



Roger Conrad's

SPECIAL INVESTOR'S BULLETIN

# UTILITY FORECASTER

OCTOBER 2000

## "PORTFOLIO INSURANCE" FOR ONLY 27 CENTS A DAY!

*Safe, conservative utility stocks make you rich...without the risk or volatility of the S&P 500, Dow, or NASDAQ.*

**W**hen the NASDAQ nose-dived 35% in April 2000, many investors lost tens of thousands of dollars or more. But my subscribers slept like babies. Why? Because we invest in the safe utility stocks featured monthly in *Utility Forecaster*. And we saw our portfolio climb 10% during the same period that the NASDAQ tanked.

The fact is, utility stocks should be a part of every investor's portfolio. With above-average safety, handsome returns, and the added bonus of regular dividends, they can help you profit in good markets and bad. By diversifying into utilities, you can maintain (or even improve) your current level of return while substantially lowering your risk and volatility.

Did you know, for example, that utilities typically match the S&P 500 performance dollar for dollar, even during the market's most bullish years, with a fraction of the risk? It's true. From 1981 to 1999, \$10,000 invested in the S&P 500 grew to \$168,637, while same \$10,000 in utilities grew to \$167,241—a difference of only \$1,396. (see chart on page 5)

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# THE COMING KILOWATT CRISIS!

**When electricity demand exceeds supply, it's "lights out" for the digital economy...your household...and the rest of the world.**

**Now a select group of investors is about to make mega-profits from the imminent energy crisis!**

### IN THIS REPORT:

**7 undiscovered companies poised for double and triple-digit profits from an often-ignored market sector**

*By Roger Conrad, Washington DC*

**P**ower outages used to be the stuff of freak storms. Today they have become a routine part of doing business, as runaway demand for electricity outstrips available supply.

Recently, PG&E found itself unable to supply enough power for its California customers, and Silicon Valley was shut down by a blackout. One high-tech manufacturer said it lost \$1 million an hour when its power was out for 3 hours in mid-June.

In the weeks that followed, power prices across the Golden State rose as much as 10-fold—with utilities, businesses, and others scrambling

for available supplies. San Diego residents have seen their rates double...and the state has been forced to mandate prior controls to avoid open revolt.

Now many Silicon Valley firms have installed their own power stations. Demand for electricity outstrips supply so frequently that power outages in California are likely to become commonplace. Only an extraordinarily cool summer in the Northeast prevented California-like shortages this year. And the Midwest is close to the edge as well.

What many Americans don't realize is that the demand for electricity

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## "PORTFOLIO INSURANCE" FOR ONLY CENTS A DAY!

*Continued from page 1*

The utility industry has been around for over a century, and in all that time, not one utility has ever gone out of business. By comparison, the Internet has only been around for a few years (as a tool for commerce), and dot.com failures are already legendary. (Amazon recently plunged to \$33 a share from its recent 52-week-high of \$113, and 8 years after its launch, still loses money on every book it sells.)

Plus, the utilities I recommend to my subscribers pay handsome dividends. Average yield is 5-8% yield—as much as four times the dividends paid by the average S&P stock.

Reinvesting dividends in the stock multiplies profits, making you get rich faster, safer. For instance, if the Dow had reinvested dividends since inception in 1896, it would have recently hit 768,552—almost 70 times its all-time high.

Today the opportunities are greater than ever for making substantial profits in safe, conservative utility stocks. The coming energy crisis, outlined in this Special Investor's Bulletin, puts the law of supply and demand firmly in favor of good companies that can generate the electricity businesses and consumers need.

What's the first step? I urge you to mail the Certificate on page 19 within the next 10 days to receive a free copy of my special report, *10-Step Guide to Utility Profits*. It reveals the system I use to generate a steady stream of safe utility profits for *Utility Forecaster* subscribers. It also reveals tip you can use to maximize your profits from the utility stocks you buy. ■

throughout the United States today is exploding through the roof—and the existing network of power utilities cannot begin to keep up with our ever-growing needs. Utility power plants are already straining to meet demand during the peak winter and summer seasons.

### DID YOU KNOW?

**In anticipation of a looming energy shortage, President Clinton announced he would set aside 2 million barrels of heating oil as winter reserve. But there is no legislation in place to determine when or how it would be released.**

Many utilities are warning consumers of imminent rate hikes of 20% to 30%. In Manhattan, the financial center of the country, NYC utility Con Edison said it "won't be able to reliably meet the city's power demands in the future unless new generating plants are built and running within the next 2 years."

Despite one of the coolest summers in 86 years, Con Edison's customers saw their electric bills jump 43% this past July.

The bad news is America's unfolding electricity crisis has very deep roots and isn't going away anytime soon. The good

news is there are plenty of ways for you and I to make a lot of money during this energy crunch. If you don't want to be left in the dark when it comes to taking outrageous profits from America's new power shortfall, read on...

### Big profits from a shrinking energy supply

Right now, a select group of companies is uniquely positioned to step in and solve the world's emerging energy crisis. And recent government deregulation has freed up their market as never before.

That means these technology, energy, power, and utility firms can compete in a free enterprise system...and charge as much for their products and services as the market will bear. And with the coming energy crisis, the market will bear plenty.

As a result, a handful of companies—whose compelling stories are outlined in this Special Investor's Bulletin—are poised to make spectacular profits in the coming months, regardless of whether the rest of the market goes up or down. And without the risk and volatility that plagues tech stocks and other sectors.

Already, a small group of investors who participate in this often-neglected market



sector have made huge profits—with relatively little downside risk—on companies like:

* AES	158.3% profit
* CLECO	288.4% profit
* Duke	197.0% profit
* Dominion	178.7% profit
* Enron	260.5% profit
* GPU	155.2% profit
* MDU Resources	262.3% profit
* UtiliCorp	159.3% profit

But that's peanuts compared to the opportunities in store for this one market sector within the next few months.

The reason? There are only a few things people absolutely can't live without...water, food, shelter, air...and (believe it or not) energy!

If you've ever been in a brownout, you know that even an hour without power seems like an eternity. If it's summer, you swelter; and in winter, you freeze. And within hours, the food in your fridge and freezer is a soggy, spoiled mess.

