

US IPP Weekly Power Points

Earnings Deceleration Finds a Floor

Equities

Americas
Electric Utilities

2Q EPS tells a mixed story – but soft expectations allowed co's to meet & beat

The quarter's largest beats came from the Thomas Edison namesakes – Edison International and Consolidated Edison with the latter also lifting guidance. Other low double-digit earnings beats came from Avista, Wisconsin Energy (and the company's 18th consecutive quarterly beat), and Duke Energy (although lifted by one-time tax benefits). The power side was a mixed bag with beats from PPL and FirstEnergy off low expectations, offset by weaker headline results for DYN, ETR, and NRG. Overall, regulated utilities came in about 5% above our expectations.

Fewer guidance revisions than we anticipated, likely on cautious 3Q outlook

Only a handful of companies increased their '14 guidance including DUK, PPL (on Supply strength), ED, and DYN, although Dynegy's guidance increase of \$30Mn was lower than we anticipated. On the negative side, FirstEnergy reduced its competitive (FES) guidance \$50Mn, although the cut was less than anticipated due to retail realignment cost savings. NRG Energy pointed towards the low-end of its '14 guidance range if it does not get the benefit of favorable weather on the balance of the year. NU reduced the top-end of its guidance by \$0.05 due to the -\$0.10 impact from the transmission ROE reserve but ongoing guidance was actually increased \$0.075 excluding the charge. We emphasize our EPS revision deceleration thesis, with many co's only adjusting results based on strong 1Q results (and didn't do so at the time), rather than on any new data points around market outlook.

... As early signs into the quarter suggest quite a mild July and overall summer

Numerous companies cautioned that 3Q14 results could be light with a complete lack of summer weather across most of the country. Northeast and Central markets are showing 20/30%+ decrease in CDDs YoY and even this understated the potential impact on exposed utilities. Following the polar vortex we expect consumers to be more bill sensitive and less likely to rely upon A/C for the rare warm day this July. Early weather signs in August point to this trend continuing. This should limit the ability of companies who benefitted from strong polar vortex weather to lift their '14 guidance materially but we still anticipate PEG, AVA, and DTE to be among the companies still able to increase guidance with 3Q/EEL. DTE started 3Q14 with \$0.27/sh of favorable weather in its pocket and even with the 55%+ decline in July CDD eroding that benefit, we still expect a ~\$0.10/sh adjusted EPS '14 guidance increase.

How about Power? Deterioration has been sharp, but finding a floor with 2Q

With power prices off ~\$3/MWh in July we anticipate quarterly results for IPPs and integrated firms being down substantially QoQ but much of the downward performance has been captured in recent equity weakness. ERCOT-Houston and NY Zone A were both (finally) up nearly 2% in the past week as generators could get a reprieve. We see updates from both DYN and NRG as being relatively constructive last week, enabling investors to find yet further confidence (NRG's raise of long-term guidance on the back of higher EME synergies more than offsets the more limited deployable FCF today for transactions). As for DYN, we see the hedging update as well as the guidance update as both constructive – but M&A remains the clear focus.

YieldCo enters new era of legitimacy as competes with MLP structure

We emphasize the importance of SRE's decision last week as heralding another key point of credibility for this niche structure, with SRE seemingly open to evaluating a YieldCo structure in lieu of an MLP as it seeks to leverage its diversified portfolio of assets (much as NEE intends to do with NEP as it develops projects outside of its core renewable focus). Why? The value premium for growth more than offsets tax benefits.

