

# PROGRESSIVE Investor

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## Welcome to Progressive Investor/ April 2009!

We live in fascinating times - with each succeeding issue it feels like we're making more progress, even though our current economic situation is exceedingly complex. It's nice to be able to talk about a rising market for a change and to point out companies in our field that are doing well ... as they should be!

As you may notice when you read the news highlights this month, social/ green criteria is catching on for investors in an increasing number of market segments. If you're a financial advisor/planner that wants to learn more, First Affirmative Financial Network is conducting Base Camp SRI - a series of regional conferences on socially responsible investing (SRI).

The base camp is free of charge to qualified advisors: New York on May 18, San Francisco on June 4, and Seattle on July 9 <http://basecampsri.firstaffirmative.com>.

### Upcoming Investor-Related Conferences:

May 4-7, Chicago, Illinois  
[Wiindpower 2009: Conference & Exhibition](#)

May 12-13, Beijing, China  
[4th Renewable Energy Finance Forum China](#)

May 18-20, Montreux, Switzerland  
[European Pensions & Investments Summit 2009](#)

May 19-20, San Francisco, California  
[Demand Response & Energy Efficiency World](#)

May 19-20, Berlin, Germany  
[Thin Film Solar Summit Europe](#)

May 27-29, New Orleans, Louisiana  
[Post-Stimulus Renewable Finance Summit](#)

Jun 1-3, San Francisco, California  
[Photovoltaics Summit 2009](#)

Jun 7-9, Winnipeg, Canada  
[Canadian Summit on Socially Responsible Investment](#)

Jun 23-24, New York, New York  
[Renewable Energy Finance Forum. Wall Street](#)

Jul 9-10, San Diego, California  
[4th Annual Investing in Solar Summit](#)

For all the Events, visit: <http://www.sustainablebusiness.com/index.cfm/go/events.main>

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Enjoy and Learn!

## News Highlights

The Obama Administration made a flurry of announcements in support of a green economy over the past month: the EPA declared CO<sub>2</sub> to be a threat to human health and the environment; \$14 billion to be invested in high speed rail; [a framework for implementing environmentally responsible development](#) of U.S. offshore wind farms; [\\$300 million in stimulus funds](#) to states and local governments to purchase clean vehicles and for fueling infrastructure; and [an order to allow energy efficiency projects](#) to compete directly with electric power plants.

When the Department of Energy (DOE) Energy Information Administration (EIA) **compared the energy outlook with and without the Recovery plan** (ARRA), it found that greater-than-expected energy efficiency gains and growth in renewable energy would be spurred with the plan than without it, especially in the short term. The stimulus will spur over 100 billion more kilowatt-hours (kWh) of clean energy (excluding hydro) by 2012.

With the ARRA, by 2012, wind generation is expected to be over twice that projected in the no-stimulus case - 201 billion kWh compared to 86 billion kWh and estimated 53 billion kWh in 2008. If the wind tax credit expires in 2012, industry growth will slow significantly, but will be 67% higher by 2030 because of the stimulus plan. Commercial sector PV capacity will be 15% higher by 2011, geothermal will be 16% higher in 2013 (3 GW) and biomass capacity will be 18% higher by 2030 because of the stimulus. Weatherization and efficiency improvements spurred by ARRA funding reduce household heating needs 1.7% and cooling demand 3.4% in 2030. Fuel oil consumption should be down 3% in 2030. And carbon emissions will be 1.3% lower in 2013 with the plan.

**Last Sunday, "60 Minutes"** produced a depressing piece on the problems of coal and the expense of developing clean coal technology. The people they interviewed said it would cost at least \$1 trillion to develop carbon capture and sequestration technology and to attach it to every coal plant. They completely omitted the most important point: there is no need for coal plants, or for that matter, nuclear plants. And at that price tag, coal isn't affordable compared to clean energy options.

Numerous studies from the environmental community have pointed that out, but now the US Federal Energy Regulatory Commission (FERC) agrees. Jon Wellinghoff, the head of FERC, told reporters that energy efficiency and renewables will be able to provide enough energy to meet baseload demand and there may not be a need to construct a single new nuclear or coal-fired power plant.