People have to have electricity, and that's where the law of supply and demand can make you rich in an energy crisis: When electricity is in short supply, they'll pay through the nose to get it.

All of the companies in the market sector in which I specialize are poised to profit handsomely from the coming energy crisis, because they

can step in and cost-effectively meet skyrocketing demand in markets where the shortages are most urgent.

But the "7 Spectacular Money Makers" I profile in this bulletin are going to leave all others in the dust, rake in unprecedented profits, and see their stock prices soar into the stratosphere.

Why? Because each of these companies is uniquely positioned to make a ton of money—quietly exploiting the coming electrical crisis and...

### **The megatrends of energy profits!**

Get ready. You are about to make substantial profits from the coming electrical crisis, by investing in the handful of companies whose sales are ready to rocket as they step in to close the gap between energy supply and demand.

What you read in this report about the coming global electricity shortage may shock you. But the power crunch is going to create huge profits for investors who buy the companies that can help solve the energy shortage in their markets.

For decades power utilities were considered "unexciting," because electricity sales were government controlled. And without free market competition, utilities had no reason to innovate technology to cut

costs and be more competitive.

Electricity is going to be the next big growth story in the stock universe. Basically, it boils down to favorable supply and demand factors.

On the supply side, there just aren't enough power plants. Electric utilities were among the first to heed President Jimmy Carter's call to curb the nation's dangerous appetite for imported oil in the 1970s. Unfortunately, the coal and nuclear facilities built proved expensive.

Regulators forced the utilities to write off much of the cost, triggering industry-wide dividend cuts. As a result, utilities had little incentive to build new power plants.

Over the past two decades state and federal governments have pushed for lower utility rates, which has further discouraged investment in new "baseload" power plants. A baseload facility is a power-generating plant that runs all the time supplying continual power.

Instead, utilities have been building "peaking" facilities, which are meant to pick up the slack during times of peak demand. Peaking plants are far cheaper and easier to build, maximizing the potential for recovery of their cost from regulators.

Meanwhile, several major old plants, particularly nuclear units, have worn out and have been shut down.



As a result, the system's "reserve" margin—the difference between what can be produced if all facilities are running full-out and at peak demand—has shrunk to basically nothing in recent years.

Almost all new power plants being built today—peaking and baseload—run on natural gas, which is cheaper and cleaner than coal or oil.

Gas plants account for some 95 percent of the generating capacity under development. By 2009, half of all U.S. power plants will run on natural gas, up from 15 percent today.

At the same time, energy demand is on the rise. The annual demand has increased from its 1985-1995 rate of 2 percent to nearly 3 percent. And given the need for high-availability power for e-business and Internet access, energy demand will soon increase 4 percent or higher each year.

Put runaway demand for power together with shrinking supply, and you've got the formula for shortages, blackouts, and huge price increases for power in wholesale markets.

That's what has happened the past two summers. Exploding demand for natural gas to generate power has pushed prices to post-regulation highs, with no slowdown in sight.

#### NEWS ALERT!

**Department of Energy (DOE) Chief Bill Richardson predicts that we're headed for the mother of all power crises during the coming peak demand seasons.**

Deregulation completes the picture of why this coming energy crisis is such a fantastic profit opportunity for electric companies.

Companies producing power can sell it for whatever the market will bear on the wholesale level, which is now wholly deregulated. That spells a big opportunity for companies with spare generation to sell, or which have been smart marketers.

Natural gas prices will also head higher as the demand increases, since gas is used to produce the power at almost all new plants now.

Consequently, natural gas producers will benefit as well. (You may have noticed that your recent gas and electric bills seem bigger than usual—more evidence of runaway energy costs.)

From all this energy turmoil, half a dozen or so major trends—I call them "energy megatrends"—are clearly emerging.

Let's look at each trend in a bit more detail. We'll examine the "big picture" driving the trend and the profit opportunities it creates.

Then we will identify the specific companies to buy to profit from each energy

megatrend. Just one of these can double or triple your money. As a group, they can help build legacy-size wealth to ensure the comfortable financial future you desire for you and your family.

#### **Explosive profits in the market's safest sector**

I'll get to the energy megatrends in a minute. But first I want to set your mind at ease when it comes to buying these companies. Yes, the stocks powered by these megatrends are going to skyrocket. Yet despite their enormous profit potential, they are—as a group—safer than your average S&P 500 or even your average blue chip!

That's because they're utility stocks...the safest market sector you can invest in. Utility stocks are old friends to me and subscribers to my monthly advisory, *Utility Forecaster*. Together we've enjoyed huge profits in "utes" for 11 years—without the roller-coaster volatility that's been battering the rest of the market as of late.

#### IT'S A FACT!

**In the United States, somewhere around 95% of all new businesses eventually fail. By comparison, not a single utility has ever gone out of business in the entire 100+ year history of the stock market.**

With utility stocks, you



can make stock market profits without the risk and volatility of the NASDAQ or S&P 500.

A case in point: When the Dow plummeted 19% in 1998, utility stocks on the Philadelphia Utility Index gained 4% during that same period.

And in April 2000, when NASDAQ fell 35%, utilities rose 13%. That means a \$100,000 portfolio of tech stocks lost \$35,000. But \$100,000 in utility stocks made \$13,000.

Since *Utility Forecaster* was launched in April 1989, our Core Holdings Portfolio has risen at an annual average rate of 12%—through good markets and bad.

Had you invested \$100,000 in our safe, profitable utes—back then, your portfolio would have more than tripled to \$347,855 today.

And that's for all of our stocks. Some of our winners have made much, much more.

For instance, I recommended Enron in September 1996. Since then it has nearly quadrupled...and shows no signs of slowing down.

Enron has gone from a relatively small operator of natural gas pipelines to the world's largest wholesaler of electricity and gas on deregulated wholesale markets. An e-business innovator, Enron also operates a booming Web site for energy trading.

I also recommended AES in November 1998. Since then, the stock has nearly tripled, as its share of global power production has continued to grow.

When I first added AES to the *Utility Forecaster* portfolio, it was scorned on by Wall Street because of its large investment in Brazil. But since then the Brazilian situa-

## During the Long Bull Run of the 90s, The S&P 500 Left Utilities in the Dust, Right? **Wrong!**

**W**ith all the press coverage of the dazzling run-up in the Dow and S&P 500 in recent years, many investors are surprised when they learn just how well supposedly "stodgy" utilities have performed over the same period.