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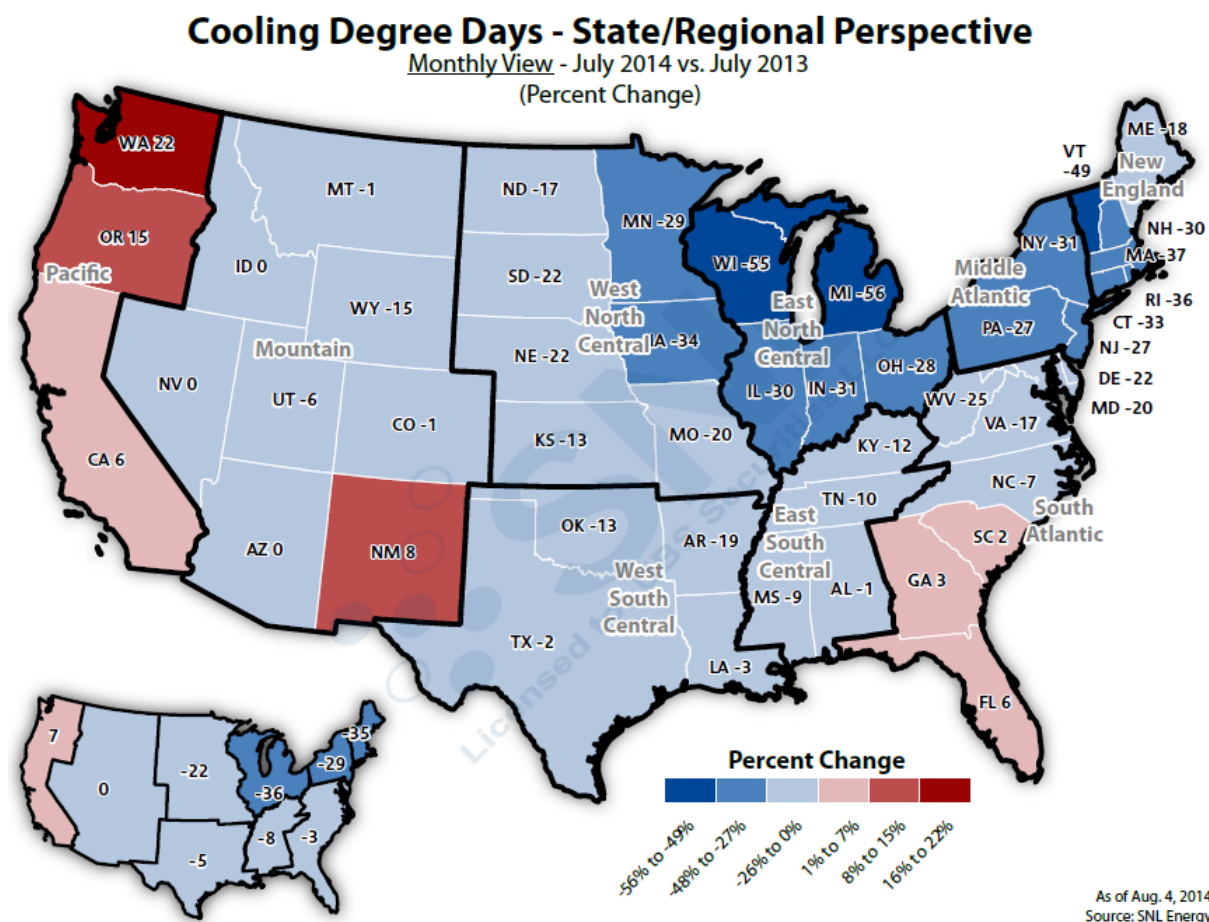
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Please refer to Page 7 for a one-page recap of our publications this week.

July pans out exceptionally mild almost everywhere

Residents in the Northeast have enjoyed unseasonably pleasant weather but the lack of summer weather will hit regulated and IPPs alike. While we acknowledge that weather has a limited long-term effect on the stocks, we attribute at least some of the latest under-performance of the sector to the lack of any meaningful summer across much of the country (aside from the West). In particular, we flag companies have begun guiding down expectations for 3Q results, with WEC a notable outlier given its particularly mild summer. We also suspect the more limited guidance raise by Dynegy (vs. Expectations) last week was also due to the milder weather quarter-to-date. We include SNL's weather map for July to capture this trend nationally. That said, we don't necessarily expect further negative revisions in guidance (at least yet), seeing many companies as having explicitly reiterated/maintained their guidance for FY14 results even accounting for the latest cool summer. Rather, it would appear that what the deep freeze winter provided in 1Q is being reversed in large part this summer with 3Q results.

Figure 1: July Cooling Degree Days 2014 vs 2013



Source: SNL

Spectra also says DTE's NEXUS project moving forward

On its recent earnings call, DTE's partner for the NEXUS pipeline also affirmed that the \$1.5B, NEXUS project is "moving into execution", with signed customer support from anchor tenant commitments from Eastern Canadian and Midwest US local distribution companies as well as Appalachian producers. Furthermore, Spectra now says that NEXUS provides them with a larger investment opportunity in the \$700M to \$1B range, echoing confidence from DTE that the project is going forward despite the expiration of the MOU with third-partner Enbridge. As we recently highlighted in our 7/30 note "[Hunting for Commitments on the Nexus Pipe](#)", the apparent exit of Enbridge from the project (they are not listed in the current open season) in the wake of ETP's massive ET Rover pipeline could provide DTE with the opportunity to scale up its investment from 1/3 to 1/2 (and apparently Spectra is thinking the same thing). Energy Transfer Partners announced that its ET Rover project now has 2.95Bcf/d of firm, fee-based twenty year commitments. Such an increase could boost DTE's 2017 earnings from the pipe from ~\$0.09/sh to ~\$0.15/sh.

Nevertheless, Spectra speculated on the call that at the end of the day, Enbridge will remain an investing sponsor of the project, despite the expiring MOU. While DTE has said that the project needs a minimum of 0.7 bcf/d to proceed, both Spectra and DTE have emphasized the potential to grow to 1.5 bcf/d, with Spectra confident that's where the scope of the project is now headed, with over 70% of target capacity now contracted, split 50%/50% between LDCs and producers. The supplemental binding open season is currently open through August 21, when we expect to learn more specifics of what will be built and who will own it.

For further details on Energy Transfer Partners' earnings call please refer to our colleague Shneur Gershuni's [note](#).

