

Utilities – U.S.

M&A Activity Update



Buffett Goes Elephant Hunting

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-Utilities-

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The fundamental outlook for electric and gas utilities remains bright. This continues to provide the underpinnings of an attractive merger environment.

The utility sector is in the midst of an investment cycle driven primarily by the need to address climate change and move shale gas to population centers. Regulatory principles have become increasingly constructive and result in healthy and low-risk returns on investment. Recent utility transactions have included large private investors, infrastructure funds, foreign utilities and larger domestic utilities.

Warren Buffett and Charlie Munger, from prominent consolidator Berkshire Hathaway, have recently stated that Berkshire Energy would become the “biggest utilities business in the United States”. Historically, BRK has eschewed capital intensive businesses, but has grown increasingly comfortable with the utility business model, which is premised on investing capital.

As such, many investors are speculating as to which utility Berkshire will buy next. We emphasize that many other potential players are also interested in buying utilities. BRK entered the utility business in 2000 with the purchase of Iowa electric and gas utility, MidAmerican Energy, and has since purchased the Kern River Gas Pipeline (2002), Northern Natural Gas (2002), PacifiCorp (2006), NV Energy (2013) and agreed to purchase AltaLink (2014). Thus far, BRK has focused on lower risk regulated utilities with a particular focus on cleaner generation and transmission investment potential. The company has a large footprint in the Northwestern U.S. (Pacific Power, Rocky Mountain Power and Nevada Power) and the Midwest (MidAmerican Energy). In late 2008, BRK entered a definitive agreement to buy Constellation Energy (Baltimore Gas & Electric) partially driven by the nuclear power plant development opportunities, but the agreement was terminated.

Given BRK’s size, an acquisition would likely need to be at least \$5 billion in enterprise value to “move the needle.” Other potential acquirers would more likely focus on smaller-sized utilities. Attractive takeover characteristics include constructive regulatory environments, healthy service areas, transmission growth potential, clean generation or a particular stressful situation. Hostile takeovers in the regulated utility world are highly unlikely given the need for regulatory approval. Therefore, the main ingredient to accomplish a merger is a “willing seller”. We recommend investors purchase a portfolio of small-to-mid-cap utilities with earnings and dividend growth potential. Inclusion in our “Potential Takeover Candidate” list does not imply that we believe the utility is a willing seller, but simply that it possesses the characteristics that many find attractive.

Exhibit 1

Potential Takeover Candidates

Electric Utilities	Ticker	Price	Mkt. Cap (\$B)	Gas Utilities	Ticker	Price	Mkt. Cap (\$B)
Allepe, Inc.	ALE	50.92	2.17	Chesapeake Utilities	CPK	47.51	0.69
Alliant Energy	LNT	60.4	6.70	Corning Natural Gas	CNIG	23.05	0.06
Atlantic Power	AT	2.25	0.27	Delta Natural Gas	DGAS	20.37	0.14
Avista Corp.	AVA	34.92	2.25	Gas Natural, Inc.	EGAS	11.39	0.12
Black Hills Corp.	BKH	53.26	2.38	New Jersey Resources	NJR	56.75	2.40
El Paso Electric	EE	37.70	1.52	NiSource	NI	41.62	13.12
Great Plains Energy	GXP	26.33	4.06	Northwest Natural Gas	NWN	46.08	1.25
IDACORP, Inc.	IDA	61.58	3.10	ONE Gas	OGS	37.39	1.94
ITC Holdings	ITC	38.64	6.01	Piedmont Natural Gas	PNY	37.34	2.93
MDU Resources	MDU	28.26	5.48	Questar Corp.	STR	23.64	4.14
MGE Energy	MGEE	42.97	1.49	RGC Resources	RGCO	20.28	0.10
Northwestern Corp.	NWE	51.64	2.02	South Jersey Ind.	SJI	57.5	1.91
OGE Energy	OGE	36.74	7.32	Southwest Gas	SWX	57.39	2.67
Otter Tail Corp.	OTTR	30	1.10	WGL Holdings	WGL	46.83	2.43
Pinnacle West Corp.	PNW	59.76	6.60				
PNM Resources	PNM	28.04	2.23				
Portland General Elec.	POR	35.49	2.78				
SCANA Corp.	SCG	53.24	7.56				
TECO Energy	TE	19.44	4.54				
Unitil Corp.	UTL	34.45	0.48				
Vectren	VVC	44.49	3.67				
Westar Enevev	WR	37.09	4.81				

Source: Thomson One

Deal Activity

For several decades, utility companies have acquired other utilities and utility assets for the sake of gaining economies of scale and efficiency. The same forces that resulted in more than one hundred utility takeover announcements (see Table 1) over the past two decades remain in place, and new forces have come into play that continue to drive this long term trend. The utility sector is in the midst of an investment cycle driven primarily by the need to address climate change and move shale gas to population centers. Utility stocks provide a platform for larger entities like infrastructure funds and private equity to earn healthy returns on investment. Privately-owned entities do not pay taxable dividends and thus reinvest cash flow into regulated utility infrastructure where 10-11% returns are allowed. We have highlighted the more significant deals announced and completed over the last eighteen months:

Date	Completed	Announced	Withdrawn	# of Utilities
2014	1	3	-	48
2013	2	3	-	49
2012	4	1	-	51
2011	2	5	1	55
2010	2	4	-	56
2009	1	-	-	58
2008	6	6	2	59
2007	6	4	1	61
2006	3	7	2	64
2005	1	3	-	65
2004	1	3	1	65
2003	1	2	1	65
2002	5	2	3	65
2001	6	5	4	69
2000	23	9	1	71
1999	10	26	2	83
1998	9	10	-	
1997	13	11	3	96
1996	1	13	3	
1995	2	8	3	98
	99	125	27	
	Total Decline Since 1995		-49%	

Source: Edison Electric Institute

- On October 20, 2014 CLECO Corporation announced an agreement to be acquired for \$55.37 per share by a group of North American long-term infrastructure investors led by Macquarie Infrastructure and Real Assets (MIRA). The agreement values CNL at \$4.7 billion, including \$1.3 billion of assumed debt. The price represents a 15% premium to the previous day's close and 10X EV/EBITDA.
- On September 3, 2014 TECO Energy closed on the acquisition of New Mexico Gas for \$950 million, which represented 11.0X NMGC's 2012 EBITDA of \$86 million, from privately-held Continental Energy. New Mexico Gas serves 509,000 retail gas customers in the Central Rio Grande Corridor of New Mexico. The agreement was announced May 28, 2013.
- On September 2, 2014 Laclede Group closed on the acquisition of Alabama Gas Corporation (Alagasco) from Energen Corporation for \$1.6 billion. Alagasco is the largest gas local distribution company in the state, serving over 420,000 customers in central and north Alabama, including Birmingham. The agreement was announced on April 7, 2014.

- On August 22, 2014 Dynege announced two separate agreements to buy 12,500 MWs of coal- and gas-fired capacity from Duke Energy and Energy Capital Partners, LLC for a total of \$6.25 billion. The assets are located in the Midwest and would make DYN one of the nation's larger non-regulated power companies with 26,000-MW. The transaction is expected to close by the end of the first quarter 2015.
- On August 15, 2014 Canadian utility Fortis Inc. closed on the acquisition of the Tucson, Arizona electric utility, UNS Energy, for \$60.25 per share, a 31% premium to the previous day's close. The agreement was announced on December 11, 2013.

