

JP Morgan ends up with Bear Energy, “hidden asset”. NRG goes after Calpine. Carbon emission legislation is set to be debated.



June 3, 2008. May 2008 seemed to have a smorgasbord of drivers of May's stock price changes. Teco saw analysts recommend buys for its stock. EnergyWest announced higher earnings. El Paso Corp. expects higher earnings, buys back stock and ups dividend. El Paso Electric announced lower earnings. NRG offered to buy Calpine and its relatively new fleet of natural gas power plants (a hedge for potential carbon legislation?). MDU announced higher earnings. AEP announced higher earnings but its stock could not sustain a temporary up-tick. Portland General reports lower earnings but raises dividend. IdaCorp, Black Hills and Central Vermont report lower earnings. Generally speaking, the ups and downs were related to recent earnings announcements.

The Senate was set to come back to work yesterday and high on the agenda is carbon emissions (did I really say work?). So far, few expect any real progress to be made and right now, it appears that the votes are not there for the Lieberman-Warner Climate Security Act of 2008. However, while most of us cringe when we see policy being formed at this level, the lack of a clear U.S. path forward in the long run will benefit only those who can game the system. Traders love ambiguity and the resultant ups and downs that it creates in markets. However, it makes for a very difficult job for those charged with managing companies that will be directly impacted by potential legislation. Given the lead times that capital projects require in this industry, accurate predictions of future viability of fuel and technology options is critical. Given the supply and demand forecasts and the age of the existing infrastructure, few executives have the luxury of being able to stall for much longer.

A Calpine acquisition with all of its relatively new gas fired plants could be a good long term hedge for NRG with its aging power plant fleet many of which are coal fired.

May 2008 Winners and Losers: Table 1
Percentage Change Market Open 5/1/08 to Market Close 5/31/08
C Three Composite Index Up 4.13%

Top 10

Bottom 10

TE (Teco Energy)	27.23%	ITC Holdings	-2.2%
EWST (Energy West)	26.74%	POR (Portland General)	-2.5%
DGAS (Delta Nat Gas)	18.94%	SO (Southern Company)	-2.8%
NFG (National Fuel Gas Co)	17.84%	EL Paso Electric EE	-4.3%
GAS (Nicor)	16.26%	AEP (American Electric Power)	-5.2%
CPN (Calpine)	16.24%	NRG	-5.4%
MDU (MDU Resources)	14.41%	IDA (Idacorp)	-5.5%
EP (El Paso Corp)	14.06%	CPK (Chesapeake Utilities)	-6.6%
AES (AES Corp)	12.21%	BKH (Black Hills)	-9.7%
CNP (Centerpoint Energy)	11.30%	CV (Central Vermont)	-12.7%

Subscribers to C Three Research have access to this and all of our reports.