Kemper Prudency – Delaying Decision a Cautious Point

On August 5th, the Mississippi PSC opted to cancel scheduled prudency hearings for the review of the Kemper IGCC. While the decision from Sierra Club last week to drop their pending complaints on the petition, the latest reads negatively in our mind given the greater risk around reaching full commercial in-service of the plant. Specifically the PSC stated, "no prudency hearings will be conducted until such time as the Kemper Project is placed in commercial operation and demonstrates **for a reasonable period its availability**. [emphasis added]" The PSC also has requested a cost/benefit analysis from Southern on the implications of declaring Kemper in-service for the gas component, scheduled for later this Summer. Further delays are estimated at costing Southern ~\$25Mn per month and additional costs over the ~\$2.9bn cap are not recoverable. We continue to remain concerned about project delays/cost escalations at Kemper and a less favorable regulatory environment only adds to the risk profile.

We read the MS PSC as taking cues from the start and stop fits with Duke's experience with Edwardsport IGCC in Indiana. We believe a close examination of exact in-service criteria will continue to garner substantial scrutiny, particularly following the PSC's comments. We also had been looking for an updated global settlement in coming months between the company and the PSC, which would likely include its initial prudency period (through March 2013). For further details, please refer to our recent notes, '[Navigating the Uncertainty](#)' and '[Asking for Help When Times are Tough](#)'. Docket No. 2013-UA-0189

DTE gets boost of confidence around Nexus with SE call

70%+ of expanded (1.5 bcf/d) pipe is now contracted

Evenly split in offtake from producers and LDCs

Look for developments by August 21st on binding open season

A settlement isn't off the table, but pushing off hearings for prudency lends itself cautiously to ongoing 'global' settlement talks

More YieldCos? Yes please.

This past week not only saw Sempra discuss the potential for a YieldCo over an MLP but also the dedicated solar players publicly comment on their further YieldCo ambitions. Specifically First Solar and SunEdison.

SunEdison (SUNE): YieldCo(s)

Less than a month after the IPO of TerraForm Power (TERP), SunEdison is considering launching a second YieldCo, most likely with a more international focus. TERP, which owns ~1GW and has an additional ~1GW under a ROFO agreement, is the only solar pure-play YieldCo and has launched quite successfully (the stock is up ~25% from the IPO price). Given its consequent non-US backlog and pipeline (40% and 50%, respectively), the company could be tempted to further strip investor risk and growth appetite with the launch of an international-only YieldCo. As we've seen with the successful launch of Abengoa Yield (ABY), such a vehicle could certainly be palatable to investors.

For further details on SunEdison's quarter, please refer to our colleague Stephen Chin's note **'Execution Success and Spin-off Potential'**.

First Solar (FSLR): The Sector's Next Iteration?

The \$6.5 Bn solar developer might well be next to succumbing to the YieldCo appeal. With roughly 2 GW of solar capacity expected to come online in the next 5 years according to SNL (and potentially much more), FSLR would have no shortage of organic growth opportunities. This has proven to be a key point of differentiation for investors in the sector and could ease management's decision to take the plunge. As a pure-play solar YieldCo, FSLR would position itself as a direct competitor to the aforementioned SunEdison. While management was reluctant to give much detail on the potential YieldCo creation during its 2Q earnings call, we expect a decision within the next three months.

SunPower: Decision likely with Analyst Day in November

Our Solar Analyst, Stephen Chin, believes a decision on any YieldCo of its own is a likely development around its November Analyst Day (or its 3Q call at the earliest). The SunPower YieldCo would primarily include existing 2015 contracted assets and anything else planned for 2015. Most of the equity in the 2014 completions has already been sold (selling ~1GW of assets, their max module capacity is ~1.3GWdc a year). It appears the decision is focused on where bids for their assets it would otherwise receive in the market place, consistent with other companies evaluating such structures. Please see our colleagues' full write up [here](#).

Twin emerging asset classes? Solar YieldCo vs. Classic YieldCo

Given the latest developments, we emphasize a twin asset class continues to emerge with investors in the solar side seemingly less focused on pipeline duration and relative to the conventional YieldCo structures, which have a generally less clear organic growth trajectory (utility-scale projects necessarily have greater visibility on future growth, in contrast to mid-to-small scale DG-oriented solar growth).

Expectations for adequate pipeline visibility appear the key difference between DG-levered solar yieldco's and conventional structures

WEC-TEG acquisition: WEC agrees to concessions in Illinois

In its efforts to get regulatory approval for the Integrys acquisition, Wisconsin Energy Corp has committed to not raise rates and to honor existing labor commitments at Peoples Gas and North Shore Gas in Illinois (owned by Integrys). The concessions include maintaining around 1,953 full-time jobs at Peoples and North Shore, and also continued execution of the company's gas main replacement program in Chicago. These concessions come as a response to requests from the Mayor of Chicago.

