	314,324	Q2-08	482,024
Q1-04	329,601	Q3-08	404,472
Q2-04	323,193	Q4-08	361,921
Q3-04	342,460	Q1-09	316,070
Q4-04	380,305	Q2-09	343,844
Q1-05	395,663	Q3-09	363,185
Q2-05	425,989		

Note: Change in EEI Index market capitalization reflects the impact of buyout and spin-off activity in addition to stock market performance.

Source: EEI Finance Department and Wall Street Journal

XIII. Comparative Category Total Annual Returns

U.S. Shareholder-Owned Electric Utilities, Value of \$100 invested at close on 12/31/2003



	2003	2004	2005	2006	2007	2008	2009*
EEI Index Annual Return (%)		18.93	9.89	22.47	9.83	(20.93)	4.67
EEI Index Cumulative Return (\$)	100	118.93	130.69	160.06	175.79	138.99	145.49
Regulated EEI Index Annual Return		14.40	2.73	22.65	7.81	(15.59)	4.28
Regulated EEI Index Cumulative Return	100	114.40	117.53	144.15	155.41	131.18	136.79
Mostly Regulated EEI Index Annual Return		16.44	12.87	22.37	9.93	(27.00)	6.73
Mostly Regulated EEI Index Cumulative Return	100	116.44	131.42	160.82	176.79	129.06	137.74
Diversified EEI Index Annual Return		36.70	24.73	22.16	18.46	(33.90)	0.05
Diversified EEI Index Cumulative Return	100	136.70	170.50	208.28	246.72	163.08	163.15

* At September 30, 2009

Note: Returns shown above are unweighted averages of constituent company returns.

turned 2.5% for the period, compared with returns of 13.5% and 19.3% for the Dow and S&P 500, respectively, and a sharp 34.6% gain for the Nasdaq.

While there were few signs of economic growth during the years' first nine months, the markets looked favorably on aggressive global fiscal and monetary stimulus programs to combat the severe recession and found confidence in a moderation in the rate of decline of measures such as employment, auto sales and retail consumption. Given the bullish turn in the markets since March, the EEI Index's underperformance of the major averages in 2009 is not surprising. Defensive stocks typically lag early in market rebounds coming out of recession, and the EEI Index had delivered a five-year run of beating broad market returns (from 2004 through 2008). As in the second quarter, the stock market's biggest gainers in the third were often the financially weaker and more speculative issues that had fallen hardest in the market downturn and beaten-down cyclical companies benefitting from a prospective return to global economic growth. The

XIV. EEI Index Top Ten Performers

For the 9-month period ending 9/30/09

Company	Category	% Return
CMS Energy Corporation	R	36.6
NiSource Inc.	MR	34.3
OGE Energy Corp.	MR	33.3
Constellation Energy Group, Inc.	D	32.7
NV Energy, Inc.	R	20.6
PNM Resources, Inc.	R	20.3
Sempra Energy	MR	19.7
TECO Energy, Inc.	R	19.7
DPL Inc.	R	18.4
MGE Energy, Inc.	MR	14.2

Source: EEI Finance Department

Note: Return figures include capital gains and dividends.

R = Regulated, MR = Mostly Regulated, D = Diversified

Financial sector (+24.4%) — the main beneficiary of taxpayer-supported government bailouts and Q2's top gainer — was Q3's second-ranked sector after the highly cyclical Basic Materials (+26.9%). The Utility sector — with its conservative, stable business models and large regulated asset base — suffered less in the crushing bear market than did many other industries, and has predictably trailed those that bounced off very depressed bear market lows.

Power Demand Falls in Weak Economy

Despite the relatively stable demand for electric power compared to demand for other goods and services, utilities are not immune to the impact of the weak economy. Total electricity demand from residential, commercial and industrial customers actually fell 5.1% year-to-year through July versus the same period in 2008, according to data compiled by the Energy Information Administration (EIA), while the recession's impact was most severe on industrial demand, which fell 13.5% year-to-year over the same period. Such steep declines are a rare occurrence for an industry that generally experiences low single-digit demand growth. Much cooler than normal weather across much of the U.S. during the summer was also cited by analysts as a factor in the demand shortfalls. Wall Street analysts noted that many companies revised their 2009 earnings outlooks downward during the

second quarter in response to a ratcheting down of the expected demand strength for the remainder of the year. This likely was a depressing force on the stocks as well.

By the end of the third quarter — even with the prospect of a slow return to positive growth rates for the economy as a whole — the outlook for demand growth in 2010 remained restrained. Wall Street consensus estimates averaged around a 2-3% decline for the last half of 2009 and a positive 0.5% year-to-year growth expectation for 2010, with a resumption of more normal 1.5%-2.0% growth pushed back to 2011-2012.

