

Natural Gas And Electricity Prices Plunge During July, Taking A Number Of Our Index Companies With Them. EnergySouth Soars On Sempra Acquisition Announcement.



August 4, 2008. Perhaps the most underreported stories during the last few weeks has been a plunge in natural gas and electricity prices that has been totally overshadowed by crude oil price decreases. Since early July, prices for Mid-Atlantic electricity for January delivery have fallen by almost 24% and for natural gas have fallen about 20%. For the first time in three years the C Three Less Regulated Gas Index did not outperform our other indices. The Less Regulated Gas Index gave up a full 12 months of gains during July 2008, down more that 16% during July. Interestingly, C Three's Local Distribution Company (LDC) index, was our only index in positive territory during July 2008 with a 2.28% increase. Table 1 is the list of the top ten gainers and the bottom ten losers for the month of July 2008.

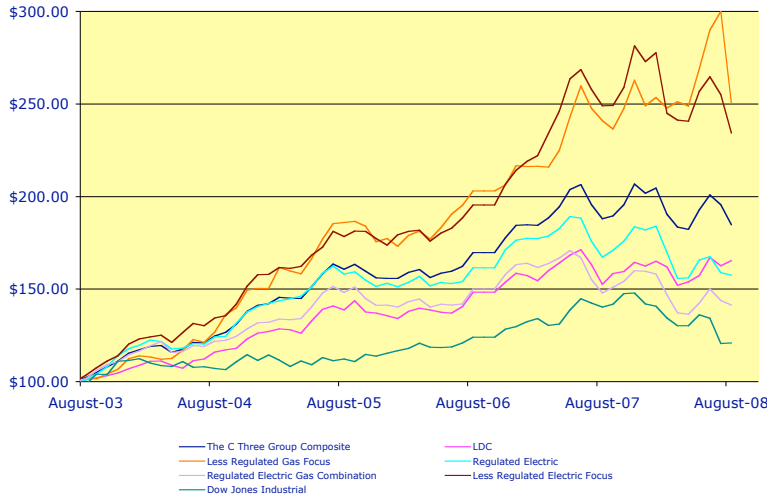
July 2008 Winners and Losers: Table 1			
Percentage Change Market Open 7/1/08 to Market Close 7/31/08			
C Three Composite Index = -2.9%			
Top 10		Bottom 10	
ENSI (Energy South)	23.50%	AES (AES Corp)	-16.0%
OTTR (Otter Trail Power)	16.77%	NFG (National Fuel Gas Co)	-16.3%
PSD (Puget Energy)	14.80%	EP (El Paso Energy)	-17.5%
CV (Central Vermont)	13.78%	WMB (Williams)	-20.5%
CPK (Chesapeake Utilities)	11.16%	DYN (Dynergy)	-21.3%
EDE (Empire District)	10.09%	MIR (Mirant)	-21.8%
PNW (Pinnacle West)	9.10%	EGN (Energen)	-22.9%
CNL (CLECO)	7.72%	CPN (Calpine)	-22.9%
MGEE (MGE Energy)	7.63%	EQT (Equitable Resources)	-24.3%
DGAS (Delta Nat Gas)	6.58%	STR (Questar)	-25.6%

Sempra Energy announced on July 28th that it is acquiring **EnergySouth**. EnergySouth stock had been falling in lock step with the rest of the Less Regulated Gas index until the \$61.50-per-share announcement. Sempra clearly stated that it was after EnergySouth's midstream assets, and it will pick up 90,000 natural gas distribution customers in southwest Alabama as part of the deal.

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Charts 1, 2 and 3 (on the next page) provide a graphic view of the steep decline in value of our Less Regulated Gas and Electric Indices, both of which had been our top performers month-end and month-out for the past four years.