We expect that the WEC-TEC acquisition will close in 2H15, and reiterate that we do not anticipate significant challenges. We continue to think that the acquisition of TEG looks to be a strong strategic fit for WEC, given the existing transmission relationship, ownership of American Transmission Company (ATC), and the ability to merge a high-growth entity with a robust FCF generator, driving no incremental equity needs to deliver its targeted growth. Although at this stage we estimate the financial deal accretion of \$0.14 is worth ~\$2/sh, we see further upside to our estimates from \$47M of after-tax synergies (3% of combined O&M), or \$0.15 EPS not yet baked in, potentially worth another ~\$2/sh. We do not think management will comment on possible synergies ahead of the state approval processes.

The transaction is subject to approvals from the Federal Energy Regulatory Commission, the Federal Communications Commission, the Public Service Commissions of Wisconsin and Michigan, the Illinois Commerce Commission, and the Minnesota Public Utilities Commission.

TECO Coal: Watching the James River Coal August 11 auctions to get a pulse of coal valuations

James River has scheduled an auction of its coal assets for August 11. We highlight this to investors interested in TECO, because it will provide an implied \$/ton valuation data point for coal assets, at a time when TECO Coal is also up for potential sale. We have said earlier that getting a good valuation will be problematic in the current sluggish coal markets, and TECO may possibly delay its own asset sales beyond '14. For TECO we currently have a ~\$190Mn (after-tax) valuation for coal (at 4.5x EV/EBITDA). This translates to \$0.64/ton reserves. While it's nominally constructive to see TECO move beyond the coal business (and remove a negative drag to EPS), we see the low valuation of a potential sale as likely under-whelming. We suspect shares of TE will trade off any pricing data points from JRCC.

Utility Events in the Week Ahead:

Monday (8/11):

(1) UBS Access: California Field Trip: PG&E, SRE, CPUC, & Key Regulators

(2) HASI 2Q14 Earnings Call: 5:00pm (877) 407-0784; Pwd: N/A

Tuesday (8/12):

(1) UBS Access: California Field Trip: PG&E, SRE, CPUC, & Key Regulators

(2) UBS NDR: PNW in Central US (TX/KC)

(3) EMA 2Q14 Earnings Call: 9:00am (888) 241-0394; Pwd: N/A

(4) ABY 2Q14 Earnings Call

Wednesday (8/13):

(1) UBS NDR: PNW in Central US (TX/KC)

(2) UBS Access: Power & Utilities Group Dinner in KC

Thursday (8/14):

(1) Initial Decision in FirstEnergy's JCP&L Rate Case Expected

(2) UBS Access: NYC Power/Utilities+ YieldCo Ideas Dinner (MLP colleague will join)

Friday (8/15):

(1) UBS Access: Conference Call on Gas-Electric Coordination [New England and Beyond]

(2) UBS Access: Roundtable Lunch with Rockland (NYC)

Timing Uncertain:

EXC-POM: Filing for Maryland PSC Approval of PEPCO Acquisition

Dominion FERC approval of EIS

The Power Download: Recap of our research

Titles below are **hyperlinks** to recent documents.

Note titles below are all
hyperlinks to our full notes.

- [The Power Download: View on 2Q IPP Results \(Aug 8\)](#)
- [SRE: Can I Submit to You the YieldCo Option? \(Aug 8\)](#)
- [ED: Light at the End of the Regulatory Tunnel \(Aug 8\)](#)
- [DUK \(First Read\): International Beat \(Aug 7\)](#)
- [WR \(First Read\): Alive and Kicking \(Aug 7\)](#)
- [AES \(First Read\): Just a Bit Dry \(Aug 7\)](#)
- [NRG \(First Read\): Repositioning the Company \(Aug 7\)](#)
- [AVA: A Transformative 2Q \(Aug 7\)](#)
- [ITC: Poised For New CFO Leadership \(Aug 7\)](#)
- [AEE: Working through the Regulatory Outlook \(Aug 7\)](#)
- [EDE: Reconciling the Earnings Growth Problem \(Aug 6\)](#)
- [CPN: Making the Most of Its Capital Opportunity \(Aug 6\)](#)
- [NU: Layering on More Projects \(Aug 6\)](#)
- [FE: Where's the Value in Power \(Aug 6\)](#)
- [DYN \(First Read\): Light Quarter but Still Raise Guidance \(Aug 6\)](#)
- [Sector: Asking for Help When Times are Tough in Ohio \(Aug 5\)](#)
- [SCG: Rebasing Expectations \(Aug 5\)](#)
- [EXC: Power Crossroads: Still Not Quite the Time \(Aug 4\)](#)
- [PCG: Big Decisions Coming Soon \(Aug 4\)](#)
- [XEL: Catalysts Warming Up the Story \(Aug 4\)](#)
- [TE: Synergy Step-Up \(Aug 1\)](#)
- [EIX: Up, Up and Away \(in 2014\) \(Aug 1\)](#)
- [SO: Navigating the Uncertainty \(Aug 1\)](#)
- [PEG: Bucking the Power Trend \(Aug 1\)](#)
- [PNW: Taking the Solar Concerns Head On \(Aug 1\)](#)
- [WEC: Polar Vortex, Summer Edition \(Aug 1\)](#)
- [Sector: In Search of Mexican Energy Transformation \(July 31\)](#)
- [PPL \(First Read\): More than Delivering on its Commitments \(July 31\)](#)
- [D: Gassing Up for a Constructive Fall Update \(July 31\)](#)
- [NEE: NEE-Deep in Strategic Repositioning \(July 31\)](#)
- [ETR: "Getting Back" to Guidance \(July 30\)](#)
- [FE: Competitive Dis-Synergies \(July 30\)](#)
- [DTE: Hunting for Commitments on Nexus Pipe \(July 30\)](#)
- [NYLD: Celebrating the YieldCo's Anniversary with a PPA \(July 25\)](#)
- [Sector: Expanding on the LNG Export Opportunity \(July 25\)](#)
- [US YieldCos: Expanding Horizons for the YieldCo \(July 24\)](#)
- [Global YieldCos: YieldCo to DealCo: The Building M&A Surge \(July 24\)](#)
- [NEE: Kicking up our NEE \(July 23\)](#)
- [NEP Initiation: Getting Winded \(July 22\)](#)
- [Sector: If you Build It, They Will Come \(July 21\)](#)
- [SUNE: TERP Valuation, YieldCo Comparison \(July 18\)](#)
- [2Q14 Earnings Playbook: Summer Swoon \(July 17\)](#)