Exhibit 2 Merger Activity Since 2010

Date			Value	Premium	Multiple Paid		Date
Announced	Target Entity	Acquirer	(\$ Millions)	Paid (%)	EV/EBITDA (X)	Type	Closed
10/20/2014	CLECO Corp	Macquarie	4,700	15	10	Cash	Pending
6/23/2014	Integrus Energy Group	Wisconsin Energy	9,100	17	11.7	Cash/Stock	Pending
4/30/2014	Pepco Holdings, Inc.	Exelon	11,900	20	9.5	Cash	Mid-2015
4/7/2014	Alabama Gas Corporation	Laclede Group	1,600	NA	11.3	Cash	8/26/2014
3/3/2014	Philadelphia Gas Works	UIL Holdings Corp	1,860	NA	NA	Cash	Pending
12/11/13	UNS Energy	Fortis	4,300	31	8	Cash	8/15/2014
5/29/13	NVE Energy	Mid-American	5,600	23	9	Cash	12/19/2013
5/28/13	New Mexico Gas	TECO Energy	950	NA	11	Cash	9/3/2014
12/20/12	EQT Distribution Assets	Peoples Natural Gas	1,080	NA	9.5	Cash/Assets	12/17/2013
12/17/12	Missouri Gas & New England Gas	Laclede Group	1,020	NA	10.8	Cash	9/1/2013
2/21/12	CH Energy Group	Fortis	1,267	10.5	10	Cash	6/27/2013
10/16/11	El Paso Corporation	Kinder Morgan	38,000	37	10.5	Cash/Stock	5/24/2012
7/19/11	Southern Union Gas (a)	Energy Transfer Equity	9,232	57	10	Cash/Stock	3/26/2012
6/23/11	Central Vermont P.S. (a)	Gaz Metro	695	NMF	10.7	Cash	6/27/2012
4/28/11	Constellation Energy	Exelon	10,500	18	6.6	Stock	3/12/2012
4/20/11	DPL, Inc.	AES Corp.	4,700	9	7.2	Cash	11/28/2011
1/10/11	Progress Energy	Duke Energy	25,700	7	8.4	Stock	7/2/2012
12/15/10	Dynege, Inc. (a)	Icahn Enterprises	5,000	NA	\$408/kilowatt	Cash/Debt	Terminated
12/9/10	Granite State Electric Co.	Algonquin Power	285		9.2	Cash	7/3/2012
12/5/10	NICOR	AGL Resources	3,100	22	7.7	Cash/Stock	12/9/2011
10/18/10	NSTAR	Northeast Utilities	6,900	0	7.1	Stock	4/10/2012
5/25/10	CT/MA LDCs	UIL Holdings Corp	1,296	NA	9.4	Cash	11/16/2010
4/29/10	E.ON US LLC	PPL Corp	7,625	NA	9.9	Cash	11/1/2010
4/21/10	Conectiv Energy Fleet	Calpine Corp	1,650	NA	\$427/kilowatt	Cash	7/1/2010
4/11/10	Mirant Corp	RRI Energy Inc	2,297	4	\$228/kilowatt	Stock	12/3/2010
3/12/10	Maine & Maritimes Corp	Emera Inc	105	41	16.7	Cash	12/21/2010
2/11/10	Allegheny Energy Inc	FirstEnergy Corp	8,500	32	7.1	Stock	2/25/2011

(a) Winning bid

Source: Company documents, Gabelli & Company, Inc. estimates

- On June 23, 2014, Wisconsin Energy (WEC) announced an agreement to acquire Integrus Energy Group (TEG) for \$71.47 per share, which represented a 17.3% premium to the previous closing price. The agreement valued TEG at \$9.1 billion enterprise value and consists of stock, cash, and the assumption of \$3.3 billion of debt. Each TEG share will receive 1.128 shares of WEC and \$18.58 per share in cash.
- On April 30, 2014, Exelon Corporation agreed to acquire Pepco Holdings Inc. for \$11.9 billion, or \$27.25 per share in cash, a 25% premium over the previous day's closing price. The agreement will bring together Exelon and Pepco's gas and electric utilities, creating the leading Mid Atlantic electric and gas utility, serving ten million customers.
- On March 3, 2014, UIL Holdings Corp announced that it was the winning bidder for Philadelphia Gas Works, a municipal gas utility that serves 500,000 customers, which it agreed to acquire for \$1.9 billion. On October 27, the Philadelphia City Council stated its opposition to the deal.
- On December 19, 2013, NV Energy was acquired by MidAmerican Energy Holdings Company for \$23.75 in cash. The deal was announced on May 30, 2013, and the offer price represented a 23% premium to the previous day's closing price.

In addition to the announced mergers above, others appear to be in the early stages of negotiation.

- Oncor, Texas' largest regulated electric utility is likely to be auctioned sometime in early 2015. The Oncor utility system is considered the most valuable part of the Energy Future Holdings company, which is in bankruptcy proceedings. Oncor serves 7.5 million customers in and around Dallas-Fort Worth as well as over 400 communities in east, west and north-central Texas.

Given significant investment opportunities, utilities and private equity have become more creative in lowering the cost of capital through mergers, the formation of master limited partnerships (MLPs), business unit IPO's, asset sales, and the creation of a new asset structure called "yield cos." Over the past several years, integrated gas utilities have created significant value by forming MLP's for midstream and pipeline assets, but electric utilities and other power companies have been challenged to replicate the success, primarily because of regulatory hurdles and assets qualifying for MLP or even REIT status. Over the past twelve months, electric utilities have engineered the corporate structure known as yield cos, which serve a similar purpose by achieving a lower cost of capital (higher valuation) by separating more stable and tax advantaged cash flows into an income paying publicly traded vehicle.

- On October 15, 2014, Dominion Resources (D) IPO'd Dominion Midstream, an MLP with an initial asset of a preferred interest in the Cove Point LNG facility. D estimates that Cove Point and its Blue Racer JV would have "up to \$1 billion of EBITDA" by 2018. In addition, D had roughly \$1 billion of EBITDA potential to "drop down" from other assets at Dominion East Ohio, Dominion Transmission, and the Iroquois Pipeline.
- On June 26, 2014, NextEra Energy Inc. (NEE) issued 16.3 million shares, approximately 20% of its newly created yield co, NextEra Energy Partners, LP (NEP), at \$25 per share. The IPO raised \$405 million and was priced at the high end of the \$23 - \$25 per share range (raised from the initial \$19 - \$21 per share range). NEE also has incentive distribution rights and 100% of the special voting units.
- On July 16, 2013, NRG spun off a portion of its contracted generation capacity into a separate company called NRG Yield (NYLD) via a \$430 million IPO. NYLD is a dividend oriented company that owns, operates, and acquires contracted renewable and conventional generation and thermal infrastructure assets. NYLD shares were priced at \$22 per share and currently trade at \$51.20 per share.