Believe it or not, with their high dividends and steady growth, utility stocks have thrown off some of the best long-term returns of any investment of the past two decades.

While \$10,000 invested in the S&P 500 in 1981 grew into a substantial \$168,637 by the start of 1999, that same \$10,000 put into utilities became a virtually identical \$167,241. That's 99.2% of the S&P return—only 0.8% less at a fraction of the risk along the way.

### Peace of Mind at No Charge

As you can see, utility investors gave up almost nothing on their path to wealth, while enjoying a priceless peace of mind along the way. In fact, adjusted for risk, utilities far outshone their industrial cousins.

## The S&P 500 vs. Utilities

1981-1999



(What's more, this impressive photo-finish performance by utilities occurred during an unprecedented run-up in big-cap stocks that make up the S&P 500.)



tion has turned around and the company has continued to add new lucrative properties in the U.S. and elsewhere.

Now the coming energy crisis has uniquely positioned several of the stocks I follow regularly for explosive growth that may make Enron and AES look like peanuts by comparison.

One of these is set to profit from an electric power trend most people never even think of...

**Energy  
megatrend #1:  
Make money hoarding  
natural gas...even as the  
U.S. government moves  
to restrict already  
limited supply**

*Sit with us on 10.3 trillion cubic feet of natural gas others will pay through the nose to get at.*

Right now, with oil prices so high, natural gas is the preferred fuel for the utility industry. It's cheaper than oil, cleaner than coal (burning coal releases large volumes of sulfur dioxide into the atmosphere, resulting in "acid rain"). That's why 95% of the power plants being built today run on natural gas.

But our natural gas supplies are running out. Geologists estimate that at the current rate of consumption, the United States will exhaust its natural gas supply in 66 years!

Government control of

the natural gas market is tightening supply even as we speak. Federal law restricts access to 213 trillion cubic feet of natural gas in 48 states. The government is also restricting search and exploration for future supplies.

What this means for investors is that companies with a big inventory of natural gas—and the infrastructure to exploit it—are going to profit the most as the energy shortage worsens.

With an expanding reserve portfolio of 10.3 trillion cubic feet of gas in North America, Burlington is the best pure gas play you can make today.

Based in Houston, it is the largest independent oil and gas company in the country. Its projected annual growth is in double digits, and unlike the utility industry's biggest players, Burlington continues to beef up gas reserves for the future.

In the first quarter of 2000, strong oil and gas prices gave Burlington record earnings of 35 cents per share, compared with breakeven results for the same period in 1999.

Burlington raised its gas prices 27% and its oil prices 110%, with no drop-off in sales. The company has operations in the exploration, development, and production of gas and oil through subsidiaries and affiliates.

Profits are expected to

grow 87.8% this year, as Burlington continues to bring new gas production capacity online. In addition, they are acquiring new producing properties in New Mexico, Colorado, the Dakotas, Montana, Oklahoma, and Texas. Their recent purchase of Canada-based Poco Petroleum makes Burlington the 4th largest natural gas producer in North America.

There is no safer and surer way to play natural gas's ascendancy than Burlington. Buy now!

I have just written a new special report, *Kilowatt Crisis Power Plays: 7 Spectacular Money Makers*, that gives you complete details on Burlington, including the price to buy it at and the target price. You can get a free copy of this report by completing and returning the form on page 19.

My new special report also tells you about another natural gas production company I expect to generate above-average profits from the coming gas crunch.

This utility's core gas operations serve 1.6 million customers in the New York City metropolitan area and Long Island. They have over a billion dollars in the bank, superior distribution assets, and low-cost power plants. P/E is a respectable 15, and the company pays a handsome 5.4% yield.

They also own 64% of



Houston Explorations, a subsidiary with stakes in some of the Gulf of Mexico's most promising oil and gas fields. The company also has plans to complete its acquisition of Eastern Enterprises shortly, which will make it the largest gas distributor in the Northeast.

In utilities as in other industries, mergers and acquisitions can send share prices through the roof. On track for double-digit earnings growth, this company fought a fierce battle last year to stay independent. As the strategic value of gas assets continues to climb, their takeover appeal is mushrooming.

### **Outstanding profit opportunities most other investors overlook**

All of the "7 Spectacular Money Makers" described in my free report, *Kilowatt Crisis Power Plays*, are involved in some way or another in producing and selling power. And thanks to deregulation, the power industry has changed dramatically over the last decade.

As I like to tell my subscribers, "These aren't your father's utilities!"

Years ago, utility companies were ultra-conservative business runs by stiff men in white starched shirts. They developed, through bad PR in the financial press, a reputation for being stodgy and



Roger Conrad's

## **UTILITY FORECASTER**

### **PERFORMANCE REVIEW**

## **Average total return 113.7%**

Sometimes a single number can speak louder than thousands of words. With an average total of 113.7% on all current positions, that's all many people ever need to know about the effectiveness of Roger Conrad's investment system.

Below we recap Roger's current Growth and Income Portfolio recommendations, exactly as they appear in a recent issue of *Utility Forecaster*. As you can see, Roger divides each portfolio into two sections, tailoring his picks for conservative and aggressive investors.

Note the high average total return of each portfolio, proof of the steady enriching power of these tireless wealth-builders.

#### **GROWTH Portfolio**

**Goal:** To generate high total returns. Core Holdings are generally held longer than Aggressive Holdings.

##### **CORE HOLDINGS**

(21 positions)

Average total return	148.6%
Average yield	3.7%

##### **AGGRESSIVE HOLDINGS**

(7 positions)

Average total return	97.7%
Average yield	0.9%

#### **INCOME Portfolio**

**Goal:** High current yield, safety and ability for dividend growth to beat inflation.

##### **CONSERVATIVE HOLDINGS**

(9 positions)

Average total return	21.9%
Average yield	6.7%

##### **AGGRESSIVE HOLDINGS**

(6 positions)

Average total return	142.0%
Average yield	6.3%

#### **COMBINED SUMMARY**

(44 positions)

Average total return	113.7%
Average yield	4.3%
Average holding period	6 years



unexciting. As a result, many investors...mistakenly...stay away from utes.