©2008 The C Three Group, LLC™ www.cthree.net 404 233-8555 info@cthree.net

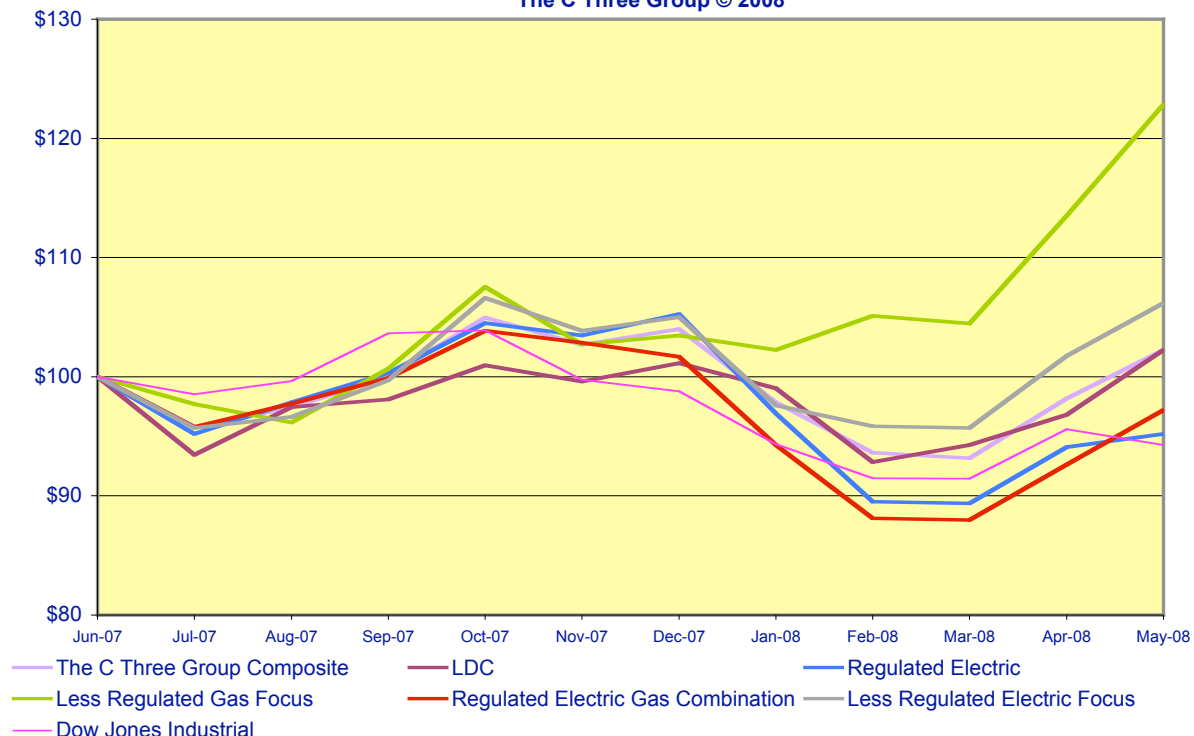
Table 2: 2008 Year-to-Date Winners and Losers:
Value of \$100 Invested on 1/1/2008 through Market Close 5/31/08
C Three Composite Index Value: \$98.45

Top 10		Bottom 10	
CPN (Calpine)	\$135.50	EL Paso Electric EE	\$84.51
DYN (Dynergy)	\$131.93	POR (Portland General)	\$84.27
EQT (Equitable Resources)	\$131.81	CEG (Constellation Energy)	\$84.10
NFG (National Fuel Gas Co)	\$129.20	AEE (Ameren)	\$83.84
MDU (MDU Resources)	\$119.63	NU (Northeast Utilities Service Co)	\$83.39
STR (Questar)	\$118.71	SRP (Sierra Pacific)	\$79.92
TE (Teco Energy)	\$118.36	BKH (Black Hills)	\$79.91
DGAS (Delta Nat Gas)	\$117.62	PNW (Pinnacle West)	\$79.65
LG (Laclede)	\$116.82	PNM (PNM)	\$69.23
EGN (Energyn)	\$116.69	CV (Central Vermont)	\$65.95

Since the beginning of the year, Calpine tops the gainers, largely driven by the NRG announcement. Calpine had only recently emerged from bankruptcy and re-listed in February 2008. Dynergy has enjoyed a healthy comeback this year also. However, companies like Equitable and Energen continue to appear on both our shorter term gain lists and on the longer term ones as well. The market continues to love those less regulated natural gas companies.

From a 12-month perspective, The DJ Industrials and the more regulated electric and gas utilities are still below where they started. Less regulated gas dominates this time frame also.

Chart 1
12 Month Value of \$100 Invested on 6/1/2007 through 5/30/2008
 The C Three Group © 2008



Power Plants Keep Changing Hands

Since the beginning of the year, a number of power plants deals have been announced in addition to NRG's proposed acquisition of Calpine. JP Morgan is gaining a nice portfolio of both physical and contract assets from its acquisition of Bear Stearns. Blackstone announced it is buying GSO Capital's power plant assets. Black Hills is selling seven of its non-regulated plants. Other buyer and sellers include TVA, Duke, Bcent Power, Maxim Power, Arclight Capital, Energy Investors Funds, Dynegy, LS Power, Sierra Pacific and Reliant Energy.

We will be publishing a complete report on "Asset Sales and Acquisitions of US Energy Utilities" in early July which will provide a complete overview of all power plant transactions in the U.S. since 2001.

Have a great June!