Finally, other diversified utilities recognized that investors value non-regulated businesses separately from regulated business and have opted to create value by separating. Examples include:

- On September 28, 2014, NiSource (NI), a diversified energy company, announced its plan to split into two publicly-traded companies, an electric and gas utility and a pure-play gas pipeline, midstream and storage company. The utilities which serve 3.4 million natural gas customers in seven states (OH, PA, MA, VA, KY, MD, IN) and 450,000 electric customers (IN) will keep the name Nisource and continue to trade on the NYSE trading under ticker NI. The gas pipelines will trade as Columbia Pipeline Group on the New York Stock Exchange under the ticker "COLP" with headquarter in Houston, TX. Columbia Pipeline Group owns 15,700 miles of natural gas transmission pipeline stretching from Louisiana to New York with 300 billion cubic feet of underground storage. The separation would occur in mid-2015. NiSource plans to IPO a new master limited partnership (MLP), named Columbia Pipeline Partners LP.
- On June 10, 2014, PPL Corp. announced an agreement with Riverstone Holdings, a private equity energy firm, to combine the companies' unregulated generation assets to form Talen Energy Corporation and spin it to shareholders. Talen would own approximately 15,000 MW (PPL-10,000 MW, Riverstone-5,300 MW) of unregulated generation in PJM (Pennsylvania, New Jersey, Maryland, etc.) and ERCOT (Texas). PPL shareholders would receive shares on a tax-free basis and own 65% of the company, which will be listed on the NYSE. We view the announcement favorably, as it would completely transition PPL from the non-regulated competitive power business, which is a higher risk business, and allow management to focus on the core regulated utility businesses.

- On February 2, 2014, ONE Gas, with two million customers in Oklahoma, Kansas, and Texas began trading as a separate independent gas utility after being distributed to shareholders by ONEOK.

In addition, non-regulated power plants continue to be bought and sold as the electric utility industry evolves. Several large integrated electric utilities are taking advantage of recent “upticks” in merchant generation to divest power plants at the potentially early stages of a power market “up-cycle”.

Utilities Offer a Platform for Investment

We believe some of the more recent transactions were partially motivated by the need for infrastructure funds and private equity to earn attractive returns on investment and utilities offer a platform to accomplish that. Utility sector capital investment grew from \$41.1 billion in 2004 to \$82.8 billion in 2008, with major spending on environmental control equipment, renewable generation, and transmission. In 2012 and 2013, utility capital expenditures were \$90.5 billion compared with \$79 billion in 2011. The Edison Electric Institute (EEI) currently projects industry spending at \$93 billion in 2014 and \$85 billion in 2015. The FERC’s favorable incentive oriented regulation continues to make transmission investment one of the more compelling uses of capital for electric utilities. Not surprisingly, transmission investment continued to grow in 2013, nearly doubling from \$8.6 billion in 2006 to \$15.2 billion in 2013, and we expect transmission to be a focus for most management teams going forward.

We believe that significant investment levels could continue, given the EPA’s ongoing aggressive policy to reduce emissions and the fact that the June 2, 2014 GHG/carbon standard proposal requires further investment. The Federal Energy Regulatory Commission’s (FERC) Order 1000 increases transmission opportunities and, separately, distributed generation, efficiency, alternative fueling stations, smart meters, and storm proof distribution systems represent potential opportunities. The gas utility industry is investing heavily in gas gathering, processing, and transportation, given the recent abundance of shale gas. In addition, gas distribution safety has become a priority. Following the East Harlem, San Bruno, and Allentown gas explosions, regulators are very much focused on incentivizing natural gas utilities to replace older cast iron and steel pipe with safer advanced plastic pipe.

The electric and gas utility sector has few (and fewer) targets, with just over 50 electric utilities and 20 gas utilities. This is significantly more than economic logic would suggest. Takeover premiums have primarily, though not exclusively, focused on fundamentally sound, reasonably priced, mid cap and small cap utilities. We prefer utilities that operate in more constructive regulatory environments, possess lower carbon footprints, and/or access to strategic geographies. We favor utilities with pending transmission line developments, and we focus on natural gas pipelines and storage operators as a way to take advantage of the growing demand for natural gas in the U.S.

Exhibit 3

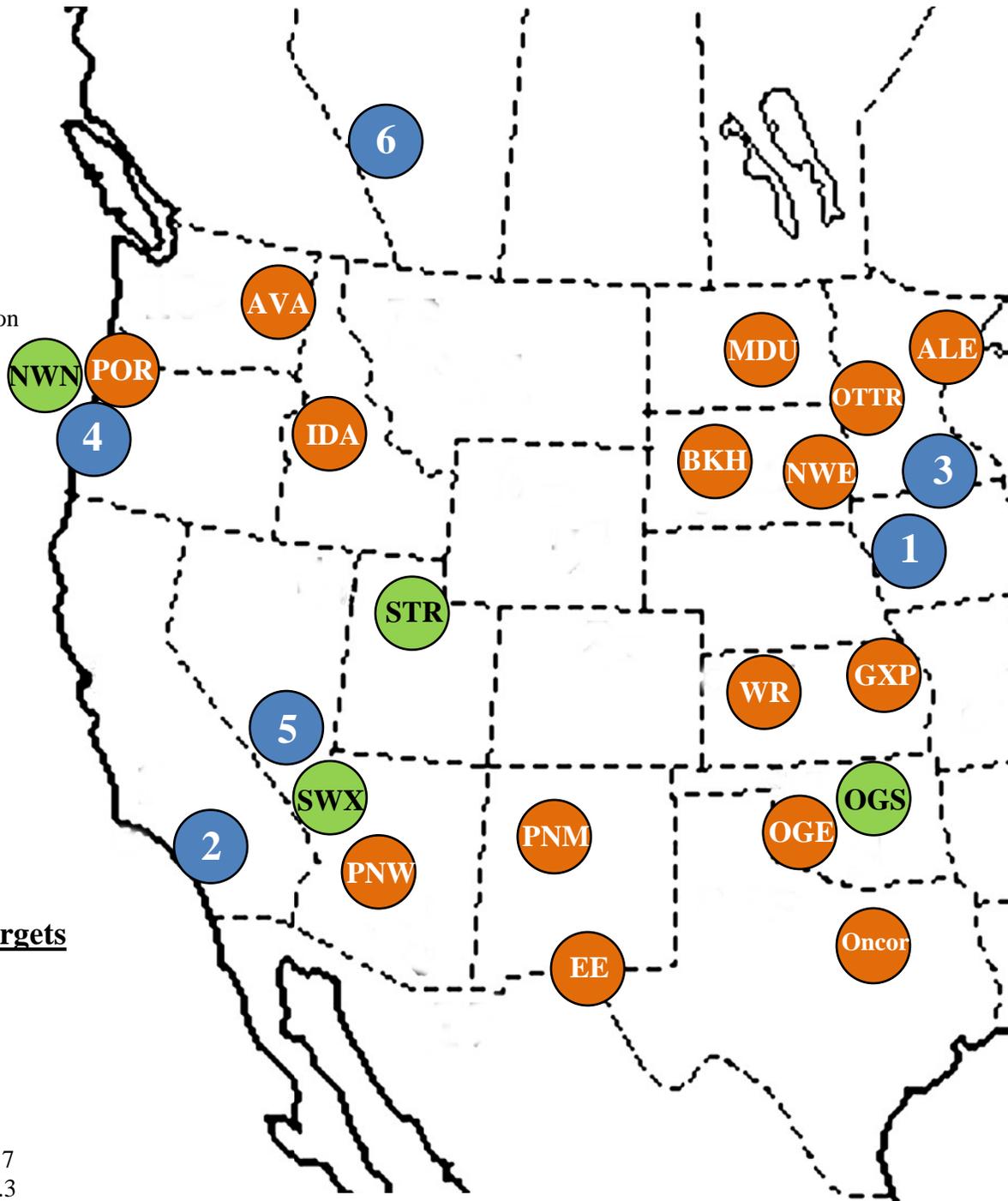
Potential Takeover Map (Company Headquarters Shown)