Denmark-based wind research firm BTM Consult released its 14th annual **update on the wind industry**, and found installations reached the highest level ever in 2008. The industry grew 42%, installing 28,190 MW for a total of 122,000 MW worldwide. Over the past five years, annual average growth has been 27.6%; BTM projects the next five years will see 15.7% annual growth. Over 200 GW of new capacity could come online before the end of 2013. Vestas and GE Energy lead in market share, with 19.8% and 18.6% respectively.

In the U.S., AWEA reports that 10 new wind manufacturing plants opened, 17 expanded and 30 were announced in 24 states in 2008. Texas leads in wind capacity; Minnesota and Iowa generate over 7% of their electricity from wind. NextEra Energy Resources (formerly FPL Energy) continues its lead in wind farm ownership; GE Energy has the most turbines installed; and Xcel Energy still leads investor-owned utilities in wind power. The industry has 85,000 jobs, a 70% increase from a year ago. The U.S. has 25,300 MW of wind as of December 31, 2008, enough to power 7 million U.S. homes.

**The global solar PV market** expanded 110% in 2008, despite the downturn that began in Q4, according to SolarBuzz. Spain led the sector, with a record 5.95 GW installed in 2008, up from 2.83 GW in 2007. The industry generated \$37.1 billion in revenue, compared to \$17.2 billion in 2007, and Europe was responsible for the vast majority of the demand (82%). Spain is now the world leader, followed by Germany, the US, Korea, Italy and Japan. World solar cell production reached 6.85 GW in 2008, up from 3.44 GW a year earlier. China and Taiwan increased their share of global solar cell production to 44% in 2008, rising from 35% in 2007. Meanwhile, thin film production grew 123% to 0.89 GW.

**The California Air Resources Board (CARB) approved the world's first standard to reduce carbon emissions from transportation fuels by assessing a fuel's "carbon intensity" throughout its lifecycle.** The Low Carbon Fuel Standard calls for a 10% reduction in emissions by 2020. The goal is not necessarily to reduce the amount of fuel consumed, but to cut the emissions associated with each gallon. It's intended to diversify fuel sources and stimulate demand for clean vehicles.

Fuel suppliers with lower emissions will generate credits which they can sell to suppliers that can't meet the standards. The Standard will set the bar higher for ethanol - lifecycle analysis includes the carbon released when forests are cut down for crops, emissions associated with fertilizer, and to emissions from growing, harvesting and transporting the crop. The Standard becomes mandatory in 2011. 11 states are considering similar rules.

**Over 100,000 green building professionals have now earned the LEED Accredited Professional credential**, according to the Green Building Certification Institute, outpacing its most aggressive projections even during the economic downturn. About 20,000 commercial projects have registered for or completed LEED certification.

**Meanwhile in Europe**, the European Parliament agreed on a policy that would put **smart meters in 80% of homes by 2020**. It's expected to become law by the end of 2010. And the European Commission announced that EU regions would get €105 billion through 2013 for green projects that support job creation, including rail, urban transport, renewable energy, efficiency and R&D for green manufacturing processes and products. This funding comprises over 30% of the regional budget, almost triple that of the previous budget.

The economic downturn has reduced energy demand which has caused EU carbon prices to collapse. Under the carbon trading scheme, it's cheaper to buy emission allowances than to switch to cleaner energy sources. Lower energy demand means that companies have surplus allowances. The EU plans to revise the scheme, but new legislation doesn't kick in until 2013. They see the lull as temporary, rebounding with market conditions.

**Britain passed the world's first carbon budget, committing to cutting emissions by 34% by 2020.** Over £1 billion (\$1.4 billion) has been allocated to fighting climate change through energy conservation incentives and offshore wind projects. Last year, Britain enacted legislation committing it to cut greenhouse gas emissions 80% by 2050 - the first country with a legally binding framework on climate change.

**Ireland approved a long-term feed-in tariff** to fast-track installation of renewables - wind, solar, hydro and combined heat and power - on homes and farms. The €0.19 (\$0.26) per kWh tariff applies to the first 4000 projects that register over the next three years. Small scale projects are exempt from having to seek permitting. The country expects renewables to contribute 33% of its power by 2020.