And that's good for us. If Wall Street was in love with utilities and people were climbing over each other to buy, the prices would be too high for us to make much profit.

It is precisely because utilities are out of favor with mainstream analysts and the average investor that we can scoop these gems up at bargain prices!

Now, maybe the utilities' values—like earnings, delivering value to shareholders, and even paying dividends—seem boring.

But my subscribers and I love buying these solid, well-established businesses with long track records of making money at low P/E ratios.

As a consequence, we've watched our Core Holdings Portfolio steadily grow into a bigger and bigger pile of profits...without the volatility of the S&P 500, Dow, or NASDAQ.

Part of the stability and sensibility of our Core Holdings is due to utility management's focus on profits. For example, one of my favorite stocks—MDU Resources, up 262.3% since I first recommended it—sells for only 16 times profits, less than 2 times book value, and less than one times sales.

Compare this with Cisco

Systems, the darling of Wall Street. Cisco has earnings of \$3.6 billion on sales of \$17 billion, with market capitalization of \$457 billion. That means Cisco shareholders are paying about \$27 for a dollar in sales—27 times more than the cost of MDU Resources.

## Know your numbers

Utilities typically have reasonable P/E's. Duke Energy, one of my favorite utes, has a P/E of 14.83. MDU Resources, another holding, has a P/E of 16.\*

\* Based on estimated 2000 earnings.

By comparison, the average NASDAQ stock has a P/E of 143! Cisco has a P/E of 122 and Yahoo has a P/E of 147. When you buy Yahoo, you are paying a hefty \$147 to buy just a dollar of earnings.

Right now, the average return on the utes in our Growth Portfolio is 136%, which means subscribers who moved when we said "buy" have more than doubled their money.

Our average return on all our utility holdings\* is 113.7%—with average yield of 4.3% and an average holding period of 6 years.

\* Growth and Income Portfolios.

## DID YOU KNOW?

During the first half of 2000, the Philadelphia Utility Index traded within a fairly narrow range of

240 to 300. The NASDAQ, by comparison, has fallen by more than 140 points in a single day 14 times...and 13 of these came in the first half of 2000.



## Energy megatrend #2: Powering up to meet the electric shortfall

Deregulation has set the utility industry afire with rampant mergers, acquisitions, and spin-offs. The looming energy crisis will step up the rate at which utilities buy and sell each other, creating opportunities for us to make quick, big profits on these deals.

In my free special report, *Kilowatt Crisis Power Plays: 7 Spectacular Money Makers*, I introduce you to one such situation, ripe for the picking: Southern Company. It may be the safest play today on the energy crisis.

Already America's most prolific power producer, Southern plans to build an additional 20,000 megawatts of electric generation capacity



over the next few years—enough to power 20 million homes.

To fuel the plants, they are acquiring a private natural gas pipeline network and forming an alliance with one of the oil-industry giants, who will supply all the gas Southern needs.

The electric generation operation will be spun off as a separate subsidiary. When they are split, investors will own shares in both companies.

As a spin-off, the Southern energy operation will likely command a market value near that of its parent. The spin-off should be completed within the next year.

Will the unit itself be more profitable after the divestiture? The new leaner-and-meaner subsidiary will be focused 100% on its core business of electricity generation. The divestiture will leave them with a hand-picked management team, streamlined production, reduced overhead, and the freedom and capital to pursue new ventures.

Will the independent energy subsidiary make more money for the shareholders? Absolutely. It represents an incredible hidden asset, whose value is not reflected in Southern's share price.

In addition to this anticipated spin-off windfall, Southern Company has a lot to recommend it. For

instance, their service territory in the southern U.S. is one of the most conservative in the nation. The south is also the most economically healthy and stable part of the country today.

Southern's U.S. market is one of the last to embrace deregulation. That means it will avoid the mistakes made in California and other places where power shortages and outages are now taking place with alarming frequency. Southern's low-cost system and power plants keep their customers loyal and prevent them from looking elsewhere in a deregulating market.

Outside the U.S., Southern is enjoying rapid growth in Asia and Europe's deregulated markets, where electricity can be sold very profitably to the highest bidder.

Southern was one of the first U.S. utilities to make a major investment in Asia, buying the power plant operations of Hong Kong investment firm Hopewell Holdings. Thanks to strong, well-chosen management, the division thrived throughout Asia's economic meltdown and is now generating big profits.

As the energy shortage quickly reaches crisis proportions, the strongest utilities will be best positioned to step in and supply the growing demand—at premium prices. Strategic restructuring is transforming Southern, one

of the strongest utility companies in the world, into an unstoppable powerhouse. Buy now!

### **Energy megatrend #3: The utility industry goes "Madison Avenue"**

In many regions of the country, you can't turn on the TV or pick up a newspaper without seeing commercials and ads asking you to buy power as if it were a shampoo or soft drink.

The conversion of the utility industry from a monopoly to a free enterprise system has generated a healthy market competition.

That's good for consumers, who are free to shop around for the best rates and customer service. It's also good for shareholders of companies that are going to win this marketing war: Just as in consumer products, the utility who wins the "power marketing war" will reap the lion's share of the profits.

Yet the marketing of power in a deregulated market is not an "easy sell"—and consumer brand preference is up for grabs. Studies show that less than a third of consumers are aware of energy deregulation, and less than 10% are currently willing to switch suppliers.

In my free special report, *Kilowatt Crisis Power Plays: 7 Spectacular Money Makers*, you



get my complete recommendations on a company I feel certain will come out a big winner in the "utility marketing war." We've already more than doubled our money in this stock, earning a 197% profit. Now I think it can double again in just 6 to 9 months.

In Marketing college courses, students are taught the 4 P's of marketing: Product, Price, Place (which is distribution), and Promotion. My favorite utility marketing powerhouse has mastered these basics and has a lock over its competition in all four areas.

Utilities need a way to distribute their product, which is power, economically. This utility owns a network of gas pipelines, so they're able to deliver fuel to customers quickly and cost-effectively.

In 1997 they bought another utility to gain its assets—37,000 miles of pipeline transporting 12% of the nation's natural gas. Since then, the company has added another \$1.35 billion of natural gas resources plus a new processing plant.