**Berkshire Hathaway
Energy Acquisitions**

*Labeled by Number
(Year acquired - \$billions)*



- 1 – MidAmerican Energy
1999 - \$2.1
- 2 – Kern River Gas Transmission
2002 - \$0.45
- 3 – Northern Natural Gas
2002 - \$0.9
- 4 – PacifiCorp
2006 - \$5.1
- 5 – NV Energy
2013 - \$5.6
- 6 – AltaLink
2014 - \$2.9



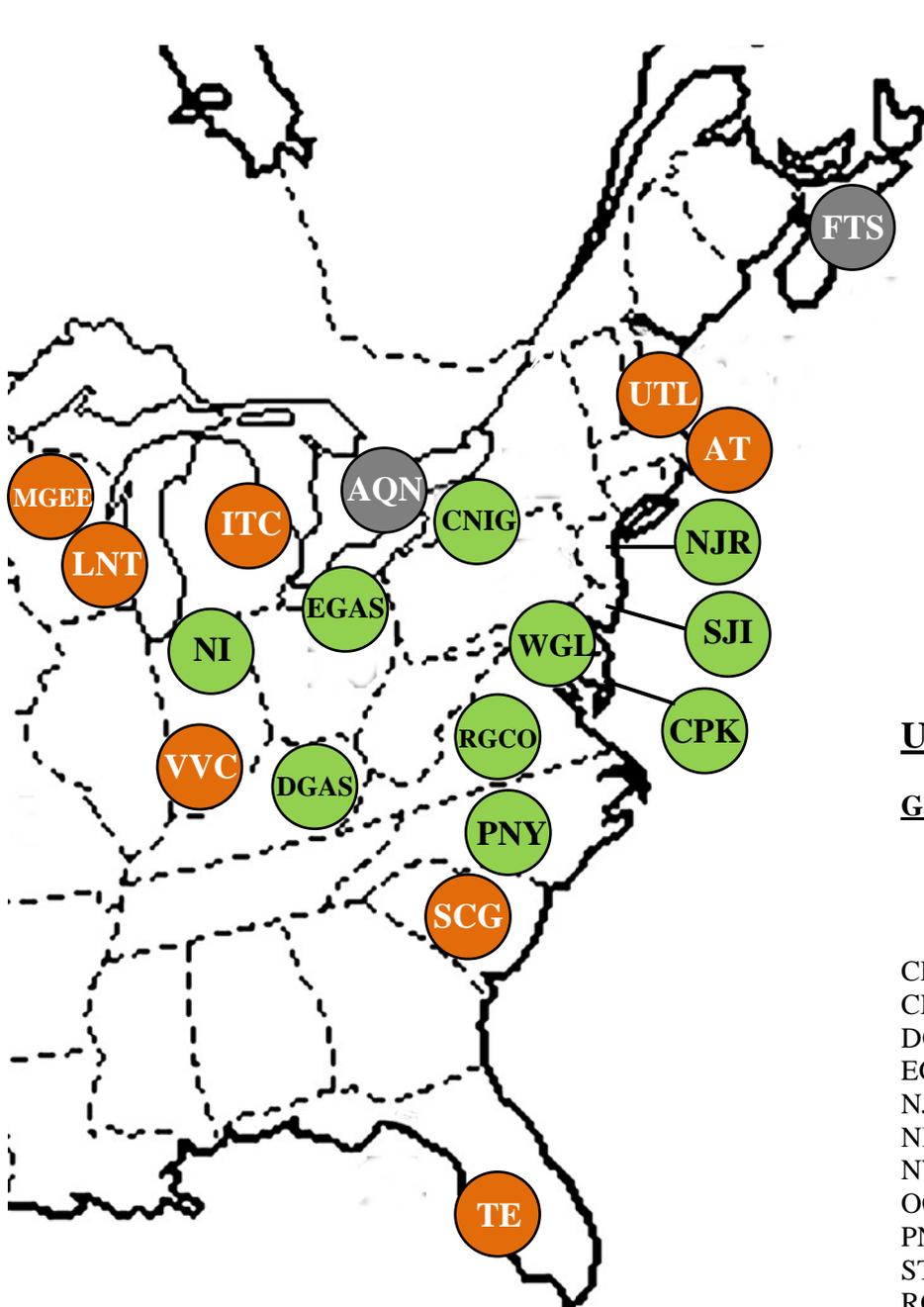
Utility Acquisition Targets

Electric Utilities (\$billion)



- ALE – Allete - \$2.1
- LNT – Alliant Energy - \$6.7
- AT – Atlantic Power - \$0.3
- AVA – Avista Corp - \$2.2
- BKH – Black Hills Corp - \$2.3
- EE – El Paso Electric - \$1.5
- GXP – Great Plains Energy - \$4.0
- IDA – IDACORP - \$3.0
- ITC – ITC Holdings - \$6.1
- MDU – MDU Resources - \$5.4
- MGEE – MGE Energy - \$1.5
- NWE – Northwestern Corp. - \$2.0
- OGE – OGE Energy - \$7.4

- Oncor
- OTTR – Otter Tail Corp. - \$1.1
- PNW – Pinnacle West Corp. - \$6.6
- PNM – PNM Resources - \$2.2
- POR – Portland General Elec. - \$2.8
- SCG – SCANA Corp. - \$7.6
- TE – TECO Energy - \$4.5
- UTL – Unital Corp. - \$0.5
- VVC – Vectren Corp. - \$3.7
- WR – Westar Energy - \$4.8



Utility Acquisition Targets (con't)

Gas Utilities (\$billion)



- CPK – Chesapeake Utilities - \$0.7
- CNIG – Corning Natural Gas - \$0.1
- DGAS – Delta Natural Gas - \$0.1
- EGAS – Gas Natural - \$0.1
- NJR – New Jersey Resources - \$2.3
- NI – NiSource Inc. - \$13.1
- NWN – Northwest Nat. Gas - \$1.3
- OGS – ONE Gas - \$1.9
- PNY – Piedmont Natural Gas - \$2.9
- STR – Questar Corp. - \$4.1
- RGCO – RGC Resources - \$0.1
- SJI – South Jersey Industries - \$1.9
- SWX – Southwest Gas Corp. - \$2.6
- WGL – WGL Holdings - \$2.4

Canadian Utilities (C\$billion)



- AQN-T – Algonquin Power (AQN-T) - \$2.0
- EMA-T – Emera Inc. (EMA-T) - \$5.2
- FTS-T – Fortis Inc. (FTS-T) - \$7.6