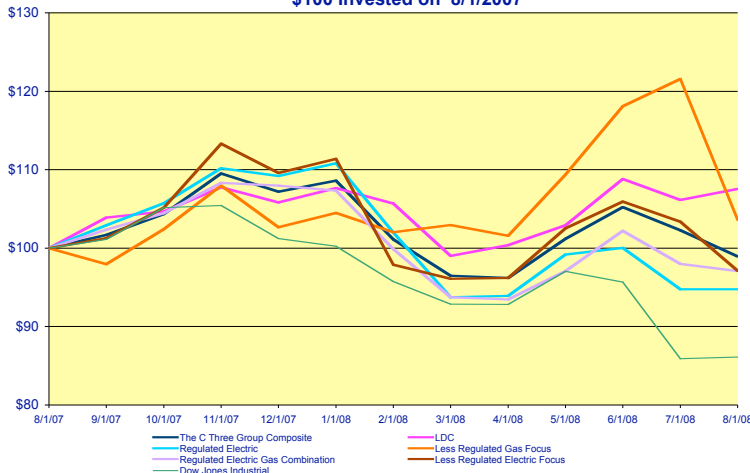
Chart 1: 5 Year C Three Indices 8/1/2003 through 7/31/2008



However, an upturn in crude prices on August 1, pulled both natural gas and electricity prices back up with it, although only Equitable ended in positive territory in Friday's trading.

Table 2 at the bottom of this page presents dichotomy between **Otter Tail**, the year-to-date winner and **PNM Resources**, the year-to-date loser, both of which Bill Gates Olympic Investments holds an 8.51% and 9.1% investment in respectively. For some reason, Jim Cramer has been touting Otter Tail as a clean energy and wind play. The best we can tell is that wind plastics manufacturing business, while certainly growing, probably only accounts for less than 10% of Otter Tail's total revenues and is certainly far from a pure renewable energy play. Its utility operations account for about 26% and 46% of its 2007 revenues and net income. So we have been left scratching our heads at its current trailing P/E of over 26 and its forward P/E of over 20.

Chart 2: C Three's Equity Indices 12 Month Value on 7/31/2008 of \$100 Invested on 8/1/2007



At the other extreme, PNM has been squeezed by the NM regulators and now by its operations in Texas. If its dividend is safe, its current dividend yield of 8% should be appealing.

Other than the LDC index, there was not a lot of other positive news for the month of July. The Regulated Electric Index flatten out from its May and June steep declines. And, for what it is worth, all but Regulated Electric were still outperforming the Dow Industrial Index for the year.

Table 2: 2008 Year-to-Date Winners and Losers:			
Value of \$100 Invested on 1/1/2008 through Market Close 7/31/08			
C Three Composite Index = \$92.14			
Top 10		Bottom 10	
OTTR (Otter Trail Power)	\$131.04	MIR (Mirant)	\$78.53
LG (Laclede)	\$123.86	CMS (CMS Energy)	\$77.68
MDU (MDU Resources)	\$115.57	AYE (Allegheny)	\$76.09
DGAS (Delta Nat Gas)	\$110.26	AEE (Ameren)	\$75.80
HE (Hawaiian Elec Ind Inc)	\$108.65	AES (AES Corp)	\$75.46
EWST (Energy West)	\$108.33	BKH (Black Hills)	\$73.17
TE (Teco Energy)	\$107.79	CV (Central Vermont)	\$71.47
ALE (Allele)	\$107.53	RRI (Reliant Resources)	\$69.02
NFG (National Fuel Gas Co)	\$106.66	SRP (Sierra Pacific)	\$66.78
TAC (Transalta)	\$106.36	PNM (PNM)	\$54.59

Rate Case Filings Continue to Increase--Are Allowed Returns Beginning to Turn Upward?

The number of rate cases being filed are still on the up-tick. Many have been driven by the increase in natural gas and purchased power prices. However, the rapid increase in other commodity and equipment prices, coupled with rapidly increasing capital budgets are also driven the trend. While allowed returns have been trending slightly upward during the past six months, a statistically valid trend we have yet to see. One company has already filed a new case before the current one has yet to be finalized. The outcome of many of these pending cases will likely determine the overall financial health of many in the industry during the next few years.

We are completing a study on what companies have active rate cases and will provide it to you upon completion. It will provide details on currently allowed returns, requested returns and specific details for each active case. Look for it toward the end of August.