They have just the right "product mix" in their line—coal, gas, and nuclear—to satisfy a wide range of business and residential customers in North Carolina and Texas, their two major markets.

This utility is also profiting from the corporate trend of "going global." Its unregu-

lated international businesses—which include gas wholesaling and energy trading as well as merchant power plant construction and operation—contribute to a virtually unbridled upside potential.

As one of the nation's largest electric and gas utilities, the company earns more than 16% operating profits from nonregulated activities. It is one of the few generating companies with the foresight to add capacity, which means they are well positioned to take advantage of strong power demand and higher power prices.

Plus, this company's IPO of its natural gas field services unit, which it holds in partnership with oil giant Phillips, will unlock the value of a business unit that generated a nearly five-fold profit gain in first-quarter 2000 alone. With only a few competitors left, it will be increasingly profitable.

One of the strongest utilities in the industry, this company is a must-buy for any portfolio. With per-share earnings expected to grow 8% annually over the next 5 years and a payout ratio of 50%, the utility has ample flexibility to boost its dividend. Current P/E is just 15.

#### **IT'S A FACT!**

**Over the past two decades, utility stocks have produced a whopping 1,572% return. From January 1 to August 1, 2000,**

**utility stocks returned 24% vs. only 1% for the S&P 500!**

My free special report, *Kilowatt Crisis Power Plays: 7 Spectacular Money Makers*, will give you the full story on this stock...as well as another company that's going to profit from...

### **Energy megatrend #4: Burgeoning global energy demand**

So far in this bulletin, we've seen how owners of U.S. utility stocks are poised to profit from the looming energy crisis. Well, the same opportunity exists on a global scale 4 times bigger than in the United States.

U.S. electricity sales are over \$220 billion per year. Global electricity demand is around four times that—close to a trillion dollars annually.

What's more, deregulation of the utility industry isn't an American phenomenon. Sales and marketing of power is now a free-trade enterprise on a global scale. Utilities battle for the consumer's energy dollar not only across state lines, but also across oceans and between continents.

That's why I don't limit my *Utility Forecaster* portfolio to U.S. utilities, but instead include the best utility companies you can buy from around the world.

And in my free special



report, *Kilowatt Crisis Power Plays: 7 Spectacular Money Makers*, you get my favorite international utility stock recommendation—a Latin American energy play with the potential to double your money within 12 months.

So many investors I know make the mistake of thinking "made in America" when buying stocks, whether utilities, techs, blue chips, small caps—you name it.

But the fact is, diversifying our ute portfolio allows us to profit from bull markets worldwide as we find them...even when things go bearish here.

For instance, say you invested \$10,000 in the U.S. stock market in 1985. Figures from the International Finance Corporation show that ten years later, by 1995, your money would have grown to \$33,318.

That's a 333% return over ten years. Not bad at all. But you could have done better.

Just look at what would have happened to your \$10,000 if you had put it in an average stock from one of these overseas markets in 1985...

- \* On the Thailand exchange, it would have grown to \$152,100 in ten years—a 1,521% profit.
- \* Even with the steep devaluation of the Peso, your \$10,000 would have shot up 2,221% on the Mexican market by 1995, to

\$222,100.

- \* In the Philippines, you would have reaped 4,702% profit—and your \$10,000 would have ballooned to \$470,200. That's more than 10 times the profits of U.S. stocks in the same period!
- \* And if you had invested your \$10,000 in an average Chilean stock in 1985, ten years later you'd have been sitting on \$630,700—a whopping 6,307% return.

That 333% profit from your average U.S. stock suddenly doesn't look so hot, does it?

What's more, all this overseas profit would have protected your portfolio from the losses on some of your other investments. That's what global portfolio diversification will do for you.

Right now, in Latin America, Spanish utilities are buying up local utes at break-neck speed—and turning them into profit centers just as quickly. I see a great opportunity to make a quick killing with two of my favorite energy companies here, Endesa and Enersis.

Endesa, Spain's dominant energy company, now owns a South American energy empire through its recently acquired 64 percent stake in Chilean utility Enersis.

Both companies are reaping the spoils of bringing power to vastly underserved populations.

Enersis is rapidly expand-

ing its generation and distribution reach in Chile, Argentina, Brazil, Peru, and Columbia, with \$3 billion in new investments planned through 2003.

Latin American demand for power may soon exceed U.S. demand, and Enersis is geographically positioned to serve this energy-thirsty market as few other companies can. Parent company Endesa gives Enersis the financial backing to follow through on its expansion plans.

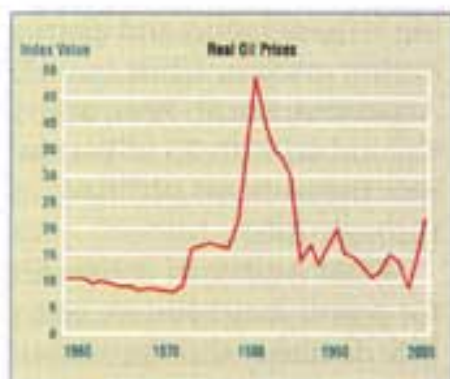
In fact, Enersis is Endesa's key vehicle for its continent-wide expansion. Endesa's global vision is to build an energy empire with one-third of sales coming from Latin America, Spain, and the rest of Europe.

For the best way to play this "South American Energy Connection," see my free special report *Kilowatt Crisis Power Plays: 7 Spectacular Money Makers*. Follow my recommendations and you could quickly double your money or better!

### **Energy megatrend #5: Explosive Profits from Nuclear Energy**

Ever since the movies *The China Syndrome* and *Silkwood*, nuclear power plants have never won popularity contests. But with the coming global energy crisis, the world is going to see its inventory





of existing nuclear plants in a whole new light.

World oil consumption—approximately 77 million barrels a day—has nearly caught up to world oil production capacity. But while production has increased only 10% during the last decade or so, demand has increased by over 35%. So it's clear that, for the near-term future, oil prices are only going to go up.

But while oil prices skyrocket, the cost of nuclear power is now reasonable by comparison, and not likely to get higher, as far as the existing plants go. Also, although nuclear has its problems, these risks will be more tolerated in an energy-scarce world.