Appendix 1

Select Electric Utility Financials

		Market Info.					2013	2014	2015	2016	EV/	Price
Company	Symbol	Closing Price	Price Change YTD	2013	2012	Market Cap.	P/E	P/E	P/E	P/E	EBITDA	Book
		\$	%	%	%	\$	X	X	X	X	X	%
Wires Companies												
CenterPoint Energy, Inc.	CNP	24.20	4	20	(4)	10,401	20.2	20.7	19.7	18.3	10.1	235
Consolidated Edison, Inc.	ED	62.28	13	(0)	(10)	18,241	16.4	16.5	16.0	15.3	8.8	146
ITC Holdings Corp.	ITC	38.64	21	25	1	6,012	23.7	20.9	18.9	16.8	12.7	385
Northeast Utilities	NU	48.35	14	8	8	15,297	19.1	17.9	16.7	15.8	9.4	157
Northwestern Corporation	NWE	51.64	19	25	(3)	2,021	21.0	19.2	16.3	15.6	11.7	207
Pepco Holdings, Inc.	POM	27.25	42	(2)	(3)	6,854	23.9	22.5	21.0	20.0	10.3	158
UIL Holdings Corp.	UIL	40.80	5	8	1	2,307	17.9	17.9	16.7	15.6	8.5	170
Unitil Corp.	UTL	34.45	13	18	(9)	479	21.9	19.5	18.5	17.2	7.9	168
Median			14	13	(3)		20.6	19.3	17.6	16.3	9.7	169
Traditional Utilities												
		\$	%	%	%	\$	X	X	X	X	X	%
Ameren Corporation	AEE	41.41	15	18	(7)	10,048	19.7	17.3	16.1	15.2	8.3	153
ALLETE, Inc.	ALE	50.92	2	22	(2)	2,170	19.4	17.7	15.9	14.8	10.7	153
Alliant Energy Corporation	LNT	60.40	17	18	(0)	6,701	18.3	17.8	16.8	15.9	10.9	201
Avista Corporation	AVA	34.92	24	17	(6)	2,250	18.9	18.6	17.8	17.5	8.6	149
Black Hills Corporation	BKH	53.26	1	44	8	2,378	21.7	19.4	19.0	18.2	8.8	177
Cleco Corporation	CNL	53.50	15	17	5	3,230	21.1	19.9	19.7	17.0	10.2	205
Edison International	EIX	61.38	33	2	9	19,998	16.2	15.7	17.1	15.7	7.9	200
El Paso Electric	EE	37.70	7	10	(8)	1,521	17.2	16.0	15.4	14.3	9.3	156
Empire District Electric Company	EDE	27.64	22	11	(3)	1,198	18.6	18.4	17.8	16.7	9.3	156
Great Plains Energy	GXP	26.33	9	19	(7)	4,057	16.3	16.0	15.5	13.8	4.7	117
Hawaiian Electric Industries, Inc.	HE	27.59	6	4	(5)	2,830	17.0	17.2	16.3	14.9	6.4	159
IDACORP, Inc.	IDA	61.58	19	20	2	3,096	16.9	17.2	17.3		11.2	164
Integrus Energy Group, Inc.	TEG	70.43	29	4	(4)	5,632	20.0	20.2	18.3	17.6	12.0	170
MDU Resources	MDU	28.26	(7)	44	(1)	5,481	18.5	17.7	15.9	14.3	5.8	183
MGE Energy, Inc.	MGEE	42.97	12	13	9	1,490	19.9	20.5	19.5	18.7	10.2	233
OGE Energy Corp.	OGE	36.74	8	20	(1)	7,320	18.9	18.4	17.2	16.3	9.2	236
Otter Tail Corporation	OTTR	30.00	2	17	14	1,099	19.2	17.0	16.6	15.8	9.2	199
PG&E Corporation	PCG	48.51	20	0	(3)	23,047	17.8	16.1	15.4	14.9	7.3	150
Pinnacle West Capital Corporation	PNW	59.76	13	4	6	6,598	16.3	16.2	15.5	15.1	8.1	156
PNM Resources, Inc.	PNM	28.04	16	18	13	2,233	19.9	19.3	18.1	16.5	8.6	132
Portland General Electric Company	POR	35.49	18	10	8	2,776	19.3	16.5	15.8	14.8	7.7	147
SCANA Corporation	SCG	53.24	13	3	1	7,563	15.7	14.8	14.4	13.6	9.4	156
Southern Company	SO	46.42	13	(4)	(8)	41,578	17.0	16.6	16.2	15.7	10.2	214
TECO Energy, Inc.	TE	19.44	13	3	(12)	4,537	20.5	19.4	17.7	16.1	7.7	180
Vectren	VVC	44.49	25	21	(3)	3,671	21.0	19.5	18.1	17.1	8.0	235
Westar Energy, Inc.	WR	37.09	15	12	(1)	4,810	16.4	15.5	14.8	13.8	9.0	155
Wisconsin Energy Corporation	WEC	48.29	17	12	5	10,890	19.2	18.6	17.9	16.9	10.2	249
Xcel Energy, Inc.	XEL	32.85	18	5	(3)	16,601	16.8	16.4	15.6	14.9	9.7	167
Median			15	13	(1)		18.8	17.5	16.7	15.7	9.1	165.9
Traditional/Merchant												
		\$	%	%	%	\$	X	X	X	X	X	%
American Electric Power Company, Inc.	AEP	56.76	21	10	3	27,769	17.6	16.2	16.0	15.3	9.0	164
CMS Energy Corporation	CMS	32.15	20	10	10	8,878	19.4	18.1	17.1	16.1	9.0	241
Dominion Resources, Inc.	D	70.17	8	25	(2)	40,886	21.6	19.8	18.7	17.5	12.1	354
DTE Energy Company	DTE	80.05	21	11	10	14,168	19.6	18.2	17.4	16.3	8.7	177
Duke Energy Corporation	DUK	80.27	16	8	(3)	56,773	18.5	17.5	16.9	16.2	10.7	139
Entergy Corporation	ETR	82.06	30	(1)	(13)	14,739	15.3	13.4	15.5	14.8	7.6	146
Exelon Corporation	EXC	35.28	29	(8)	(31)	30,312	14.1	14.8	13.8	13.6	8.5	138
FirstEnergy Corp.	FE	36.58	11	(21)	(6)	15,376	12.0	14.6	12.4	13.1	18.3	121
NextEra Energy, Inc.	NEE	98.60	15	24	14	43,025	19.9	18.3	17.0	15.9	11.2	233
NiSource Inc.	NI	41.62	27	32	5	13,124	26.3	24.5	22.9	21.2	11.8	
PPL Corporation	PPL	34.51	15	5	(3)	22,928	14.1	15.0	15.3	14.9	10.0	159
Public Service Enterprise Group Inc.	PEG	39.47	23	5	(7)	19,967	15.3	14.5	14.7	14.5	5.4	169
Sempra Energy	SRE	108.51	21	27	29	26,682	24.2	24.3	22.5	20.8	11.8	222
Median			21	10	(2)		18.5	17.5	16.9	15.9	10.0	166.5
Merchant Generators												
		\$	%	%	%	\$	X	X	X	X	X	%
AES Corp.	AES	13.41	(8)	36	(10)	9,699	10.4	10.1	9.4	9.1	7.5	230
Atlantic Power	AT	2.25	(35)	(70)	(20)	272	-28.1	-2.8	-3.7	-3.4	7.0	37
Calpine	CPN	21.96	13	8	11	8,840	56.3	29.2	20.9	15.1	10.5	268
NRG	NRG	29.22	2	25	27	9,873	-24.1	16.3	19.7	34.0	8.4	90
Median			(3)	16	1		(6.9)	13.2	14.6	12.1	7.9	160.0
Average			(7)	(0)	2		3.6	13.2	11.6	13.7	8.4	156.4
Electric Group Median*			15	11	(2)		18.9	17.8	16.8	15.8	9.2	168

* excludes merchants

Source: Thomson, Bloomberg, Gabelli & Company estimates

Appendix 2

Select Electric Utility Financials (cont.)