Recap of Earnings Performance:

Figure 2: 2Q14 Utilities Performance

BENCHMARKS		2Q14 Earnings Center				
S&P500	SPY	4.0%	2Q14 Performance			
Utilities Select SPDR	XLU	7.5%	2Q14 Performance			
COMPETITIVE INTEGRATED	Ticker	UBSe	Consensus	Actual	Beat/(Miss) vs UBSe	Beat/(Miss) vs Consensus
American Electric Power, Inc.	AEP	\$0.76	\$0.75	\$0.80	5%	6%
Dominion Resources	D	\$0.58	\$0.62	\$0.62	7%	1%
Entergy Corp.	ETR	\$1.24	\$1.16	\$1.11	-10%	-4%
Exelon Corp.	EXC	\$0.47	\$0.50	\$0.51	9%	2%
FirstEnergy Corp.	FE	\$0.41	\$0.44	\$0.49	20%	12%
NextEra Energy	NEE	\$1.44	\$1.43	\$1.43	-1%	0%
PPL Corporation	PPL	\$0.45	\$0.46	\$0.53	18%	16%
Public Service Enterprise Group	PEG	\$0.48	\$0.51	\$0.49	2%	-4%
Sempra Energy	SRE	\$1.10	\$1.13	\$1.08	-2%	-4%
Average					5.2%	2.7%
REGULATED INTEGRATED UTILITIES	Ticker	UBSe	Consensus	Actual	Beat/(Miss) vs UBSe	Beat/(Miss) vs Consensus
Ameren Corp.	AEE	\$0.65	\$0.58	\$0.62	-5%	7%
Alliant Energy Corp.	LNT	N/A	\$0.60	\$0.97	N/A	60%
Avista Corp.	AVA	\$0.46	\$0.44	\$0.52	13%	20%
CMS Energy	CMS	N/A	\$0.27	\$0.30	N/A	10%
DTE Energy Co.	DTE	\$0.78	\$0.76	\$0.73	-6%	-4%
Duke Energy	DUK	\$1.01	\$0.98	\$1.11	10%	13%
Edison International	EIX	\$0.78	\$0.82	\$1.07	37%	30%
Empire District Electric Company	EDE	\$0.25	\$0.23	\$0.26	4%	16%
Great Plains Energy	GXP	N/A	\$0.41	\$0.34	N/A	-17%
Hawaiian Electric Industries	HE	N/A	\$0.35	\$0.45	N/A	30%
PG&E Corporation	PCG	\$0.72	\$0.74	\$0.69	-4%	-7%
Pinnacle West Capital Co.	PNW	\$1.15	\$1.15	\$1.19	3%	3%
PNM Resources Inc.	PNM	N/A	\$0.38	\$0.39	N/A	2%
SCANA Corp.	SCG	\$0.64	\$0.63	\$0.68	6%	9%
Southern Company	SO	\$0.69	\$0.67	\$0.68	-1%	2%
TECO Energy Inc.	TE	\$0.28	\$0.27	\$0.28	0%	5%
Westar Energy, Inc.	WR	\$0.51	\$0.51	\$0.52	2%	1%
Wisconsin Energy Corp.	WEC	\$0.52	\$0.52	\$0.58	12%	11%
Xcel Energy Inc.	XEL	\$0.39	\$0.41	\$0.39	0%	-4%
Average					5.1%	9.9%
REGULATED T&D UTILITIES	Ticker	UBSe	Consensus	Actual	Beat/(Miss) vs UBSe	Beat/(Miss) vs Consensus
Consolidated Edison	ED	\$0.51	\$0.54	\$0.65	27%	21%
ITC Holdings Corp	ITC	\$0.45	\$0.45	\$0.46	2%	2%
Northeast Utilities	NU	\$0.54	\$0.50	\$0.52	-4%	4%
PEPCO Holdings Inc.	POM	\$0.26	\$0.26	\$0.28	8%	9%
Average					8.4%	8.8%
INDEPENDENT POWER PRODUCERS	Ticker	UBSe	Consensus	Actual	Beat/(Miss) vs UBSe	Beat/(Miss) vs Consensus
AES Corporation	AES	\$0.27	\$0.28	\$0.28	4%	1%
Calpine Corporation	CPN	\$409	\$409	\$413	1%	1%
Dynegy, Inc.	DYN	\$53	\$53	\$38	-28%	-28%
NRG Energy Inc.	NRG	\$727	\$727	\$671	-8%	-8%
Average					-7.8%	-8.6%
YIELDCOs	Ticker	UBSe	Consensus	Actual	Beat/(Miss) vs UBSe	Beat/(Miss) vs Consensus
Abenga Yield PLC	ABY	N/A	N/A	N/A	N/A	N/A
Hannon Armstrong Sustainable Infrac.	HASI	\$0.23	\$0.21	\$0.20	-13%	-4%
Pattern Energy Group A	PEGI	N/A	\$57	\$15	N/A	-74%
Transalta Renewables	RNW-CA	N/A	\$41	\$35	N/A	-15%
TerraForm Power	TERP	N/A	N/A	N/A	N/A	N/A
NextEra Energy Partners, LP	NEP	N/A	N/A	N/A	N/A	N/A
NRG Yield Inc.	NYLD	\$77	\$81	\$109	42%	35%
Average					14.3%	-14.6%