Almost no one on Wall Street seems to realize that one company controls nearly 20 percent of U.S. nuclear power plant capacity, making it the largest nuclear plant operator in the country.

Many of these they purchased at auction, for pennies on the dollar. And as the #1 nuke plant owner, this company enjoys an economy of

scale in its operations that single-plant operators cannot come close to matching.

By refinancing all plant debt at low cost, this smart operator has cut operating expenditures even further, making its nuclear plants extremely competitive with conventional gas-fired power plants. And while gas and oil prices climb, uranium is now a cheap fuel to buy—especially for this operator, who buys it in volume for more than 20 nuclear power plants.

These nuclear plants take up a tremendous amount of land and typically have excess transmission capability. Selling the excess power is a rich profit center for the owner, as is siting new plants on these existing lots.

This nuclear ute is a stock you should own now. The details are covered in my free report, *Kilowatt Crisis Power Plays: 7 Spectacular Money Makers*. And the report will also show you how to make money from another important energy trend...

### **Energy megatrend #6: Meeting electricity demand for the dot.com era**

When you look around your office or home and think about which items consume a lot of electricity, your PC isn't the first device

that probably comes to mind. (Your air conditioner probably is.)

But the explosion of computers is a major factor contributing to the skyrocketing demand for electricity. Some studies call for an increase in demand of more than 4 percent a year in electricity demand from computer systems.



One of the greatest coups of my career as editor of *Personal Finance*, one of the nation's largest-circulation financial advisory, was getting Roger Conrad as my columnist covering utility stocks. And one of my greatest personal pleasures is reading his in-depth coverage of utilities in each monthly issue of *Utility Forecaster*.

I'll tell you, I've never met a man who takes his work more seriously, or who is more conscientious about doing a thorough job. And Roger doesn't muddy the



E-businesses in particular—dot.com companies that run their businesses over the Internet—rely on electricity. A network can't operate without power, and uninterrupted supply is vital to customer satisfaction in the e-world. (One e-business recently moved its headquarters just to locate its computers over the local utility's power grid!)

These Internet companies simply can't function under the threat of even short-term outages. For e-commerce, keeping the power flowing even 99.8% of the time isn't good enough.

A dot.com like Amazon.com requires 99.9999% up time in order to compete. Consequently, there's a major opportunity for companies

that can minimize the threat of a power loss, such as fuel cell companies.

Our next big power play in this area is a company that's a leader in the emerging fuel cell marketplace. For e-businesses and others who need 99.9999% and can afford to pay for it, fuel cells are a rapidly growing niche as a back-up alternative, or even

## MEET ROGER CONRAD

### America's Leading Authority On Utility and Telecom Stocks

By Stephen Leeb, Editor, *Personal Finance*

waters—he stays 100% focused on utility and telecom stocks.

It has certainly paid off for subscribers of my newsletter, *Personal Finance*. And of course it's also paid off handsomely for subscribers of Roger's own newsletter, *Utility Forecaster*.

Over the past eleven years, Roger has guided income investors to rock steady 7-8% yields. Roger's model portfolio has returned over 12% annualized, and several of his aggressive picks have quickly doubled in value (see page 7).

No question that Roger's specialty—utility and telecom stocks—had been a fine-performing sector during this time, but with deregulation picking up steam, the best is yet to come. And Roger has made plans for it!

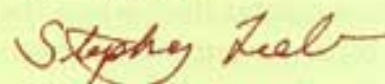
To help investors of all ages and objectives capitalize on this wonderful opportunity, Roger has prepared 3 timely reports, *Kilowatt Crisis Power Plays: 7 Spectacular Money Makers*, *12 Tempting Takeover Targets for 2000-2001*, and *5 Spectacular Spin-offs for 2000 and Beyond*. The companies detailed in these reports will grow very rapidly during the coming energy crisis, making them safe and sure investments for the coming years.

Roger is widely regarded as the foremost authority on utility and telecom stocks in America. He has won awards for "Best Financial Advisory" 3 out of the last 4 years.

Roger is a graduate of Emory University and the American Graduate School of International Management.

He is a regular guest on WCIU in Chicago, and has appeared on CNBC-TV and numerous radio shows. He is often quoted in the press, including recent notations in *Money*, *Barrons*, *USA Today*, *Smart Money*, *The Chicago Sun Times*, and *The Miami Herald*. He is also among the most popular speakers at national money shows.

If you're looking for safety, stability, and high profits in the coming year, read Roger's special reports, then follow his advice every month in *Utility Forecaster*.



Stephen Leeb  
Editor,  
*Personal Finance*



as a full-time alternative.

There are half a dozen companies developing fuel cell technology, but this little firm, backed by the financial resources of Fortune 500 giant General Electric, has a big head start over its competitors.

They've already built 52 prototype fuel cells and will build and test 500 systems this year. A proprietary catalytic converter in their fuel cell changes natural gas and propane into hydrogen-rich fuel, which is then converted into electricity in the system's fuel stack.

For residential customers, a single fuel cell in the basement can meet the energy demands of a 3,000-square-foot home without connection to a utility's electrical distribution system.

Unlike our usual safe utilities, this company is a manufacturer, not a utility. So they are not as immune as utility stocks to market swings. As a result, the recent correction has driven the price down to bargain-basement levels.

Even though the share price was recently knocked down two-thirds, it's still 5 times greater than when the company went public about 8 months ago. When the company begins shipping commercial and residential units shortly, the stock will go through the roof.

In my newly written report, *Kilowatt Crisis Power Plays: 7 Spectacular Money*

*Makers*, I give you complete details on this fuel cell power play, including when to buy and the target price. This stock could easily return 100% profits or more within the next 12 months!

### **The utility stock specialist**

My *Utility Forecaster* subscribers and I have done quite nicely over the years. With profits like these:

• Alltelup .....	up 227.5%
• American Water Works .....	up 185.0%
• Cox Communications .....	up 489.7%
• Energen Corp .....	up 146.2%
• KeySpan Energy .....	up 153.0%
• Philadelphia Suburban .....	up 192.1%
• TECO Energy .....	up 157.1%
• Verizon Communications .....	up 151.5%

Right now, 40 of the 44 utility stocks in our portfolio have made a profit for our subscribers. That's a success rate of 91%. And the secret to that success is simple...