Company	Symbol	Earnings Per Share					Dividends					Balance Sheet		
		2013	2014	2015	2016	TTM ROE	Current Dividend	Yield %	Payout Ratio	Divs % of Book	1-Year Growth	Book Value Share	Common Equity Ratio	S&P Debt Rating
Wires Companies														
CenterPoint Energy, Inc.	CNP	1.20	1.17	1.23	1.32	23.2	0.95	3.9	81	9.2	14.5	10.30	34	A-
Consolidated Edison, Inc.	ED	3.80	3.77	3.90	4.06	55.3	2.52	4.0	67	5.9	2.4	42.52	50	A-
ITC Holdings Corp.	ITC	1.63	1.85	2.05	2.30	31.9	0.65	1.7	35	6.5	21.5	10.03	28	A-
Northeast Utilities	NU	2.53	2.70	2.90	3.05	42.4	1.57	3.2	58	5.1	6.8	30.85	50	A-
Northwestern Corporation	NWE	2.46	2.69	3.17	3.31	43.3	1.60	3.1	59	6.4	5.3	24.96	44	BBB
Pepco Holdings, Inc.	POM	1.14	1.21	1.30	1.36	19.1	1.08	4.0	89	6.3	0.0	17.24	43	BBB+
UIL Holdings Corp.	UIL	2.28	2.28	2.45	2.61	38.8	1.73	4.2	76	7.2	0.0	24.05	44	BBB
Unitil Corp.	UTL	1.57	1.77	1.86	2.00	30.5	1.38	4.0	78	6.7	0.0	20.48	47	N/A
Median						35.3		3.9	71	6	4		44	
Traditional Utilities	Symbol	\$	\$	\$	\$	%	\$	%	%	%	%	\$	%	
Ameren Corporation	AEE	2.10	2.40	2.57	2.72	36.2	1.64	4.0	68	6.1	2.5	27.09	49	BBB+
ALLETE, Inc.	ALE	2.63	2.88	3.21	3.43	49.9	1.96	3.8	68	5.9	3.2	33.24	52	BBB+
Alliant Energy Corporation	LNT	3.31	3.40	3.60	3.80	51.6	2.04	3.4	60	6.8	8.5	30.08	46	A-
Avista Corporation	AVA	1.85	1.88	1.96	1.99	28.2	1.27	3.6	68	5.4	4.1	23.41	49	BBB
Black Hills Corporation	BKH	2.45	2.75	2.80	2.93	52.5	1.56	2.9	57	5.2	2.6	30.05	42	BBB
Cleco Corporation	CNL	2.53	2.69	2.72	3.15	46.6	1.60	3.0	59	6.1	12.3	26.06	53	BBB+
Edison International	EIX	3.80	3.92	3.59	3.90	46.3	1.42	2.3	36	4.6	5.2	30.63	43	BBB+
El Paso Electric	EE	2.20	2.35	2.45	2.65	35.1	1.12	3.0	48	4.6	7.2	24.22	47	BBB
Empire District Electric Company	EDE	1.48	1.50	1.55	1.65	22.7	1.02	3.7	68	5.8	1.5	17.68	49	BBB
Great Plains Energy	GXP	1.62	1.65	1.70	1.90	24.2	0.92	3.5	56	4.1	4.2	22.50	45	BBB+
Hawaiian Electric Industries, Inc.	HE	1.62	1.60	1.70	1.85	26.1	1.24	4.5	77	7.2	0.0	17.34	50	BBB-
IDACORP, Inc.	IDA	3.64	3.58	3.55	3.70	51.8	1.88	3.1	53	5.0	19.7	37.44	53	BBB
Integrus Energy Group, Inc.	TEG	3.53	3.49	3.84	4.00	54.4	2.72	3.9	78	6.6	0.0	41.37	49	A-
MDU Resources	MDU	1.53	1.60	1.78	1.98	30.6	0.71	1.7	44	4.6	2.9	15.42	92	BBB+
MGE Energy, Inc.	MGEE	2.16	2.10	2.20	2.30	38.5	1.13	2.6	54	6.1	5.6	18.47	61	AA-
OGE Energy Corp.	OGE	1.94	2.00	2.14	2.25	33.9	1.00	2.7	50	6.4	19.8	15.56	51	A-
Otter Tail Corporation	OTTR	1.56	1.76	1.81	1.90	29.3	1.21	4.0	69	8.0	1.7	15.10	51	BBB
PG&E Corporation	PCG	2.72	3.02	3.15	3.26	40.3	1.82	3.8	60	5.6	0.0	32.45	50	BBB
Pinnacle West Capital Corporation	PNW	3.66	3.68	3.85	3.96	52.9	2.38	4.0	65	6.2	8.1	38.35	54	A-
PNM Resources, Inc.	PNM	1.41	1.45	1.55	1.70	24.1	0.74	2.6	51	3.5	15.6	21.30	44	BBB
Portland General Electric Company	POR	1.84	2.15	2.25	2.40	30.2	1.12	3.2	52	4.6	2.8	24.15	45	BBB
SCANA Corporation	SCG	3.39	3.60	3.70	3.90	46.9	2.10	3.9	58	6.1	4.1	34.23	44	BBB+
Southern Company	SO	2.73	2.79	2.86	2.95	41.1	2.10	4.5	75	9.7	4.3	21.68	43	A
TECO Energy, Inc.	TE	0.95	1.00	1.10	1.20	17.2	0.88	4.5	88	8.1	0.0	10.80	43	BBB+
Vectren	VVC	2.12	2.28	2.46	2.60	35.5	1.44	3.2	63	7.6	1.1	18.93	46	A-
Westar Energy, Inc.	WR	2.27	2.40	2.50	2.70	32.2	1.40	3.8	58	5.8	3.7	23.96	46	BBB+
Wisconsin Energy Corporation	WEC	2.51	2.60	2.70	2.85	41.3	1.56	3.2	60	8.1	46.8	19.36	46	A-
Xcel Energy, Inc.	XEL	1.95	2.00	2.10	2.20	27.9	1.20	3.7	60	6.1	9.1	19.64	44	A-
Median						35.8		3.6	60	6	4		48	
Traditional/Merchant	Symbol	\$	\$	\$	\$	%	\$	%	%	%	%	\$	%	
American Electric Power Company, Inc.	AEP	3.23	3.50	3.55	3.70	46.7	2.12	3.7	61	6.1	8.7	34.53	47	BBB
CMS Energy Corporation	CMS	1.66	1.78	1.88	2.00	26.8	1.08	3.4	61	8.1	5.9	13.35	31	BBB
Dominion Resources, Inc.	D	3.25	3.55	3.75	4.00	64.7	2.40	3.4	68	12.1	6.7	19.84	32	A-
DTE Energy Company	DTE	4.09	4.40	4.60	4.91	66.4	2.76	3.4	63	6.1	6.8	45.35	48	BBB+
Duke Energy Corporation	DUK	4.35	4.60	4.75	4.95	69.0	3.18	4.0	69	5.5	2.9	57.71	49	BBB+
Entergy Corporation	ETR	5.36	6.14	5.31	5.55	63.3	3.32	4.0	54	5.9	0.0	56.04	42	BBB
Exelon Corporation	EXC	2.50	2.38	2.55	2.60	27.4	1.24	3.5	52	4.9	-14.8	25.56	52	BBB
FirstEnergy Corp.	FE	3.04	2.50	2.96	2.80	33.0	1.44	3.9	58	4.8	-34.5	30.18	37	BB+
NextEra Energy, Inc.	NEE	4.97	5.40	5.80	6.20	85.6	2.90	2.9	54	6.9	9.8	42.27	38	A-
NiSource Inc.	NI	1.58	1.70	1.82	1.96	32.9	1.04	2.5	61		6.1			BBB-
PPL Corporation	PPL	2.45	2.30	2.25	2.31	30.1	1.49	4.3	65	6.9	1.9	21.74	39	BBB
Public Service Enterprise Group Inc.	PEG	2.58	2.73	2.68	2.72	32.0	1.48	3.7	54	6.3	2.8	23.41	57	BBB+
Sempra Energy	SRE	4.49	4.47	4.83	5.22	89.8	2.64	2.4	59	5.4	6.0	48.99	47	BBB+
Median						46.7		3.5	61	6	6		44	
Merchant Generators		\$	\$	\$	\$	%	\$	%	%	%	%	\$	%	
AES Corp.	AES	1.29	1.33	1.43	1.48	14.5	0.20	1.5	15	3.4	25.0	5.82	14	BB-
Atlantic Power	AT	-0.08	-0.80	-0.61	-0.66	3.5	0.33	14.5	NMF	5.4	145.3	6.04	28	B
Calpine	CPN	0.39	0.75	1.05	1.45	19.5	0.00	0.0	0.0	0.0		8.18	23	B+
NRG	NRG	-1.21	1.79	1.48	0.86	28.7	0.56	1.9	31	1.7	24.4	32.57	37	BB-
Group Median (Excl. Merchants)						36.2		3.6	60.1	6.1	4.1		46.5	
Group Average (Excl. Merchants)						40.8		3.5	61.7	6.3	5.2		46.8	