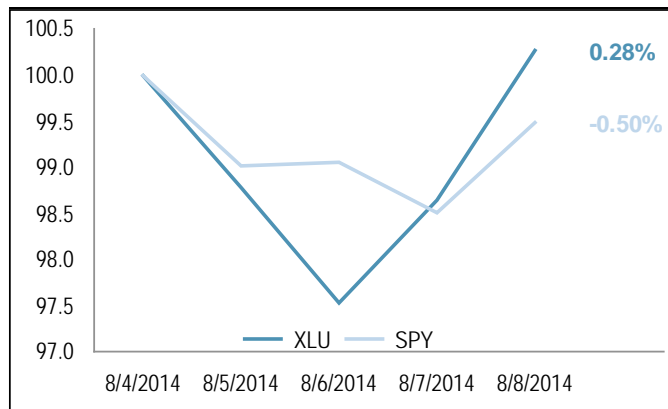
Source: FactSet, UBS estimates

Figure 3: Weekly Utilities Performance

BENCHMARKS	Ticker	5 Day Return	YTD Return	RSI (14Day)	New High/Low?
S&P500	SPY	0.2%	4.4%	34.1	N/A
Utilities Select SPDR	XLU	-0.3%	8.8%	37.2	N/A
COMPETITIVE INTEGRATED	Ticker	5 Day Return	YTD Return	RSI (14Day)	New High/Low?
American Electric Power, Inc.	AEP	-3.5%	7.9%	31.2	N/A
Dominion Resources	D	0.1%	4.6%	38.9	N/A
Entergy Corp.	ETR	-0.5%	14.7%	29.9	N/A
Exelon Corp.	EXC	1.6%	17.1%	48.0	N/A
FirstEnergy Corp.	FE	3.1%	-2.7%	52.5	New Low
NextEra Energy	NEE	1.5%	11.2%	36.2	N/A
PPL Corporation	PPL	-0.7%	9.4%	40.6	N/A
Public Service Enterprise Group	PEG	-0.3%	10.5%	37.7	N/A
Sempra Energy	SRE	1.0%	12.2%	44.1	N/A
Average		0.2%	9.4%	39.9	
REGULATED INTEGRATED UTILITIES	Ticker	5 Day Return	YTD Return	RSI (14Day)	New High/Low?
Ameren Corp.	AEE	-1.5%	5.2%	33.4	N/A
Alliant Energy Corp.	LNT	-1.8%	8.2%	31.1	N/A
Avista Corp.	AVA	-0.1%	11.0%	34.9	N/A
CMS Energy	CMS	-0.1%	8.2%	32.9	N/A
DTE Energy Co.	DTE	0.3%	12.0%	43.1	N/A
Duke Energy	DUK	-1.9%	3.7%	41.6	N/A
Edison International	EIX	1.3%	22.3%	47.9	N/A
Empire District Electric Company	EDE	0.8%	9.8%	46.7	N/A
Great Plains Energy	GXP	0.7%	2.9%	32.2	N/A
Hawaiian Electric Industries	HE	0.6%	-9.2%	36.5	New Low
PG&E Corporation	PCG	-2.0%	9.2%	26.2	N/A
Pinnacle West Capital Co.	PNW	-0.8%	1.1%	30.3	N/A
PNM Resources Inc.	PNM	0.7%	4.9%	22.6	N/A
SCANA Corp.	SCG	-1.7%	6.5%	28.8	N/A
Southern Company	SO	0.1%	5.5%	35.4	N/A
TECO Energy Inc.	TE	-0.4%	1.0%	35.8	N/A
Westar Energy, Inc.	WR	-0.6%	12.0%	42.7	N/A
Wisconsin Energy Corp.	WEC	-1.5%	4.9%	37.5	N/A
Xcel Energy Inc.	XEL	-1.8%	8.9%	36.6	N/A
Average		-0.5%	6.7%	35.6	
REGULATED T&D UTILITIES	Ticker	5 Day Return	YTD Return	RSI (14Day)	New High/Low?
Consolidated Edison	ED	0.9%	2.4%	45.1	N/A
ITC Holdings Corp	ITC	0.3%	12.3%	46.7	N/A
Northeast Utilities	NU	-1.2%	2.1%	33.5	N/A
PEPCO Holdings Inc.	POM	-0.2%	40.9%	39.0	N/A
Average		-0.1%	14.4%	41.1	
INDEPENDENT POWER PRODUCERS	Ticker	5 Day Return	YTD Return	RSI (14Day)	New High/Low?
AES Corporation	AES	-0.1%	1.2%	38.5	N/A
Calpine Corporation	CPN	-4.6%	10.7%	41.9	N/A
Dynegy, Inc.	DYN	1.9%	27.2%	41.6	N/A
NRG Energy Inc.	NRG	-4.4%	2.3%	24.3	N/A
Average		-1.8%	10.3%	36.6	
YIELDCOs	Ticker	5 Day Return	YTD Return	RSI (14Day)	New High/Low?
Abenga Yield PLC	ABY	-1.6%	N/A	21.4	N/A
Hannon Armstrong Sustainable Infrac.	HASI	-1.8%	-3.9%	11.1	N/A
Pattern Energy Group A	PEGI	-1.7%	-0.5%	22.4	N/A
Transelectra Renewables	RNW-CA	-1.2%	4.0%	28.1	N/A
TerraForm Power	TERP	7.5%	N/A	46.4	N/A
NextEra Energy Partners, LP	NEP	-0.6%	N/A	44.8	N/A
NRG Yield Inc.	NYLD	3.0%	31.8%	56.4	N/A
Average		0.5%	7.9%	33.0	