Jean Reaves Rollins

Jean_rollins@cthree.net

Chart 2

May 30, 2008 Closing Value
Five Year Value \$100 Invested On June 1, 2003
The C Three Group © 2008

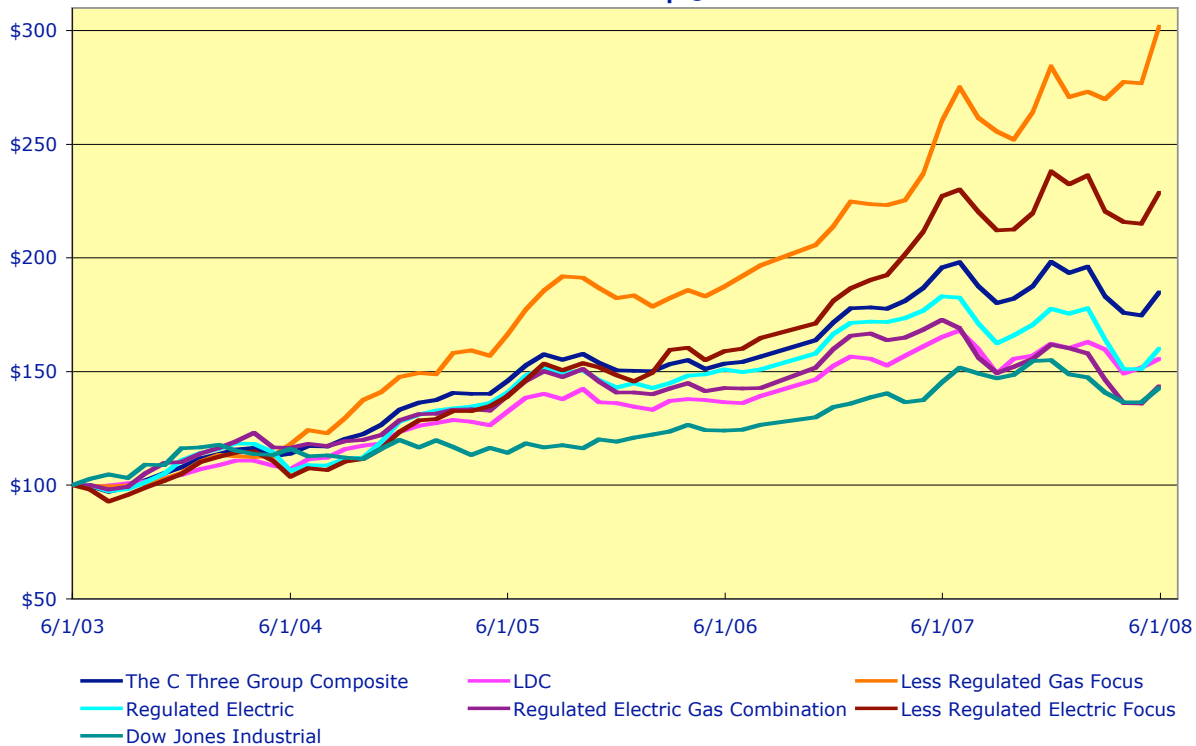


TABLE 3: Value of \$100 Invested on June 1, 2007

Company	12 Months Value Through 5/30/2008	Rank	Company	12 Months Value Through 5/30/2008	Rank
TAC (Transalta)	\$145.21	1	WR (Westar)	\$99.96	54
EQT (Equitable Resources)	\$142.74	2	AVA (Avista)	\$99.62	55
NFG (National Fuel Gas Co)	\$140.71	3	UGI (UGI)	\$99.56	56
EGN (Energen)	\$137.78	4	NWN (Northwest Natural Gas)	\$98.94	57
ITC Holdings	\$135.98	5	FPU (Florida Public Utilities)	\$98.77	58
CPN (Calpine)	\$135.50	6	SRE (Sempra Energy)	\$98.65	59
LG (Laclede)	\$126.18	7	CNP (Centerpoint Energy)	\$98.15	60
EXC (Exelon)	\$122.92	8	UIL (UIL Holdings)	\$98.09	61
FE (First Energy)	\$122.87	9	RGCO (RGC Resources)	\$97.81	62
Less Regulated Gas Focus	\$122.83	10	LNT (Alliant)	\$97.73	63
STR (Questar)	\$121.51	11	EAS (Energy East)	\$97.53	64
WMB (Williams)	\$121.19	12	Regulated Electric Gas Combination	\$97.22	65
FPL (FPL Group)	\$120.04	13	POM (PEPCO)	\$96.99	66
TE (Teco Energy)	\$119.75	14	IDA (Idacorp)	\$96.72	67
MDU (MDU Resources)	\$118.94	15	MIR (Mirant)	\$96.62	68
OTTR (Otter Trail Power)	\$118.80	16	EIX (Edison Intl)	\$95.94	69
PSD (Puget Energy)	\$116.63	17	RRI (Reliant Resources)	\$95.84	70
DGAS (Delta Nat Gas)	\$115.83	18	GAS (Nicor)	\$95.53	71
EP (El Paso Corp.)	\$114.86	19	Regulated Electric	\$95.21	72
ETR (Entergy)	\$113.93	20	AEP (American Electric Power)	\$95.17	73
EWST (Energy West)	\$112.84	21	ALE (Allete)	\$95.02	74
HE (Hawaiian Elec Ind Inc)	\$111.83	22	PGN (Progress Energy)	\$94.66	75
D (Dominion Resources)	\$111.32	23	Dow Jones Industrial	\$94.26	76
PPL (PPL)	\$111.01	24	NJR (New Jersey Resources)	\$93.96	77