*excludes merchants

Source: Thomson, Bloomberg, Gabelli & Company estimates

Appendix 3

Select Gas Utility Statistics

Company	Market Info.											
	Symbol	Closing				2013 P/E	2014 P/E	2015 P/E	2016 P/E	Enterprise Value (EV)	EV/ EBITDA	Price Book
		Date	Return Y-T-D	2013 PX Chg	Market Cap.							
Local Distribution Companies		\$	%	%	\$	X	X	X	X	\$	X	%
AGL Resources	GAS	54.12	15	18	6,466	21.1	12.1	17.4	16.9	8,832	6.2	166
Atmos Energy	ATO	52.45	15	29	5,263	20.7	18.3	17.8	16.8	7,457	9.0	162
Corning Natural Gas	CNIG	23.05	25	20	56	32.1	30.9	29.7		69	13.5	231
Chesapeake Utilities Corp	CPK	47.51	(21)	32	692	14.0	12.8	12.7	12.0	683	7.0	156
Delta Natural Gas	DGAS	20.37	(9)	14	143	19.4	17.1	19.4	18.9	177	7.0	186
Gas Natural, Inc.	EGAS	11.39	42	(14)	119	14.8	20.7	16.8	14.8	175	7.8	
Laclede Group	LG	49.53	9	18	2,138	17.3	16.5	15.7	14.6	2,543	8.4	198
New Jersey Resources	NJR	56.75	23	17	2,396	20.9	13.8	18.7	18.3	3,200	11.2	236
Northwest Natural	NWN	46.08	8	(3)	1,252	20.6	20.0	19.2	18.4	2,030	9.0	162
ONE Gas	OGS	37.39			1,944	19.6	19.2	18.2	17.4	2,984	8.7	109
Piedmont Natural Gas	PNY	37.34	13	6	2,925	21.0	19.8	19.5	18.4	4,755	11.3	222
Questar	STR	23.64	3	16	4,144	19.5	18.5	17.8	17.3	5,625	8.9	328
RGC Resources, Inc.	RGCO	20.28	7	3	96	22.3	21.4	20.6		122	8.4	183
South Jersey Industries	SJI	57.50	3	11	1,905	19.0	16.9	16.0		2,995	16.1	219
Southwest Gas Corp.	SWX	57.39	3	32	2,669	18.5	18.8	17.7	16.9	4,053	7.7	182
Vectren Corp.	VVC	44.49	25	21	3,671	21.0	19.5	18.1	17.1	5,518	11.2	235
WGL Holdings, Inc.	WGL	46.83	17	2	2,432	20.3	18.2	18.7	17.2	3,314	13.8	189
LDC Average			11	14		20.1	18.5	18.5	16.8		9.7	198
LDC Median			11	17		20.3	18.5	18.1	17.2		8.9	188
Integrated Gas Utilities		\$	%	%	\$	X	X	X	X	\$	X	%
MDU Resources	MDU	28.26	(7)	44	5,481	18.5	17.7	15.9	14.3	5,668	7.0	183
National Fuel Gas Co.	NFG	68.79	(4)	41	5,786	21.9	20.2	19.7	18.6	7,331	7.7	247
NiSource	NI	41.62	27	32	13,124	26.3	24.5	22.9	21.2	22,373	10.7	
Questar	STR	23.64	3	16	4,144	19.5	18.5	17.8	17.3	5,625	8.9	328
UGI Corp	UGI	37.18	(10)	27	6,409	15.2	12.3	12.7	12.3	7,521	5.5	155
Integrated Average			6	30		20.4	18.8	17.8	16.8		8.5	230
Integrated Median			(0)	29		20.3	19.0	17.9	17.2		8.3	235
Gas Group Average			10	18		20.2	18.6	18.3	16.8		9.4	205
Gas Group Median			9	17		20.3	18.5	18.1	17.2		8.9	189

Source: Thomson One, Bloomberg, Gabelli & Company estimates

Appendix 4

Select Gas Utility Statistics (cont.)