**Moving on to China**, where about 10% of the RMB 4 trillion (\$585 billion) stimulus package is dedicated to green projects, cleantech got another boost. The Ministry of Science and Technology announced it would invest RMB 10-20 billion (\$1.5-\$3 billion) on cleantech demonstration projects that can be replicated across the country. The projects are expected to boost the economy with an injection RMB 113 billion (\$16.5 billion), while reducing coal and water use. They span China's most polluting industries: petrochemicals; iron and steel; building materials; textiles; equipment manufacturing; automobiles; shipbuilding; and power generation.

Solar stocks got a big boost when China announced subsidies for solar installations, amounting to 50-60% of the cost. The government will pay 20 yuan (about \$2.94) per watt for solar PV systems over 50 kilowatts.

**Back in the U.S.**, Exelon (EXC) and SunPower (SPWR) are developing the largest urban solar plant in the nation on a brownfield on Chicago's South Side. The 10 MW, \$60 million facility is scheduled for completion by year-end. **First Solar** (FSLR) is building a 58 MW thin-film plant for Sempra Energy, which will be the largest in North America. And **First Solar** (FSLR) and **Juwi Holding AG** announced they secured financing for a 53-MW PV plant in Germany that will be the largest in Europe.

### **The Cleantech Landscape for Q109**

All this good news is against a harsh backdrop of drop-off in activity in Q109. **Worldwide, investments in wind, solar and biofuels plants dropped to \$13.3 billion in the first quarter, down 53% from Q108**, according to New Energy Finance. The severe credit crunch and the stock market crisis hit the industry hard. Q2 could have brighter results - deals have been moving through but much slower - many may not have closed by the last day of the Q1.

Although venture capital and private equity finance held up through 2008, it fell 22% in the first quarter compared to Q408, to \$1.8 billion, the lowest point in over two years. Greentech Media pegs it even lower - at \$836 million in 59 deals.

"But let's put that in perspective," says Ira Ehrenpreis, General Partner at venture capital firm, Technology Partners. "The \$800 million of investment this quarter is more capital than has been invested *annually* for most of the years that we've been investing in the cleantech sector. We still see a lot of money flowing into the sector, but investors are getting more discerning and are concentrating investments into the best companies."

Although some \$200 billion in stimulus spending worldwide is directed at cleantech, the money needs to begin flowing sooner than later. Michael Liebreich, New Energy Finance CEO says, "There is also a strong case for further measures, such as requiring state-supported banks to raise lending to the sector, providing capital gains tax exemptions on investments in clean technology, creating a framework for Green Bonds, all targeted at getting investment flowing. Many of the policies to achieve growth over the medium term are already in place, including feed-in tariff regimes, mandatory renewable energy targets and tax incentives. There is far too much emphasis among policy-makers on support mechanisms, and not enough on the urgent needs of investors right now."

Still, global investment in clean energy reached \$155 billion in 2008, up slightly from \$148 billion in 2007. Solar was the leading category for venture capital investment in Q109 with 14 deals totaling \$356 million, followed by Energy Storage (\$122M, 9 deals), and biofuels (\$94M, 6 deals), according to Greentech Media.

**Leading financing rounds include:**

**Solar:**

- Norsun (Norway): polysilicon producer; \$72 million
- SolFocus (US): concentrating PV; \$67 million
- Solar Power Partners (US): solar services; \$47 million
- Sierra Solar Power (US): thin-film; \$40 million.

**Energy Storage:**

- Boston Power (US): lithium-ion manufacturer; \$55 million.
- Nexeon (UK): lithium-ion technology; \$14 million
- ReVolt Technology (Switzerland): zinc-air battery technology for consumer electronics; \$13 million

**Biofuels:**

- BioMCN (Netherlands): converts a diesel byproduct into methanol; \$46 million
- ZeaChem (US): cellulosic ethanol; \$34 million

**Ethical Standards Meet Private Equity & Mutual Funds**

The Blackstone Group, The Carlyle Group and other members of the lobbying group Private Equity Council signed on to use environmental, public health, safety and social standards in investment decisions. Members say they believe these standards will increase profits, exactly what socially responsible investors have always maintained. The decision was prompted by discussions with their customers - institutional investors who have signed on to the United Nations Principles for Responsible Investing.