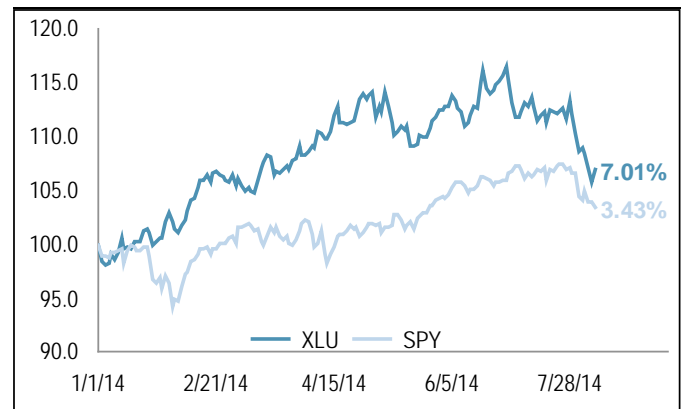
Source: FactSet

Figure 4: Utilities Performance (Past Five Days)



Source: FactSet

Figure 5: Utilities Performance (2014 YTD)



Source: FactSet

Figure 6: The Week in Power

Mark-to-Market Changes - 2016 Forwards				
	Year-to-Date		Week-over-Week	
ATC Power Prices	\$ Change	% Change	\$ Change	% Change
ERCOT-Houston	(0.64)	-1.57%	0.78	1.98%
PJM West	2.15	5.85%	0.29	0.75%
NI Hub	1.38	4.44%	0.08	0.24%
NYISO Zone A	0.95	2.65%	0.66	1.84%
NYISO Zone G	3.33	7.37%	0.05	0.11%
Mass Hub	1.64	3.00%	0.72	1.30%
Mean	1.47	3.62%	0.43	1.03%
Gas Prices	\$ Change	% Change	\$ Change	% Change
HenryHub	(0.09)	-2.12%	0.04	1.02%
DomSouth	(0.10)	-3.17%	0.09	2.83%
WAHA	0.03	0.78%	0.04	1.03%
TETCOM3	0.23	6.15%	0.11	2.97%
Malin	(0.21)	-4.90%	0.04	0.98%
AECO	0.16	4.67%	0.04	1.28%
TranscoZn4	(0.03)	-0.65%	0.04	1.01%
Dawn	0.09	2.10%	0.04	0.94%
SoCal	0.16	4.67%	0.04	1.28%
PGECitygate	0.10	2.24%	0.04	0.85%
TranscoZn6	0.25	5.85%	0.18	4.16%
SoCalGas	0.03	0.66%	0.04	0.95%
Mean	0.05	1.36%	0.06	1.61%