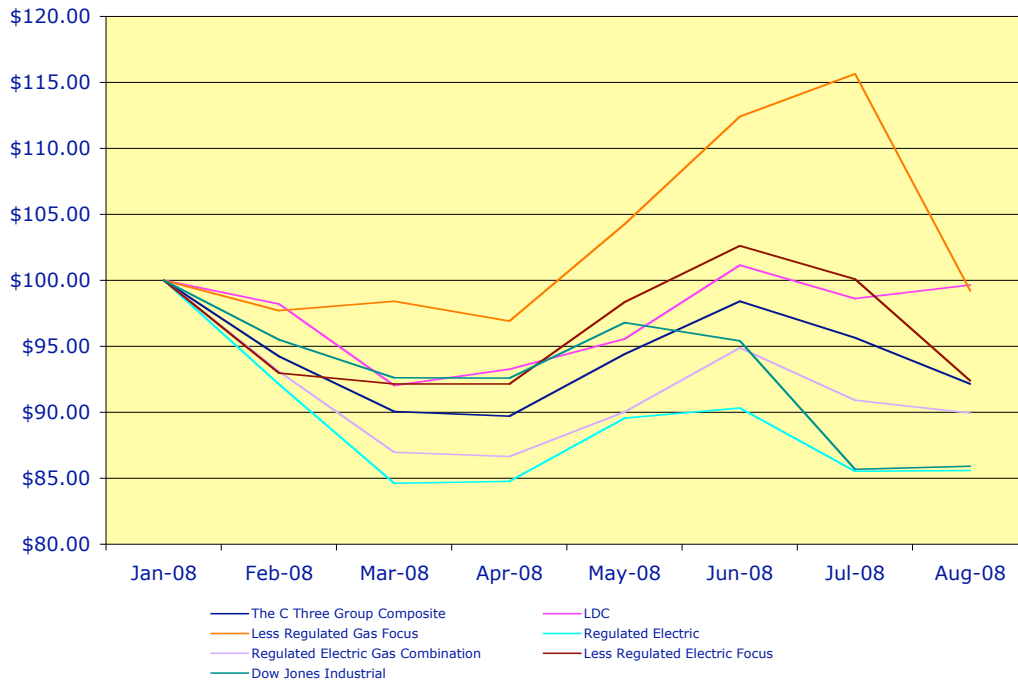
Have a great August! Jean

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Chart 3: July 31, 2008 Year-To-Date C Three Indices



2007 Dividend Policy Overview

As part of our development of the Public Utilities Fortnight Forty analysis, annually we have to pull apart dividend policies. The following table ranks by absolute dollars the declared 2007 dividend per share of common equity for 87 companies, all of which are in our Equity Indices.

- 67 companies raised their dividend from 2006 to 2007; 61 have raised their dividends for each of the past three years;
- Six companies did not pay a dividend in 2007 and the same companies have not paid in the past three years, and;
- Three companies reinstated dividends, CMS Energy, Sierra Pacific Resources and Allegheny Energy.

Company	2007 Dividends Per Share	Company	2007 Dividends Per Share
Entergy Corporation	\$2.58	Edison International	\$1.18
Integrus Energy	\$2.56	Otter Tail Corp.	\$1.17
Ameren Corporation	\$2.54	Public Service Enterprise Group, In	\$1.17
Progress Energy	\$2.45	Westar	\$1.08
Consolidated Edison	\$2.32	PEPCO Holdings	\$1.04
CH Energy Group	\$2.16	DPL Inc.	\$1.04
DTE Energy Company	\$2.12	South Jersey Industries	\$1.01
Pinnacle West	\$2.10	Puget Energy	\$1.00
FirstEnergy	\$2.00	Wisconsin Energy Corporation	\$1.00
Nicor Inc.	\$1.86	Piedmont Natural Gas	\$0.99
SCANA Corporation	\$1.76	EnergySouth	\$0.98
Exelon	\$1.76	Portland General Electric	\$0.93
Constellation Energy	\$1.74	NiSource	\$0.92
UIL Holdings	\$1.73	PNM Resources	\$0.92
Great Plains Energy	\$1.66	Central Vermont	\$0.92
AGL Resources Inc.	\$1.64	Xcel Energy Inc.	\$0.91
Allete (Minnesota Power)	\$1.64	CLECO	\$0.90
FPL Group, Inc.	\$1.64	Unisource Energy	\$0.90
Southern Company	\$1.60	Equitable Resources, Inc.	\$0.88
American Electric Power	\$1.58	Duke Energy	\$0.86
New Jersey Resources	\$1.52	Southwest Gas	\$0.86
Laclede	\$1.46	Northeast Utilities System	\$0.78
Dominion Resources	\$1.46	TECO Energy	\$0.78
PG&E	\$1.44	UGI	\$0.73
Northwest Natural Gas	\$1.44	Centerpoint Energy	\$0.68
MGE Energy	\$1.41	Avista Corp.	\$0.60
Black Hills	\$1.37	MDU Resources	\$0.56
WGL Holdings	\$1.37	Energy West	\$0.51
OGE Energy Corp	\$1.36	Questar	\$0.49
NStar	\$1.33	Energen	\$0.46
Atmos	\$1.29	Florida Public Utilities	\$0.45
Empire District Electric Company	\$1.28	Southern Union	\$0.45
Northwestern Corp.	\$1.28	Williams Companies	\$0.40
Alliant	\$1.27	CMS Energy	\$0.20
Vectren	\$1.27	Sierra Pacific	\$0.16
Hawaiian Electric Industries, Inc.	\$1.24	El Paso Corp.	\$0.16
Sempra Energy	\$1.24	Allegheny Energy	\$0.15
Delta Natural Gas	\$1.23	AES Corporation	\$0.00
RGC Resources	\$1.22	Dynegy	\$0.00
PPL Corp.	\$1.22	El Paso Electric	\$0.00
Energy East Corporation	\$1.21	Mirant	\$0.00
National Fuel Gas Company	\$1.21	NRG	\$0.00
IdaCorp	\$1.20	Reliant Resources	\$0.00