VVC (Vectren)	\$110.32	25	AEE (Ameren)	\$93.81	78
PNY (Piedmont Natural Gas)	\$109.97	26	S&P 500	\$93.76	79
WEC (Wisconsin Energy Corp)	\$109.76	27	ILA (Aquila)	\$93.15	80
ENSI (Energy South)	\$109.23	28	NU (Northeast Utilities Service Co)	\$93.02	81
SJI (South Jersey Industries)	\$108.63	29	DTE (DTE Energy)	\$92.71	82
WGL (WGL Holdings)	\$107.32	30	EDE (Empire District)	\$92.49	83
AYE (Allegheny)	\$106.87	31	ED (Consolidated Edison)	\$92.44	84
SO (Southern Company)	\$106.53	32	SWX (Southwest Gas)	\$92.36	85
Less Regulated Electric Focus	\$106.18	33	OGE (OGE Energy)	\$92.27	86
Dow Utilities	\$105.70	34	ATO (Atmos)	\$91.57	87
SCG (Scana Corp)	\$105.69	35	CMS (CMS Energy)	\$91.49	88
KMP (Kinder Morgan Energy Partners)	\$105.63	36	GXP (Great Plains Energy)	\$90.86	89
MGEE (MGE Energy)	\$105.34	37	TCLP (TC Pipelines)	\$90.46	90
SE (Spectra Energy)	\$105.34	38	OKS (ONEOK Partners)	\$90.21	91
XEL (Xcel Energy)	\$105.13	39	AES (AES Corp)	\$89.94	92
NST (Nstar)	\$104.42	40	BKH (Black Hills)	\$89.06	93
UNS (Unisource Energy)	\$103.80	41	ATG (AGL Resources)	\$88.72	94
CNL (CLECO)	\$103.10	42	PCG (PG&E)	\$88.25	95
Integrus Energy Group (TEG)	\$102.47	43	EL Paso Electric EE	\$88.02	96
LDC	\$102.25	44	NI (NiSource)	\$87.99	97
The C Three Group Composite	\$102.25	45	POR (Portland General)	\$86.38	98
DUK (Duke)	\$101.99	46	PNW (Pinnacle West)	\$85.78	99
PEG (Public Services Enterprise)	\$101.49	47	CHG (CH Energy Group)	\$84.40	100
NRG	\$101.34	48	NWE (Northwestern Corp)	\$83.50	101
DPL (DPL Inc)	\$101.25	49	CPK (Chesapeake Utilities)	\$82.77	102
DYN (Dynergy)	\$100.86	50	SUG (Southern Union)	\$82.30	103
NGG (National Grid)	\$100.76	51	SRP (Sierra Pacific)	\$77.90	104
OKE (Oneok Inc)	\$100.28	52	CV (Central Vermont)	\$55.32	105
CEG (Constellation Energy)	\$99.98	53	PNM (PNM)	\$53.67	106