We live in an age of specialization. With over 7,000 stocks and 10,000 mutual funds to choose from, no investor can hope to follow even a fraction of them with any real insight or understanding.

In *Utility Forecaster*, I write exclusively about significant publicly traded utilities—a total of only 213 companies. They include 80 electric companies, 25 natural gas, 25 natural resources, 28 telecom, 13 water, 8 utility technology,

and 34 foreign.

As proud editor of *Utility Forecaster*, I have the luxury of spending all my time—about 60 hours a week for the last 11 years—studying, analyzing, and learning about these 213 companies and their one industry.

With this laser-like focus, I gradually mastered the utility market as no one else has. No genius on my part. Just plodding dedication and a lot of hard work. And I believe this level of market and company knowledge is reflected in *Utility Forecaster*, which helps subscribers profit from hidden opportunities in the utility and power markets like no other publication can.

Don't miss this opportunity. It's once in a lifetime.

Although investors have been making quiet, safe profits in utility stocks for decades, the looming energy crisis has created a unique profit opportunity for the "7 Spectacular Money Makers" profiled in this bulletin.

### **DID YOU KNOW?**

**"The U.S. is running out of electricity," warns an article in the Electronic Telegraph. Electricity consumption has grown 35% in the past 10 years, thanks in part to the increased use of computers, fax machines, and other electronic equipment.**

To keep up with growing demand, the U.S. power grid must add capacity, every 2 years, equal to the entire gen-



# Diversify your utility stocks for maximum profit and safety!

**Own a mix of electric, gas, water, telephone and foreign utes for safety and superior inflation-beating income and growth.**

*By Roger Conrad*

**I** divide utilities into six subsegments: electric, natural gas, resource, communications, water, and foreign. Some companies do a combination of two or more of the above. All of these groups are dominant providers of essential services, so they have unrivaled revenue, earnings, and dividend stability. However, these groups perform differently in different market environments.

Electric, natural gas, and water utilities tend to be the most interest rate-sensitive. That's because they're traded more for yield, they borrow large amounts of money for capital expenditures, and their earnings growth rate are generally slower, though that's starting to change. Consequently, these stocks will generally perform very well when interest rates fall. Even the best will slip and slide a bit when rates rise.

Communications utes, particularly those that pay big dividends like the Baby Bells, are also interest rate sensitive. However, because

a greater percentage of their earnings are now unregulated, their earnings have become more cyclical as they've moved into higher-ticket businesses such as cellular phones and information services. That means these companies' stocks can benefit from faster economic growth, which will help them hold steady if interest rates are flat to rising.

Resource and foreign-based utilities are great inflation hedges. They have the ability to rise when inflation is on the move. Resource companies get their punch from producing natural gas, and often some oil. Energy prices rise when inflation raises its ugly head. In fact, shrinking supplies and rising demand indicate they'll probably keep rising for decades to come, regardless of how inflation ebbs and flows. As energy prices rise, resource utes will benefit directly from higher revenues, profit

margins, earnings and of course higher stock prices.

Foreign utes benefit from faster inflation for two reasons. One, they're faster growing than U.S. utes due to almost insatiable demand for essential services in high growth economies around the world. Two, their value rises when the U.S. dollar's exchange value falls, as is

almost always the case when inflation picks up steam here at home.

Together, resource companies and foreign utes can add a

valuable counterweight to your portfolio by gaining value when interest rates and inflation are dogging your other utility holdings. Because they're more volatile and typically yield less than electric, gas, water and even communications utility holdings, you'll want to keep them to a smallish part of your portfolio. But they are a valuable piece of the puzzle nonetheless. ■





erating capacity of the island of Taiwan, a country with 22 million people.

No wonder utility stocks are booming right now! So far this year, the S&P 500 has returned a measly 1%, with whipsaw volatility that is not fun for any investor with significant holdings.

Utilities, by comparison, are up 24% for the year.

Many subscribers tell me: Their friends and neighbors laughed when they found out they were putting 10 to 20% of their portfolios in safe, profitable utilities. Well, who's laughing now?

The coming energy crisis could catapult utility stock prices to unprecedented new highs. I'm so sure of this, I predict you'll grow at least 25% to 50% richer in 12 to 24 months following my recommendations in *Utility Forecaster*.

### **Act now and save \$30**

If you were one of my early readers who faithfully invested just \$400 a month in my conservative utility recommendations since I started *Utility Forecaster* 11 years ago, you would have seen your nest egg swell to over \$200,000 without taking big risks with your money.

As a new subscriber to *Utility Forecaster*, you'll have the opportunity to get in on the ground floor of the great-

est wealth-building period in 70 years—the coming energy crisis—and enjoy even bigger and safer profits.

If you join us now, you can try a no-risk one-year subscription (12 issues) for just \$99. That's \$30 off the regular rate. And, in the bargain, you'll receive 3 FREE bonus reports:\*

\* See the P.S. for an even better deal!

1. *Kilowatt Crisis Power Plays: 7 Spectacular Money Makers*
2. *12 Tempting Takeover Targets for 2000 - 2001*
3. *5 Spectacular Spin-Offs for 2000 and Beyond.*

Your satisfaction is guaranteed—or you pay nothing.

You risk nothing for simply giving *Utility Forecaster* and your free special reports a try. If you are not 100% satisfied, cancel at any time during your subscription—right up until your very last issue—and I'll send you back every penny you paid.

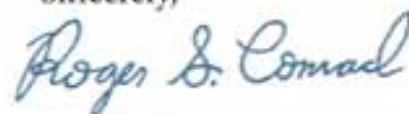
Please note: That's a complete refund on your entire subscription fee. Not the prorated refund on "unmailed issues" some other publishers offer.

Mark my words—the coming energy crisis will change the world forever. And *Utility Forecaster* is the only publication that will give you a front-row seat and a once-in-a-lifetime opportunity to safely and predictably turn a \$10,000 investment into \$15,000 in a year...into \$25,000 in three years...or

into \$45,000 in five years.

To seize this once-in-a-lifetime crisis opportunity, just complete and mail the subscription Savings Certificate on page 19. I'll see that your FREE reports and current issue are rushed to you immediately.