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

Company	12 Months Value Through 7/31/2008	Rank	Company	12 Months Value Through 7/31/2008	Rank
LG (Laclede)	\$129.93	1	PPL (PPL)	\$97.31	54
TAC (Transalta)	\$125.83	2	CNP (Centerpoint Energy)	\$97.23	55
ENSI (Energy South)	\$125.73	3	NST (Nstar)	\$97.22	56
OTTR (Otter Trail Power)	\$124.22	4	OKE (Oneok Inc)	\$97.08	57
FE (First Energy)	\$119.71	5	OGE (OGE Energy)	\$97.03	58
PSD (Puget Energy)	\$118.05	6	DPL (DPL Inc)	\$96.32	59
HE (Hawaiian Elec Ind Inc)	\$117.98	7	DUK (Duke)	\$95.86	60
MDU (MDU Resources)	\$117.97	8	GAS (Nicor)	\$95.81	61
ITC Holdings	\$117.84	9	NRG	\$95.27	62
TE (Teco Energy)	\$117.11	10	Regulated Electric Gas Combination	\$94.60	63
SE (Spectra Energy)	\$116.86	11	SCG (Scana Corp)	\$94.29	64
AVA (Avista)	\$115.59	12	ATO (Atmos)	\$94.17	65
KMP (Kinder Morgan Energy Partners)	\$113.82	13	AYE (Allegheny)	\$93.78	66
EP (El Paso Energy)	\$112.98	14	EAS (Energy East)	\$93.63	67
NFG (National Fuel Gas Co)	\$112.29	15	TCLP (TC Pipelines)	\$92.65	68
DGAS (Delta Nat Gas)	\$112.21	16	EL Paso Electric EE	\$92.56	69
EGN (Energen)	\$112.10	17	NWE (Northwestern Corp)	\$92.29	70
NJR (New Jersey Resources)	\$111.26	18	PGN (Progress Energy)	\$92.22	71
EXC (Exelon)	\$111.25	19	Regulated Electric	\$92.21	72
SJI (South Jersey Industries)	\$110.00	20	IDA (Idacorp)	\$91.81	73
FPL (FPL Group)	\$109.67	21	EIX (Edison Intl)	\$91.71	74
EWST (Energy West)	\$109.27	22	NU (Northeast Utilities Service Co)	\$90.99	75
CNL (CLECO)	\$109.07	23	WR (Westar)	\$90.90	76
VVC (Vectren)	\$106.96	24	NI (NiSource)	\$90.66	77
MGEE (MGE Energy)	\$106.59	25	CPK (Chesapeake Utilities)	\$90.45	78
EQT (Equitable Resources)	\$106.22	26	POM (PEPCO)	\$89.45	79
UGI (UGI)	\$105.91	27	GXP (Great Plains Energy)	\$89.13	80
STR (Questar)	\$105.82	28	AES (AES Corp)	\$89.12	81
Less Regulated Gas Focus	\$105.69	29	EDE (Empire District)	\$89.01	82
D (Dominion Resources)	\$105.27	30	AEP (American Electric Power)	\$88.80	83
WGL (WGL Holdings)	\$104.99	31	POR (Portland General)	\$88.34	84
WMB (Williams)	\$103.39	32	NGG (National Grid)	\$87.96	85
LDC	\$103.28	33	SUG (Southern Union)	\$87.50	86
ETR (Entergy)	\$103.18	34	ATG (AGL Resources)	\$87.03	87
UNS (Unisource Energy)	\$103.14	35	PCG (PG&E)	\$86.58	88
CPN (Calpine)	\$102.96	36	ED (Consolidated Edison)	\$86.42	89
FPU (Florida Public Utilities)	\$102.61	37	S&P 500	\$85.98	90
SRE (Sempra Energy)	\$102.05	38	DTE (DTE Energy)	\$85.71	91
WEC (Wisconsin Energy Corp)	\$101.83	39	Dow Jones Industrial	\$85.18	92
Integrus Energy Group (TEG)	\$101.77	40	LNT (Alliant)	\$85.08	93
PNY (Piedmont Natural Gas)	\$101.44	41	OKS (ONEOK Partners)	\$84.50	94
ALE (Allete)	\$101.07	42	PNW (Pinnacle West)	\$84.26	95
UIL (UIL Holdings)	\$100.94	43	DYN (Dynergy)	\$83.19	96
Less Regulated Electric Focus	\$100.64	44	CMS (CMS Energy)	\$82.72	97
RGCO (RGC Resources)	\$100.54	45	AEE (Ameren)	\$80.92	98
CEG (Constellation Energy)	\$100.27	46	MIR (Mirant)	\$78.55	99
Dow Utilities	\$100.02	47	BKH (Black Hills)	\$78.34	100
SO (Southern Company)	\$99.72	48	CHG (CH Energy Group)	\$76.69	101
SWX (Southwest Gas)	\$99.62	49	SRP (Sierra Pacific)	\$74.02	102
PEG (Public Services Enterprise)	\$98.31	50	RRI (Reliant Resources)	\$70.99	103
The C Three Group Composite	\$98.31	51	CV (Central Vermont)	\$61.05	104
NWN (Northwest Natural Gas)	\$97.40	52	PNM (PNM)	\$50.65	105
XEL (Xcel Energy)	\$97.33	53			