TABLE 4: Value of \$100 Invested on June 1, 2003

Company	5 Year Value Through 5/30/2008	5 Year Rank	Company	5 Year Value Through 5/30/2008	5 Year Rank
AYE (Allegheny)	\$630.03	1	MDU (MDU Resources)	\$163.92	54
WMB (Williams)	\$489.58	2	WR (Westar)	\$163.49	55
EGN (Energen)	\$476.18	3	Regulated Electric	\$162.10	56
STR (Questar)	\$409.57	4	AEP (American Electric Power)	\$160.71	57
RRI (Reliant Resources)	\$381.49	5	AVA (Avista)	\$160.47	58
NRG	\$379.82	6	CNL (CLECO)	\$160.23	59
EQT (Equitable Resources)	\$371.98	7	NST (Nstar)	\$158.83	60
EIX (Edison Intl)	\$345.20	8	SWX (Southwest Gas)	\$158.52	61
EXC (Exelon)	\$331.57	9	WGL (WGL Holdings)	\$156.46	62
Less Regulated Gas Focus	\$324.87	10	NGG (National Grid)	\$156.29	63
ENSI (Energy South)	\$312.57	11	XEL (Xcel Energy)	\$155.55	64
TAC (Transalta)	\$308.87	12	RGCO (RGC Resources)	\$153.56	65
CEG (Constellation Energy)	\$276.73	13	PNY (Piedmont Natural Gas)	\$150.67	66
PPL (PPL)	\$274.83	14	Regulated Electric Gas Combination	\$150.42	67
OKE (Oneok Inc)	\$266.70	15	UIL (UIL Holdings)	\$148.83	68
ALE (Allete)	\$261.91	16	POM (PEPCO)	\$148.00	69
NFG (National Fuel Gas Co)	\$259.51	17	ATG (AGL Resources)	\$147.58	70
SRP (Sierra Pacific)	\$251.30	18	OTTR (Otter Trail Power)	\$146.81	71
ETR (Entergy)	\$250.87	19	TCLP (TC Pipelines)	\$146.80	72
PEG (Public Services Enterprise)	\$249.77	20	GSPC (S&P 500)	\$145.33	73
AES (AES Corp)	\$245.96	21	MIR (Mirant)	\$144.86	74
PCG (PG&E)	\$236.78	22	Dow Industrials	\$140.65	75
Less Regulated Electric Focus	\$236.12	23	SO (Southern Company)	\$139.66	76
EP (El Paso Corp.)	\$234.69	24	ILA (Aquila)	\$137.55	77
FE (First Energy)	\$233.56	25	DGAS (Delta Nat Gas)	\$137.50	78
SRE (Sempra Energy)	\$227.06	26	CPN (Calpine)	\$135.50	79
SJI (South Jersey Industries)	\$222.77	27	CPK (Chesapeake Utilities)	\$133.51	80
FPL (FPL Group)	\$220.94	28	VVC (Vectren)	\$132.29	81
EWST (Energy West)	\$215.42	29	PSD (Puget Energy)	\$131.72	82
DUX (Dow Utilities)	\$212.37	30	EAS (Energy East)	\$131.14	83
ITC Holdings	\$211.10	31	Integrus Energy Group (TEG)	\$131.13	84
LNT (Alliant)	\$205.81	32	SCG (Scana Corp)	\$130.37	85
CMS (CMS Energy)	\$196.84	33	HE (Hawaiian Elec Ind Inc)	\$128.68	86
OKS (ONEOK Partners)	\$194.18	34	GAS (Nicor)	\$128.64	87
The C Three Group Composite	\$192.28	35	BKH (Black Hills)	\$128.19	88
DPL (DPL Inc)	\$191.77	36	FPU (Florida Public Utilities)	\$126.98	89
CNP (Centerpoint Energy)	\$190.98	37	IDA (Idacorp)	\$123.28	90
UNS (Unisource Energy)	\$189.65	38	ATO (Atmos)	\$121.79	91
DYN (Dynergy)	\$189.16	39	CV (Central Vermont)	\$119.23	92
DUK (Duke)	\$185.92	40	MGEE (MGE Energy)	\$119.06	93
WEC (Wisconsin Energy Corp)	\$182.73	41	DTE (DTE Energy)	\$112.91	94
D (Dominion Resources)	\$181.36	42	AEE (Ameren)	\$112.81	95
SUG (Southern Union)	\$179.97	43	EDE (Empire District)	\$109.59	96
NWN (Northwest Natural Gas)	\$179.49	44	ED (Consolidated Edison)	\$108.17	97
OGE (OGE Energy)	\$179.03	45	NWE (Northwestern Corp)	\$105.03	98
TE (Teco Energy)	\$177.59	46	PGN (Progress Energy)	\$102.22	99
EL Paso Electric EE	\$175.26	47	NI (NiSource)	\$101.86	100
NU (Northeast Utilities Service Co)	\$171.33	48	GXP (Great Plains Energy)	\$101.47	101
LG (Laclede)	\$170.72	49	PNW (Pinnacle West)	\$98.86	102
KMP (Kinder Morgan En.Partners)	\$170.04	50	SE (Spectra Energy)	\$94.41	103
UGI (UGI)	\$168.84	51	CHG (CH Energy Group)	\$93.86	104
NJR (New Jersey Resources)	\$165.31	52	PNM (PNM)	\$89.78	105
LDC	\$163.96	53	POR (Portland General)	\$79.36	106