Sincerely,



Roger S. Conrad  
Editor, *Utility Forecaster*

P.S. Best deal: Subscribe for 2 years. Same money-back guarantee as the 1-year subscription, but receive 5 free bonus reports instead of 3:

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2. *12 Tempting Takeover Targets for 2001*
3. *5 Spectacular Spin-Offs for 2000 and Beyond.*
4. *America's Best Dividend Reinvestment Plans.*
5. *Five Stocks Every Income Investor Must Own Now.*

P.P.S. Respond within 10 days and get an additional FREE bonus report (see page 18 for details):

6. *10-Step Guide to Utility Profits.*



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## 3 FREE valuable investment reports...

### Special Report #1

#### *Kilowatt Crisis Power Plays: 7 Spectacular Money Makers*

Kilowatt Crisis  
Power Plays: 7  
Spectacular  
Money Makers

Complete details on the 7 companies poised to profit from the coming global energy shortage are covered in this free special report. We name the companies and tell you at what price to buy.

You will discover the key players in the energy and utility market that are positioned for fast, rapid growth as energy demand continues to outstrip supply. Including:

- How to cash in on the natural gas shortage.
- Big profits from America's #1 energy spin-off.
- Bet on the winner in the "power marketing wars."
- Double your money on a "Latin American power play."
- Invest in a safe, profitable nuclear future.

- Our "safe" Internet play: supplying power for dot.com businesses.

### Special Report #2

#### *12 Tempting Takeover Targets for 2000-2001*

12 Tempting  
Takeover Targets  
for 2000-2001

As I say, the big money is always made by spotting the trends early, selecting the right stocks, and holding on for the ride.

Since I first alerted my readers to the huge profit opportunities in mergers and takeovers, many of our top picks have made us 20% to 50% richer!

In this report, you'll discover the next 12 takeover targets I'm currently recommending to my readers. Each of my handpicked money makers will provide you with a rising source of income that can't be beat. Plus give you the opportunity to double or even triple your money when

the buying frenzy begins!

### Special report #3

#### *5 Spectacular Spin-offs for 2000 and Beyond*

5 Spectacular  
Spin-offs for 2000  
and Beyond

You can't lose with these five top utilities. Individually, they represent the most profitable utility spin-offs on Wall Street. Together, they have the power to double your money every 12 to 24 months as they continue to increase their market share and shareholder value.

If you take an ownership position in any of them now, I promise you'll reap almost obscene profits without losing a night's sleep. You'll read why in your FREE report!

Plus two more FREE reports with your two-year subscription to *Utility Forecaster*...turn the page for details!



# Free with Your TWO-YEAR Subscription 2 More FREE Bonuses!

Sign on with *Utility Forecaster* for two years and receive the reports featured on the previous page, PLUS...

## Special Report #4 *America's Best Dividend Reinvestment Plans*

America's Best  
Dividend  
Reinvestment  
Plans

A \$20,000 investment in the average Dow stock in 1992 with dividends reinvested would be worth more than \$54,000 today! In this free

report, I'll show you the nine best dividend reinvestment plans in America. Each company offers you above-average yield, discounts on share purchases, long term capital growth, and armored-car-like safety.

## Special Report #5 *Five Stocks Every Income Investor Must Own Now*

Each of these big blue chips brings you a long history of high, uninterrupted dividends and regular increases. Together, they offer

Five Stocks Every  
Income Investor  
Must Own Now

you an average yield of almost 7% along with rock-solid downside protection. As you'll read in your free report, each one is not only a bargain at its current price, but also offers you the greatest double-your-money growth potential I've seen in years.

10-Step Guide to  
Utility Profits

## Special Report #6 *10-Step Guide to Utility Profits*

This special report reveals the system I use to gener-

ate a steady stream of safe utility profits for *Utility Forecaster* subscribers. It also gives you little-known tips you can use to maximize your profits from the *Utility Forecaster* recommended stocks you buy. You will learn:

- How long to hold a core utility stock.
- How to evaluate the safety

of the shares.

- The ideal dividend yield to look for in any company you buy.
- Shopping for safe growth.
- What local regulators can teach you about selecting utility stocks.
- Measuring a ute's "inflation immune system."
- Asset allocation for your utility portfolio.

Respond in 10 days and get an added FREE BONUS REPORT!

## Special Quick-Response Bonus ...



# SAVINGS CERTIFICATE



☒ **Yes!** I want to profit from the coming energy crisis. Please rush my FREE special reports and start my risk-free subscription to *Utility Forecaster* for the term I've chosen below.

I understand I may cancel at any time during my subscription, even up until the last issue, and receive a complete refund on my entire subscription fee—not the “prorated refund on unmailed issues” other publishers offer. Whatever I decide, all reports and issues received are mine to keep, with no further obligation of any kind.

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*Roger S. Conrad*  
—Roger S. Conrad  
Editor, *Utility Forecaster*

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Thank you!



## INSIDE:

# 7 energy mega-trends that can make you rich!

The coming energy crisis is creating astounding profit opportunities in an overlooked market sector. A select group of investors has already tripled and quadrupled their money. Profits of 153%...178.7%...197%...even 260.5% are not uncommon!

### ■ Gas pains into profits!

The United States is quickly running out of natural gas. This company is hoarding 10 trillion cubic feet. Imagine what people will pay for it when the gas pipelines are on empty . . . . .page 6

### ■ Subsidiary spells windfall for fortunate investors!

America's #1 "energy spin-off" is poised to generate even more money for shareholders . . . . .page 8

### ■ Megawatts meets Madison Avenue!

Electricity is now marketed to consumers and businesses as aggressively as PCs, new cars, and soft drinks. Double your money by betting on the company that's already winning the marketing war for the consumer's energy dollars. . . . .page 9

### ■ Get richer on a global scale!

Profit 25% to 50% from the worldwide energy shortfall, locking in on a Latin American Powerhouse . . . . .page 10

### ■ Atomic-powered profits!

This clever utility operator has been busily buying up old nuclear power plants for pennies on the dollar, and with uranium selling at rock-bottom prices, their profits are about to skyrocket. . . . .page 11

### ■ Grab gains from dot.com energy shortage!

Silicon Valley is running out of power. One alternative-energy company has the solution. . . . .page 12

**Kilowatt Crisis  
Power Plays: 7  
Spectacular  
Money Makers!**

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