Company	Symbol	Financial Ratios					Dividends					Balance Sheet		
		Est. 2013	Est. 2014	Est. 2015	Est. 2016	TTM ROE	Current Dividend	Yield	Payout Ratio	Div as % of Book	1-Year Growth	Book Value Share	Common Equity Ratio	S&P Debt Rating
		\$	\$	\$	\$	%	\$	%	%	%	%	\$	%	
Local Distribution Companies														
AGL Resources	GAS	2.56	4.49	3.11	3.21	5.18	1.96	3.6	44	6.0	4	32.58	51	BBB+
Atmos Energy	ATO	2.53	2.87	2.95	3.12	8.88	1.48	2.8	52	4.6	4	32.35	56	A-
Corning Natural Gas	CNIG	0.72	0.75	0.78		8.23	0.54	2.3	72	5.4	NA	9.98	57	N/A
Chesapeake Utilities Corp	CPK	3.39	3.70	3.75	3.95	11.47	1.05	2.2	28	3.5	(31)	30.50	57	N/A
Delta Natural Gas	DGAS	1.05	1.19	1.05	1.08	9.07	0.80	3.9	67	7.3	8	10.93	58	N/A
Gas Natural, Inc.	EGAS	0.77	0.55	0.68	0.77	8.61	0.54	4.7	98		0		55	N/A
Laclede Group	LG	2.87	3.00	3.15	3.40	11.08	1.76	3.6	59	7.0	4	25.00	61	BB+
New Jersey Resources	NJR	2.72	4.12	3.03	3.10	16.35	1.80	3.2	44	7.5	11	24.03	56	N/A
Northwest Natural	NWN	2.24	2.30	2.40	2.50	8.94	1.86	4.0	81	6.5	2	28.40	49	A+
ONE Gas	OGS	1.91	1.95	2.05	2.15	0.00	1.12	3.0	58	3.3		34.24	60	N/A
Piedmont Natural Gas	PNY	1.78	1.89	1.91	2.03	10.23	1.28	3.4	68	7.6	4	16.85	42	A
Questar	STR	1.21	1.28	1.33	1.37	20.12	0.76	3.2	59	10.5	7	7.21	46	A
RGC Resources, Inc.	RGCO	0.91	0.95	0.98		9.02	0.74	3.6	78	6.7	3	11.11	65	N/A
South Jersey Industries	SJI	3.03	3.40	3.60	3.86	14.31	1.89	3.3	56	7.2	5	26.31	44	BBB+
Southwest Gas Corp.	SWX	3.11	3.05	3.25	3.40	9.16	1.46	2.5	48	4.6	14	31.55	51	A-
Vectren Corp.	VVC	2.12	2.28	2.46	2.60		1.44	3.2	63	7.6	1	18.93	46	A-
WGL Holdings, Inc.	WGL	2.31	2.58	2.50	2.72	8.38	1.76	3.8	68	7.1	6	24.76	59	A+
LDC Average						9.9		3.3	61	6.4	2.8		54	
LDC Median						9.0		3.3	59	6.8	4.2		56	
Integrated Gas Utilities	Symbol	\$	\$	\$	\$	%	\$	%	%	%	%	\$	%	
MDU Resources	MDU	1.53	1.60	1.78	1.98		0.71	2.5	44	4.6	3	15.42	92	BBB+
National Fuel Gas Co.	NFG	3.14	3.40	3.50	3.70	13.56	1.54	2.2	45	5.5	4	27.84	59	BBB
New Jersey Resources	NJR	2.72	4.12	3.03	3.10	16.35	1.80	2.6	44	7.5	11	24.03	56	N/A
NiSource	NI	1.58	1.70	1.82	1.96		1.04	2.5	61		6	19.12	39	BBB-
UGI Corp	UGI	2.45	3.02	2.92	3.03	10.37	1.31	3.5	43	5.5	18	23.92	43	N/A
Integrated Average						13.4		2.8	50.2	6.1	7.2	22	56	
Integrated Median						13.6		2.6	44.8	5.5	5.1	22	51	
Gas Group Average						10.5		3.2	58	6.3	4.1	22	54	
Gas Group Median						9.2		3.2	59	6.7	4.2	24	56	

Source: Thomson One, Bloomberg, Gabelli & Company estimates

Companies Mentioned:

Alliant	LNT	-	(NYSE)	MGE Energy	MGEE	-	NASDAQ
Allete, Inc.	AT	-	"	National Fuel Gas	NFG	-	(NYSE)
Atlantic Power	ALE	-	"	New Jersey Resources	NJR	-	"
American Water Works	AWK	-	"	NextEra Energy	NEE	-	"
Aqua America	WTR	-	"	NiSource	NI	-	"
Avista Corp.	AVA	-	"	Northeast Utilities	NU	-	"
Berkshire Hathaway	BRK	-	"	Northwest Natural Gas	NWN	-	"
Black Hills Corp.	BKH	-	"	Northwestern Corp.	NWE	-	"
California Water Services Group	CWT	-	"	ONE Gas	OGS	-	"
Calpine Corp.	CPN	-	"	Otter Tail Corp.	OTTR	-	NASDAQ
Chesapeake Utilities	CHK	-	"	Piedmont Natural Gas	PNY	-	(NYSE)
Cleco Corp.	CNL	-	"	Pinnacle West Corp.	PNW	-	"
Corning Natural Gas	CNIG	-	OTC	PNM Resources	PNM	-	"
Delta Natural Gas	DGAS	-	NASDAQ	Portland General Electric	POR	-	"
Dominion Resources	D	-	(NYSE)	PPL Resources	PPL	-	"
Duke Energy	DUK	-	"	Questar Corp.	STR	-	"
El Paso Electric	EE	-	"	RGC Resources	RGCO	-	NASDAQ
Exelon Corporation	EXC	-	"	SCANA Corp.	SCG	-	(NYSE)
Fortis Inc.	FTS	-	(Canada)	South Jersey Industries	SJI	-	"
Gas Natural, Inc.	EGAS	-	(AMEX)	Southwest Gas	SWX	-	"
Great Plains Energy	GXP	-	(NYSE)	TECO Energy	TE	-	"
Hawaiian Electric	HE	-	"	UIL Holdings	UIL	-	"
IDACORP, Inc.	IDA	-	"	Unitil Corp.	UTL	-	"
ITC Holdings	ITC	-	"	Vectren	VVC	-	"
Kinder Morgan	KMP	-	"	Westar Energy	WR	-	"
Laclede Group	LG	-	"	WGL Holdings	WGL	-	"
MDU Resources	MDU	-	"	Wisconsin Energy	WEC	-	"

We, *Tim Winter, CFA, and Nicholas Yuelys* the Research Analysts who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst's personal views about the subject companies and their securities. The Research Analysts have not been, are not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

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Ratings

Analysts' ratings are largely (but not always) determined by our "private market value," or PMV methodology. Our basic goal is to understand in absolute terms what a rational, strategic buyer would pay for an asset in an open, arms-length transaction. At the same time, analysts also look for underlying catalysts that could encourage those private market values to surface.

A **Buy** rated stock is one that in our view is trading at a meaningful discount to our estimated PMV. We could expect a more modest private market value to increase at an accelerated pace, the discount of the public stock price to PMV to narrow through the emergence of a catalyst, or some combination of the two to occur.

A **Hold** is a stock that may be trading at or near our estimated private market value. We may not anticipate a large increase in the PMV, or see some other factors at work.

A **Sell** is a stock that may be trading at or above our estimated PMV. There may be little upside to the value, or limited opportunity to realize the value. Economic or sector risk could also be increasing.

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