Mutual funds are also under the radar now, thanks to a Trucost report that compares the carbon footprints of the 75 largest U.S. mutual funds and 16 major socially responsible (SRI) funds. The "Carbon Counts USA" report shows the carbon intensity of mutual funds varies widely - the fund with the largest footprint is 38 times more carbon intensive than the fund with the smallest footprint.

Although SRI funds generally have a smaller footprint, some of the largest funds are among the most carbon-intensive, reflecting their diverse criteria. Funds with large carbon footprints have holdings that face greater financial risk under cap-and-trade schemes.

The study also found that fund managers could reduce exposure to carbon liabilities while maintaining financial returns. Standard & Poor's, NYSE Euronext and UBS are among financial institutions that are using carbon footprint data to manage carbon risks in indices and funds.

The most carbon-efficient funds don't invest in basic resources, carbon-intensive utilities or the oil & gas sectors, but are 80%+ invested in low-carbon sectors such as Financial Services, Banks, and Healthcare [which obviously have their own problems and we wonder whether they measured the carbon footprint of the projects banks lend to].

The Financial Select Sector SPDR ETF (XLF) has the smallest carbon footprint and the iShares FTSE/Xinhua China 25 Index ETF (FXI), which invests in coal-fired utilities in China, has the largest footprint. Among SRI funds, Ariel Appreciation (CAAPX) has the smallest footprint, driven mainly by its omission of the utility sector.

Standard & Poor's introduced the first in a series of global carbon indexes in March, the S&P U.S. Carbon Efficient Index. S&P is using Trucost's carbon data to select companies with low carbon emissions relative to sector peers, reducing carbon intensity by 48% while seeking to closely track the returns of the S&P 500. Deutsche Bank plans to launch an exchange traded fund (ETF) that tracks the index.

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For details on private companies that received funding and announced projects, [Read our Daily Green Investor news](#)

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## Market Commentary

The jury is still out on whether recent market strength is the start of a new bull market or just a bear rally, but for now, brokerage statements should be looking better for those that didn't sell out of the market. Investors have a ways to go to recoup their total losses, and we likely face a short term correction in May, but there are positive signals unfolding.

Based on historical precedent, economic and corporate news will likely be negative for another 6-8 months, and investors seem to be factoring that in. They've come to expect poor financial results in the current economic situation and, rather than being fazed by it, are increasingly looking forward. In the past few *Progressive Investor* issues, we've focused on strong companies likely to benefit from the stimulus plan ... it seems that many investors are doing the same.

For example, although the outlook for residential and commercial construction markets isn't encouraging - with a new round of loan delinquencies on both sides - some green building stocks are performing quite well. Apogee (APOG), who we've been recommending as a BUY (now a HOLD), reported a 38% decline in backlog and provided limited guidance for 2009 because of "unprecedented uncertainty." The stock dropped slightly the next day and rallied to its highest level since last October the following week. Other stocks we've recommended that have done well include Baldor (BEZ), up 75%, and Astec Industries (ASTE), up 35% from March lows.

The US Army broke ground on a \$922 million headquarters building in Alexandria, Virginia, designed to meet LEED silver certification. Stimulus funds are beginning to flow and the Feds are committed to building green, which could mitigate the downturn for the green building industry to some extent.

China's announcement of a solar subsidy pushed Chinese solar stocks higher in a strong rally, and First Solar (FSLR), long recommended as BUY, has been rising since it reached a milestone of 1 GW of annual production capacity.

On the recycling side, the global scrap market has improved meaningfully since the start of the year, says Canaccord Adams. Buying has become more widespread, export prices have stabilized at a nice premium to domestic prices, which are still fairly weak. The problem right now is finding scrap - industrial generation is down and people aren't ditching their older appliances and cars. The scrap market could be very tight if economies outside the U.S. rebound faster than we do, which would lead to a spike in prices. The US is the largest source of scrap metal. Schnitzer (SCHN) is the best buy in the group, with a \$50 target.