Interest Rates and Commodities Largely Neutral

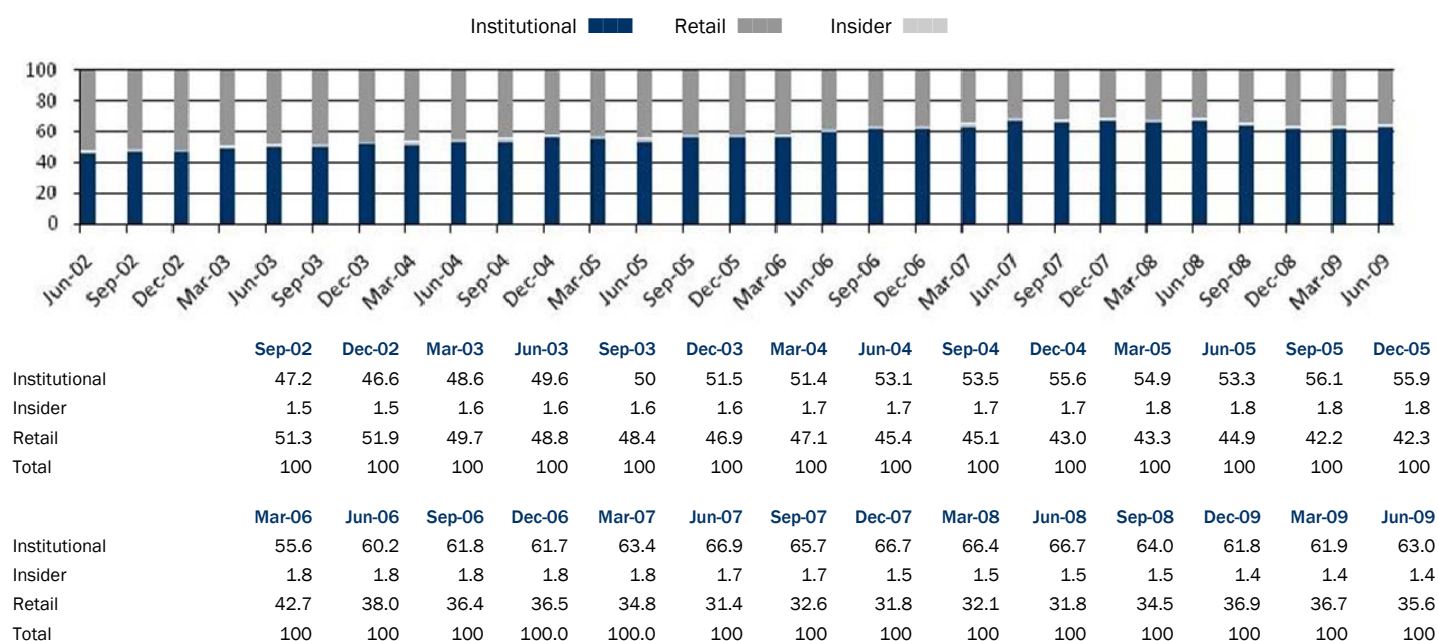
Other fundamental factors impacting the industry during the third quarter continued the trends evident in the second, and were also mildly antagonistic to share prices, although they likely had far less impact than did technical factors relating to fund flows among sectors during the period's powerful rally.

The 10-year Treasury yield jumped from 2.7% in late March to 3.5% by June 30 — partly in response to growing federal deficits related to the government's huge stimulus program passed to counteract the recession — but were little changed during Q3 and ended the quarter at 3.3%.

Natural gas spot prices (Henry Hub) remained under

XV. Share Ownership by Investor Category (% of total)

U.S. Shareholder-Owned Electric Utilities



Source: SNL Financial and EEI Finance Department. Note: Institutional figures represent end-of-quarter, unweighted average of the 58 publicly traded EEI Index companies. Insider data reported annually. Retail data defined as 100% - (Institutional data % + Insider %). Totals may not add to 100 due to rounding.

\$4/mmBtu for most of the quarter, down from more than \$12 in mid-2008 and near their multi-year low. Low natural gas prices impact competitive generators in markets where gas power is the marginal price-setting fuel, but offer some benefit to regulated gas distribution utilities in the form of lower customer bills and reduced bad debt expenses. The latter was a trend remarked on by some Wall Street analysts during the quarter. The close-dated segment of the gas futures curve, like spot prices, also fell markedly during the first nine months of the year, but futures prices for maturities from mid-2011 and beyond were relatively unchanged.

Dividend Yields Help Regulated Utilities Outperform

EEI's Regulated group, with an average return of 9.6% during the quarter, outperformed the Mostly Regulated (+8.9%) and Diversified (+5.6%) groups. (These figures represent the unweighted average for each group. The EEI Index is cap-weighted.) The shares of companies with competitive generation subsidiaries and exposure to competitive electricity markets have suffered somewhat more in the bear market for stocks and commodities over the past year than have purely regulated utilities, whose share prices have been supported by a lack of direct exposure to natural gas price volatility, along with their sturdier dividend yields and relatively stronger balances sheets in many cases.

Stable Dividends, Strong Yields

Many companies across all business sectors have cut dividends in 2009 in response to the economic recession and the turmoil in global credit markets. And given still elevated

capex spending across much of the utility industry along with lower power demand, dividend cuts emerged as a concern for utility investors earlier in the year when three utilities cut their dividend in mid-February (the prior five years saw only four total cuts). Yet cuts were isolated. Utilities actually extended a five-year trend of widespread dividend increases during the first nine months of 2009, with 24 companies either raising or reinstating their dividend. At September 30, only one of the 58 publicly traded companies in the EEI Index (1.7%) was not paying a common stock dividend. This is the lowest percentage in our data set (back to 1988), and the only time when less than two companies were not paying a dividend. And the industry's average dividend yield at September 30 was an attractive 4.9% compared 2.0% for the S&P 500 as a whole.

While the changed economic landscape since mid-2008 has diminished the industry's near-term earnings prospects, analysts continue to believe that many companies offer potential for a return to relatively strong earnings growth — supported by rate base growth and rate relief from cases decided in recent months — when the economy emerges from recession. This positive long-term outlook, and the industry's attractive dividend yields, will likely continue to appeal to investors looking for stable investments in today's difficult economic environment. As the quarter came to an end, a number of analysts remarked on the relative undervaluation of regulated utility stocks relative to the broad market, and suggested that the underperformance over 2009 to date was unlikely to be sustained. ■