TABLE 4: Market Close July 31, 2008 Value of \$100 Invested on August 1, 2003

Company	5 Year Value Through 8/1/2008	5 Year Rank	Company	5 Year Value Through 8/1/2008	5 Year Rank
AYE (Allegheny)	\$585.25	1	WGL (WGL Holdings)	\$164.98	54
WMB (Williams)	\$513.62	2	AVA (Avista)	\$162.85	55
RRI (Reliant Resources)	\$365.12	3	KMP (Kinder Morgan Energy Partners)	\$162.57	56
EGN (Energen)	\$359.62	4	OKS (ONEOK Partners)	\$161.25	57
STR (Questar)	\$349.50	5	MDU (MDU Resources)	\$159.55	58
NRG	\$331.42	6	POM (PEPCO)	\$159.06	59
EIX (Edison Intl)	\$311.07	7	NU (Northeast Utilities Service Co)	\$158.84	60
TAC (Transalta)	\$308.04	8	Regulated Electric	\$157.50	61
ENSI (Energy South)	\$300.10	9	NST (Nstar)	\$155.49	62
EXC (Exelon)	\$295.34	10	AEP (American Electric Power)	\$155.21	63
EQT (Equitable Resources)	\$288.36	11	XEL (Xcel Energy)	\$151.85	64
EWST (Energy West)	\$276.29	12	PNY (Piedmont Natural Gas)	\$151.64	65
EP (El Paso Energy)	\$264.84	13	RGCO (RGC Resources)	\$148.33	66
CEG (Constellation Energy)	\$262.91	14	SWX (Southwest Gas)	\$147.07	67
AES (AES Corp)	\$256.60	15	Regulated Electric Gas Combination	\$141.39	68
PPL (PPL)	\$254.53	16	Integrays Energy Group (TEG)	\$140.78	69
Less Regulated Gas Focus	\$250.31	17	WR (Westar)	\$140.73	70
PEG (Public Services Enterprise)	\$244.30	18	VVC (Vectren)	\$139.51	71
OKE (Oneok Inc)	\$234.80	19	NGG (National Grid)	\$139.10	72
Less Regulated Electric Focus	\$234.35	20	PSD (Puget Energy)	\$137.49	73
FE (First Energy)	\$232.97	21	ATG (AGL Resources)	\$136.17	74
FPL (FPL Group)	\$225.55	22	DGAS (Delta Nat Gas)	\$132.95	75
NFG (National Fuel Gas Co)	\$224.18	23	CPK (Chesapeake Utilities)	\$132.12	76
ETR (Entergy)	\$222.89	24	EAS (Energy East)	\$131.39	77
ALE (Allete)	\$221.94	25	HE (Hawaiian Elec Ind Inc)	\$129.94	78
SRP (Sierra Pacific)	\$220.19	26	GSPP (S&P 500)	\$127.98	79
SRE (Sempra Energy)	\$214.27	27	TCLP (TC Pipelines)	\$127.66	80
DYN (Dynergy)	\$212.30	28	SO (Southern Company)	\$125.99	81
SJI (South Jersey Industries)	\$211.69	29	DTE (DTE Energy)	\$125.28	82
CNP (Centerpoint Energy)	\$210.27	30	MGEE (MGE Energy)	\$121.74	83
CMS (CMS Energy)	\$207.69	31	GAS (Nicor)	\$121.66	84
DUX (Dow Utilities)	\$205.52	32	IDA (Idacorp)	\$121.33	85
DUK (Duke)	\$203.24	33	Dow Industrials	\$120.84	86
ITC Holdings	\$201.62	34	ATO (Atmos)	\$119.50	87
DPL (DPL Inc)	\$192.42	35	SCG (Scana Corp)	\$118.00	88