Over the past weeks, aluminum is up 11%, copper 6%, lead 9%, platinum 23% (YTD) and gold 8%. Rising commodity prices are positive for scrap companies, even though much of the rise can be attributed to investor fears of inflation and the decline of the US dollar. The fears result from the latest Federal Reserve bail-out. The shaky economy fundamentals don't necessarily support these price gains.

China seems to be on the road to recovery, which Canaccord Adams (CA) sees beginning in Q2. YTD the CSI 300 Index has gained 45.8%. CA believes China's 8% GDP growth target is achievable given Q1 results that show strong increases in investment and consumption.

China's National Bureau of Statistics Q1 economic data indicate the country's GDP grew 6.1% in Q109. Although exports fell 20%, fixed asset investment rose 28.8% and retail sales rose 15%. Despite the lowest quarterly GDP growth since 1999, CA sees clear signs of recovery:

- Value add of industries grew 8.3% in March versus 3.8% in January and February.
- Manufacturing PMI Index rose above 50 in March. Among the sub indices, the PMI New Orders and Purchase of Inventory were both above 50, suggesting the de-stocking process may have ended.
- Electricity generation declined -1% in March, compared with a 5.5% drop in January and February, indicating industrial activities may be about to expand.
- Record auto sales and improved housing sales in March suggest consumer confidence is intact.

The Chinese have rising incomes and high savings rates. In Q1, urban household incomes rose 11% and rural incomes rose 8%. The government has been stimulating domestic consumption, such as:

- Lower tax when selling houses for an upgrade;
- Lower tax on small-vehicles purchases;
- Subsidies for farmers that purchase home appliances (13% of purchase price);
- Subsidies for farmers to upgrade trucks, small cars and motorcycles (10% of purchase price);
- Promising to provide universal medical care.

The stock market has technically been overbought for several weeks but continues higher in a nice, low volatility uptrend, notes Sam Jones, portfolio manager of the New Power Fund. This is healthy and different from any rally we've seen since the peak in July of 2007, he says. "Since the end of March, the equity markets seem to be transitioning from trader-dominated to longer term investors, which is typical for this stage of the cycle and more confirmation that we are getting very close to a new sustainable bull market in stocks."

Analysts widely expect a pull-back in stocks as early as May 1, which would provide the final market bottom they're looking for to declare the beginning of a bull market. If that happens, we suggest you study the stocks we've been recommending and buy them when they drop to lower levels. That may be the last good entry point for awhile. When the market pulls back, look for stocks that don't pull back as much as their peers - those are the leaders to focus on.

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**Please see our Buy List in Issue 61.**

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## New Power Fund Update

by Sam Jones

In my last update in late February, I wrote:

**We're approaching one of those "best buy" moments. Once the current round of selling is over, we will lift our hedges and move our net equity exposure quickly up to 60%. I doubt our wait will be long.**

It is rare indeed for me to be able to say, I told you so, but I did!

Since March 9<sup>th</sup>, the S&P 500 has moved up 23% and our renewable energy benchmark, the Powershares Clean Energy ETF (PBW) has gained 39%, more or less erasing the losses of an ugly start to the year.

The U.S. stock market has had an impressive rally since the lows in early March. Technical analysts call it the strongest rally in two decades. The Nasdaq 100 is now up over 11% YTD. We've seen favorable volume, breadth, massive participation, increased buying pressure and persistent price strength in the face of very obvious overbought short term conditions. China and all of Asia has broken long term moving averages to the upside. Emerging markets are not far behind.

Furthermore, this has all happened in a period of less than stellar earnings, albeit better than expected earnings. We've seen a shift from a focus on defensive sectors like utilities, healthcare and staples to sectors that typically lead new bull markets - financials, consumer, tech and industrials. In fact, it's almost punishing to be invested in the recession sectors. My gut feeling is that the rotation is too early for where we are in the economic cycle and perhaps based on wishful thinking.

What can we conclude? There's certainly been a behavioral change among investors - they want to buy stocks again and they're willing to chase them higher. We often see this in the early stages of a new bull market, which means we're on our way. However, we're not in a bull market yet.