Methodology and Components of Each Index Tracked by The C Three Group

- **Less Regulated Electric Focus** = More than 50% of revenues come from non-state regulated sources and/or more than 33% of assets are non-state regulated.
- **Less Regulated Gas Focus** = More than 50% of revenues come from non-state regulated natural gas distribution and/or more than 33% of assets are non-state regulated.
- **Regulated Electric** = No more than 20% of revenues can come from natural gas distribution and no more than 49% of revenues and 33% of assets can be associated with non-regulated activities.
- **LDC** = No more than 20% of revenues can come from electric distribution or generation and no more than 50% of revenues and 33% of assets can be associated with non-regulated activities.
- **Regulated Electric and Gas Combination** = More than 20% of revenues derived from natural gas distribution, no more than 50% of revenues and 33% of assets from non-regulated activities.
- **The C Three Index** = the non-weighted average of each of the companies included in the groupings above.

The C Three Indices are developed based on a straightforward premise: if you invested \$100 in each of the stocks of the companies that we track, what would the value of those shares be worth after a certain time-frame? Historical share prices are adjusted for dividends, splits and spin-offs.

LDC	Regulated Electric	Regulated Electric and Gas Combo	Dow Jones Industrials
AGL Resources Atmos Energy Chesapeake Utilities Delta Natural Gas Energy South Energy West Laclede Group Nicor Nisource Northwest Natural Gas Piedmont Natural Gas RGC Resources South Jersey Industries Southwest Gas Vectren WGL Holdings	Allele Ameren American Electric Power Black Hills Central Vermont CLECO Dominion Resources DPL Duke Energy Edison International El Paso Electric Empire District Energy East FirstEnergy IdaCorp Northeast Utility Services Northwestern Corp. Nstar PEPCO Pinnacle West Portland General Electric Progress Energy Sierra Pacific Southern Company UIL Holdings Unisource Energy Westar Wisconsin Energy	Alliant Avista Centerpoint Energy CH Energy Group CMS Energy Consolidated Edison DTE Energy Energy East Florida Public Utilities MGE Energy PCG PNM Resources Puget Energy SCANA Sierra Pacific Resources TECO Energy Wisconsin Energy Xcel Energy	Alcoa American Express American Inter. Group AT&T Boeing Caterpillar Citigroup Coca Cola Dupont Exxon Mobil GE General Motors Home Depot Honeywell IBM Intel Johnson and Johnson JP Morgan McDonalds Merck Microsoft P&G Pfizer United Technology Verizon WalMart Walt Disney
Less Regulated Gas	Less Regulated Electric	Dow Utility Average	C Three Index
Energen Equitable Resources National Fuel Gas NJ Resources Oneok Questar UGI	AES Corp. Allegheny Energy Constellation Energy Dynergy Entergy Exelon FPL Group Great Plains Energy Hawaiian Electric Intergrys MDU Resources Mirant NRG OGE Energy Otter Tail Power PPL Corp. PS Enterprise Reliant Resources Sempra Energy UGI	AEP AES CenterPoint Consolidated Edison Dominion Resoures Edison International Exelon FirstEnergy FPL Group NiSource PG&E PS Enterprise Group Southern Company Williams Co.	Is an unweighted average of each component from the each of these groupings plus, El Paso Energy, Kinder Morgan Energy Partners, Oneok Partners, Spectra Energy, TC Pipelines, TransAlta and Williams. We may re-introduce a natural gas pipeline index later this year.