



ANALYST QUICK NOTES

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Alternative Energy Stocks

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Weekly Stock List: Alternative Energy Stocks

- The energy mix for U.S. power production continues to shift toward green, according to the U.S. Energy Information Administration. Coal was at one time the king. In the mid-1990s, coal accounted for more than 50% of domestic electricity generation. That percentage fell to 45% at the end of the last decade and was down to 33% in 2015.
- Meanwhile, natural gas, benefiting from an increase in supply and thus low prices, also accounted for 33% of total production in 2015, up from 15% in the mid-1990s. Nuclear generation accounted for 20% (stable for the past 20 years), and Hydropower and Other Renewables accounted for 13%, up from less than 5% 20 years ago.
- Here are five Utility companies in Argus coverage that have the greatest focus on alternative energy, which is the fastest-growing segment.
 - Sempra Energy (SRE; 12-month Rating: HOLD; 5-year Rating: BUY). Sempra's renewable energy sales account for approximately 36% of total sales, according to Ceres, a nonprofit company that focuses on sustainable energy. We expect Sempra's regulated utility businesses, San Diego Gas & Electric and SoCalGas, to continue to benefit from a favorable regulatory environment, a growing rate base, and stable earnings. The shares yield 3%.
 - PG&E Corp. (PCG; 12-month Rating: HOLD; 5-year Rating: BUY). PG&E's renewable energy sales account for approximately 26% of total sales. Our long-term BUY rating reflects this California-based utility's strong financial position and continued capital investments, which should boost the rate base over time. The dividend also appears secure, and the current yield is about 3.0%.
 - Edison International (EIX; 12-month Rating: BUY; 5-year Rating: BUY). Edison International's renewable energy sales account for approximately 23% of total sales. Edison International is a generator and distributor of electric power, and an investor in infrastructure and energy assets, including renewable energy. Headquartered in Rosemead, California, Edison International is the parent company of Southern California Edison, one of the nation's largest electric utilities. The shares yield 2.7%.

- Xcel Energy Inc. (XEL: 12-month Rating: BUY; 5-year Rating: BUY). Xcel Energy's renewable energy sales account for approximately 21% of total sales. We view Xcel Energy as a stable regulated Midwestern utility that should be able to provide investors with increasing dividend income as well as moderate share-price appreciation over the next few years. The shares yield 2.3%.
 - Exelon Corp. (EXC: 12-month Rating: BUY; 5-year Rating: BUY). Exelon's renewable energy sales account for approximately 12% of total sales. The company has more than 32,000 megawatts of owned capacity, comprising one of the nation's cleanest and lowest-cost power generation fleets. The service footprint ranges from New Jersey to Philadelphia to Maryland and Chicago. The shares yield 3.6%.
 - For more information on these companies, please see our Analyst Reports on the website.
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