Economic data over the last couple of weeks isn't bullish - housing starts, for example, are being revised back to a new record low! Apparently, we are now 60 days away from the start of a new mortgage delinquency phase based on a credit product called the Option ARM, where the borrower has the option to make partial payments and effectively add to their principle balance monthly. There could be a slew of new delinquent loans, which won't be resolved easily by refinancing or privatization of bad debt.

Although I'm on high alert, I believe the bottom of the market is behind us. Many analysts say we must experience a re-test of the March lows before we can move into "bull" territory, but my feeling is that we're headed for a more minor correction of 15%, bringing the Dow back to about 7500. I see many more buyers than sellers at this point - there are just too many people that aren't satisfied making 1%. Markets don't move up in a straight line, however, so expect a correction in early May before we break upwards in June.

We're closely watching several asset classes and sectors for confirmation that a major low has indeed been made: high yield corporate bonds, technology, commodities and small caps. If any of these groups fail in their current intermediate term up trends or, in the case of commodities, take out the March lows, then the prospects for the future become quite a bit more sanguine.

We may have hit an intermediate term low in commodities, but the first low is often not the last. It's too early in the business cycle to expect commodities to really run up or outperform the overall market even though several base metals companies are moving strongly higher. If you want some exposure, I prefer water, base metals, timber and agribusiness. Gold and other precious metals are likely to run inversely with stocks as a fear-based investment for most.

A bottom in commodities is one more necessary ingredient in our move toward a more sustainable bull market in stocks. Martin Pring, a business cycle guru, says a bottom in commodities following a bottom in stocks often moves us into stage two of the business cycle - the most profitable and longest period. During stage two, investors will want to actively shift from bonds to stocks and commodities as they appear to be doing now. Follow the cycle, pay attention.

### **On the Green Investing front, I see several notable things happening:**

There's been a broad rally across many green sectors - wind, solar, efficiency, waste to energy, biofuels - all in gear and heading higher, albeit at different rates. As of April 2<sup>nd</sup>, among my universe of 168 publicly traded securities, 69 are positive year-to-date (YTD), 53 are up more than 10% YTD, 34 are up more than 20% YTD, 15 are up 50% YTD and remarkably 9 are up over 100% YTD.

Who's up over 100%? EnerNOC (ENOC), Whole Foods (WFMI), Syntroleum (SYNM), Advanced

Environmental Recycling (AERT), MGP Ingredients (MGPI) and Evergreen Energy (EEE).

Other than EnerNOC, which is in a sweet spot with its smart grid technology, the other stocks on this short list aren't ones we'd necessarily expect to outperform. Clearly, the market still has sorting out to do before the real leaders emerge. Low-priced stocks have been outperforming across the market - the only other time this happened early in recovery was in 1932, after which a bull market launched that lasted until 1937.

There's more upside in the second tier of leaders that are up 40-80%-plus YTD: Comverge (COMV), Cree (CREE), Ballard Power (BLDP), Trina Solar (TSL), LKQ Corp (LKQX) and Metalico (MEA). The companies are poised for growth and, despite strong gains, aren't overbought.

Finally, I'm beginning to see new demand in growth stocks for the first time in a year or so. Growth has been out of favor as it usually is in the midst of a bear market. Investors naturally seek value in an effort to limit losses and avoid speculative issues. Now the appetite for growth is returning.

Last week, the EPA declared that carbon emissions are harmful to human health and the environment. This paves the way for regulations that tax emissions, which will make renewable energy a better, more cost effective choice.

This adds tremendously to the strength of the clean energy sector. It's hard to find a down day right now to enter new stocks. As the window of mass adoption of renewables opens, another window for investors to get in near the lows is closing. Watch for a correction - that will be your best and perhaps final time for awhile to buy these stocks at low prices.

The New Power Fund is slightly positive on the year now after recovering from a -15% sloppy start to the year. We are fully invested again, but are maintaining an 8% short hedge using ProShares UltraShort Russell2000 ETF (TWM), a twice leveraged short ETF against small caps. Typically, I'm not a fan of adding hedges in a strong uptrend but my sense is this rally has gone a bit too far too fast - I expect a short round of profit taking in May before another more sustainable rally begins in June or July.

### **What To Do Now? Stay Patient**

We've just been through a rally; now we face a likely correction and the final bottom. Economic signals are still not good.