Source: Platts

Statement of Risk

Risks for Utilities and Independent Power Producers (IPPs) primarily relate to volatile commodity prices for power, natural gas, and coal. Risks to IPPs also stem from load variability, and operational risk in running these facilities. Rising coal and, to a certain extent, uranium prices could pressure margins as the fuel hedges roll off Competitive Integrations. Further, IPPs face declining revenues as in the money power and gas hedges roll off. Other non-regulated risks include weather and for some, foreign currency risk, which again must be diligently accounted in the company's risk management operations. Major external factors, which affect our valuation, are environmental risks. Environmental capex could escalate if stricter emission standards are implemented. We believe a nuclear accident or a change in the Nuclear Regulatory Commission/Environment Protection Agency regulations could have a negative impact on our estimates. Risks for regulated utilities include the uncertainty around the composition of state regulatory Commissions, adverse regulatory changes, unfavorable weather conditions, variance from normal population growth, and changes in customer mix. Changes in macroeconomic factors will affect customer additions/subtractions and usage patterns.

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Buy	FSR is > 6% above the MRA.	48%	33%
Neutral	FSR is between -6% and 6% of the MRA.	41%	30%
Sell	FSR is > 6% below the MRA.	11%	23%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 30 June 2014.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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Avista Corp ^{1, 2, 4, 5, 6a, 6b, 6c, 7, 16}	AVA.N	Neutral	N/A	US\$31.24	08 Aug 2014
Consolidated Edison ^{6a, 16}	ED.N	Neutral	N/A	US\$56.90	08 Aug 2014
DTE Energy Co. ^{2, 4, 5, 6a, 16}	DTE.N	Neutral	N/A	US\$74.72	08 Aug 2014
Duke Energy ^{2, 4, 6a, 16}	DUK.N	Buy	N/A	US\$71.75	08 Aug 2014
Dynegy, Inc. ^{5, 16}	DYN.N	Buy	N/A	US\$27.66	08 Aug 2014
Edison International ^{6a, 16}	EIX.N	Buy	N/A	US\$56.92	08 Aug 2014
Enbridge Energy Partners ^{1, 4, 5, 6a, 13, 16, 22}	EEP.N	Neutral	N/A	US\$32.85	08 Aug 2014
Energy Transfer Equity L.P. ^{2, 4, 5, 6a, 6b, 7, 16, 22}	ETE.N	Buy	N/A	US\$55.71	08 Aug 2014
Energy Transfer Partners LP ^{1, 2, 4, 5, 6a, 13, 16, 22}	ETP.N	Buy	N/A	US\$56.66	08 Aug 2014
Entergy Corp. ¹⁶	ETR.N	Neutral	N/A	US\$72.68	08 Aug 2014
Exelon Corp. ^{2, 4, 5, 6a, 6c, 7, 16, 22}	EXC.N	Neutral	N/A	US\$32.12	08 Aug 2014
First Solar Inc ^{13, 16}	FSLR.O	Neutral	N/A	US\$67.83	08 Aug 2014
FirstEnergy Corp. ¹⁶	FE.N	Sell	N/A	US\$32.35	08 Aug 2014
NextEra Energy ^{6a, 16}	NEE.N	Buy	N/A	US\$95.45	08 Aug 2014
NextEra Energy Partners LP ^{2, 4, 5, 16}	NEP.N	Neutral	N/A	US\$33.49	08 Aug 2014
Northeast Utilities ^{6a, 13, 16}	NU.N	Buy	N/A	US\$43.48	08 Aug 2014
NRG Energy Inc. ¹⁶	NRG.N	Buy	N/A	US\$29.62	08 Aug 2014
NRG Yield ¹⁶	NYLD.N	Neutral	N/A	US\$52.76	08 Aug 2014
PPL Corporation ^{2, 3, 4, 5, 6a, 6c, 7, 16}	PPL.N	Neutral	N/A	US\$33.00	08 Aug 2014
Public Service Enterprise Group ^{6b, 7, 16}	PEG.N	Neutral	N/A	US\$35.54	08 Aug 2014
Sempra Energy ^{2, 4, 5, 6a, 6c, 7, 16}	SRE.N	Buy	N/A	US\$100.94	08 Aug 2014
Southern Company ^{6a, 16}	SO.N	Sell	N/A	US\$43.53	08 Aug 2014
Spectra Energy Corp. ^{5, 16}	SE.N	Neutral	N/A	US\$39.81	08 Aug 2014
Spectra Energy Partners, LP ^{2, 4, 5, 6a, 16}	SEP.N	Neutral	N/A	US\$52.61	08 Aug 2014
SunEdison Inc. ¹⁶	SUNE.N	Buy	N/A	US\$21.41	08 Aug 2014
SunPower Corp ^{16, 18}	SPWR.O	Neutral	N/A	US\$34.51	08 Aug 2014
TECO Energy Inc. ¹⁶	TE.N	Neutral	N/A	US\$17.49	08 Aug 2014
Wisconsin Energy Corp. ¹⁶	WEC.N	Neutral	N/A	US\$43.41	08 Aug 2014

Source: UBS. All prices as of local market close.

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