OTTR (Otter Trail Power)	\$190.42	36	FPU (Florida Public Utilities)	\$117.97	89
EL Paso Electric EE	\$185.29	37	PGN (Progress Energy)	\$115.32	90
The C Three Group Composite	\$184.67	38	BKH (Black Hills)	\$114.92	91
UGI (UGI)	\$183.46	39	ED (Consolidated Edison)	\$112.56	92
PCG (PG&E)	\$182.69	40	CV (Central Vermont)	\$111.09	93
OGE (OGE Energy)	\$182.18	41	AEE (Ameren)	\$109.57	94
SUG (Southern Union)	\$177.93	42	MIR (Mirant)	\$109.17	95
UNS (Unisource Energy)	\$176.49	43	PNW (Pinnacle West)	\$107.08	96
CNL (CLECO)	\$172.83	44	EDE (Empire District)	\$106.64	97
NWN (Northwest Natural Gas)	\$172.32	45	CPN (Calpine)	\$102.96	98
LNT (Alliant)	\$171.62	46	GXP (Great Plains Energy)	\$98.63	99
UIL (UIL Holdings)	\$171.30	47	NWE (Northwestern Corp)	\$98.14	100
LG (Laclede)	\$170.32	48	NI (NiSource)	\$96.28	101
NJR (New Jersey Resources)	\$170.11	49	SE (Spectra Energy)	\$94.93	102
WEC (Wisconsin Energy Corp)	\$169.75	50	CHG (CH Energy Group)	\$91.75	103
D (Dominion Resources)	\$166.28	51	POR (Portland General)	\$79.63	104
TE (Teco Energy)	\$166.07	52	PNM (PNM)	\$69.83	105
LDC	\$165.43	53			

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 WGL Holdings	Allele Ameren American Electric Power Black Hills Central Vermont CLECO Dominion Resources DPL Duke Energy Edison International El Paso Electric Empire District FirstEnergy Great Plains Energy IdaCorp National Grid Northeast Utility Services Nstar PEPCO Pinnacle West Portland General Electric Progress Energy Sierra Pacific Southern Company UIL Holdings Unisource Energy Westar	Alliant Avista Centerpoint Energy CH Energy Group CMS Energy Consolidated Edison DTE Energy Energy East Florida Public Utilities MGE Energy Northwestern Corp. PCG PNM Resources Puget Energy SCANA TECO Energy Vectren 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
El Paso Corp. Energen Equitable Resources National Fuel Gas NJ Resources Southern Union Oneok Questar UGI	AES Corp. Allegheny Energy Calpine Constellation Energy Dynegy Entergy Exelon FPL Group Hawaian Electric Integrus ITC Holdings MDU Resources Mirant NRG OGE Energy Otter Tail Power PPL Corp. PS Enterprise Reliant Resources Sempra Energy	AEP AES CenterPoint Consolidated Edison Dominion Resources Edison International Exelon FirstEnergy FPL Group NiSource PG&E PS Enterprise Group Southern Company Williams Co.	Is an unweighted average of each component from 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.