It's always much more difficult to know what to do after the market, or a sector like renewable energy, has moved this far off the lows. As a rule, I don't chase stocks but there are times when investing rules should be bent. Given the price declines off the highs in 2007 and given the opportunities that lie before us, I would suggest cautious investment now for accounts that have too much cash sitting on the sidelines. Or reserve your cash until the correction.

For now, if you want to buy stocks, focus on those that have experienced recent price pullbacks, preferably back to a 50 day moving average. The solar and wind stocks, for example, have been moving higher as a group. I think it's a hard time to choose which individual stocks will do better than others - I'd suggest investors stick with ETFs and mutual funds. They are diversified, are all in stable uptrends, and you'll avoid the risk of choosing a single stock that might be closer to a top than a bottom.

Some of the ETFs and Mutual Funds we like are:

- \* Powershares Clean Energy ETF (PBW)
- \* Powershares Global Wind ETF (PWND)
- \* Claymore/Mac Global Solar ETF (TAN)
- \* Winslow Green Growth (WGGFX)
- \* Winslow Green Solutions (WGSIX)
- \* New Alternatives (NALFX)
- \* Guinness Atkinson Alternative Energy (GAAEX)

When the correction inevitably hits, watch for stocks that don't fall as much as its sector peers. Those stocks tend to come back faster. Once we see defined leadership it's time to buy individual stocks again.

Are investors listening and taking advantage of low stock prices? Investors, understandably, seem to be in shock and afraid. We're seeing inflows into our New Power fund but selectively and timidly. Sadly, the usual pattern is that we don't see strong inflows until our fund is up over 20% - we're up 20% off the lows but only 5% up on the year now. By the time investors feel ready to jump back in they're missed the big growth curve.

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## Everybody's Talking Smart Grid

Climate change, cap and trade, and carbon taxes seem to be "dirty words" to be avoided, but there's one term everyone seems to like - Smart Grid. Among the multinationals jumping on the smart grid bandwagon are IBM, GE, AT&T, Intel and Google, which are developing in-house technologies as well as investing in leading development stage companies.

Check out GE Energy's [online ad](#), which promotes its Smart Grid wind turbine technology. Activate your computer's webcam and face it toward the solar panel or wind turbine icon, and the smart grid opens on your screen. Blow into your computer's microphone to make the turbines spin faster.

GE may be getting a little ahead of what the smart grid can do at this early stage, but clearly there's a lot of excitement about it. Jeffrey Immelt, GE CEO calls the smart grid one of the company's most important growth initiatives. Although it will take time for people to adjust to, energy management will become a trusted, efficient tool, along the lines of managing finances and banking online, he says.

The development of the Smart Grid is being compared in importance to the transcontinental railroad, the interstate highway system and the Internet, and is expected to spawn companies that rival Microsoft and Google.

### What the Smart Grid Will Do

When we talk about a smart grid, we're basically modernizing the electrical grid of the 1960s and '70s into a network that uses microprocessors and software to work efficiently and to connect to renewable energy generation. A true Smart Grid works much the way the Internet does, enabling multiple applications to operate over a shared, interoperable network. The challenge is to create an intelligent, efficient network among our 14,000 transmission substations, 4,500 large distribution substations, and 3,000 public and private owners.

After two-way meters are installed, wireless sensor networks and software will show utilities how much and where energy is being consumed, and where there are problems or blackouts in the network. Homeowners and businesses will see their energy use in real time and be able to adjust their consumption habits accordingly.

This will pave the way for real-time pricing - energy use will be priced at different rates based on the time of day and the amount of electricity demand. Utilities will be able to manage electrical loads more efficiently and homeowners/ businesses will be able to reduce their monthly energy bills.

Once transmission lines are built, the smart grid will deliver renewable energy from centralized plants to where it's needed and it will feed energy from distributed sources like rooftop solar, wind, and plug-in vehicles to the grid, while compensating power generators accordingly.

The Electric Power Research Institute says an automated smart grid would cut CO2 emissions by reducing electricity use by 1.2-4.3% by 2030. A \$16 billion investment in incentives over the next four years would drive \$64 billion toward smart grid projects, notes the GridWise Alliance, which would create 280,000 jobs - 150,000 in 2009 alone.

### Stimulus Funds for Smart Grid

The U.S. Department of Energy (DOE) is handing out \$4.5 billion in cost-shared grants for smart-grid technology development under the American Recovery and Reinvestment Act. It plans to disburse grants of \$100,000 to \$5 million to deploy grid monitoring devices, \$500,000 to \$20 million for smart grid technology, and \$615 million for regional demonstration projects on smart-grid storage, monitoring and technology viability. A 20-day public comment period has begun on the draft plan; the DOE will use the feedback to finalize the grant program structure and subsequent solicitation.

In early May, the Departments of Commerce and Energy will convene industry stakeholders at a Smart Grid meeting in Washington D.C. They will begin the all-important discussion of setting industry-wide standards - a key to making the smart grid a reality. Participants are expected to commit to a timetable for reaching a standards agreement, possibly in September.

Commerce Secretary Gary Locke says, "A smart electricity grid will revolutionize the way we use energy, but we need standards in place to ensure that all this new technology is compatible and operating at the highest cybersecurity standards to protect it from hackers and natural disasters. The Recovery Act will fund the development of those standards so the exciting technology can finally take off."

Although the stimulus funds will jump start the modernization of our grid, it will cost \$100-\$200 billion for full build-out. A smart meter costs \$100-\$300 depending on the level of sophistication - 40 million smart meters would cost a minimum of \$4 billion. The Obama Administration's goal is to install 40 million smart

meters and 3,000 miles of transmission lines.

That's small potatoes compared to the estimated \$2 trillion needed to aggregate and distribute 40 GW of clean energy by 2030, not counting the investment in software, hardware, and wireless networks to enable the power grid to intelligently manage all the additional capacity.

Europe, China and Australia also have smart grid initiatives. China's State Grid Corporation, which distributes power in all but five of China's provinces, announced it would invest RMB 250 billion (\$36.5 billion) in 2009 for ultra-high voltage transmission lines to upgrade its electric grid and improve the flow of electricity from energy producing regions to densely populated areas. The European Parliament announced a policy that would deploy smart meters in 80% of homes by 2020, which is expected to become law by the end of 2010.

### Early Action

4.7% of meters in the U.S. are smart meters, up from under 1% in 2006, according to the US Federal Energy Regulatory Commission (FERC). That number could quickly climb by the end of this year. In Europe, Italian utility Enel (ENEL) has installed 27 million meters, triple that of the U.S.

Florida Power & Light (NYSE: FPL) just announced a \$200 million "Energy Smart Miami" program which, in partnership with General Electric (NYSE: GE), Cisco (Nasdaq: CSCO) and Silver Springs Networks, will bring over 1 million smart meters to just about every Miami-Dade County home and business, creating an automated grid in the next two years. GE supplies the smart meters, Cisco provides the networking software and Silver Spring provides the wireless communications.

The partners are looking to the federal stimulus to provide the initial investment, which they estimate will create 800 to 1,000 jobs. FPL says it eventually plans to expand the network to its entire 4.5 million customers in Florida through an additional \$500 million investment. FPL also plans to integrate solar plants at several universities and government sites into the network, and will add 300 plug-in hybrids to its Miami-Dade fleet and install 50 charging stations.

Silver Spring Networks was also selected by Pepco Holdings (NYSE: POM) to provide networking solutions for its 1.9 million customers in Delaware, Maryland, New Jersey and Washington D.C. And Silver Spring is a partner in Australia's government mandated advanced metering infrastructure rollout. The program, which begins September 1 and is scheduled for completion by 2013, will network about a million homes and businesses in Victoria. Silver Spring has networking contracts with U.S. utilities representing 20% of the US population, such as Pacific Gas & Electric (NYSE: PCG), Oklahoma Gas & Electric and Florida Power & Light (NYSE: FPL).

Earlier this month, utility National Grid (NYSE: NGG), announced it will install smart meters in 15,000 Massachusetts homes, providing real-time data about electric use. Funding for the \$57 million project will come from an additional 50¢ a month on customers' bills. Last week, it filed a similar proposal in New York, which would involve 40,000 customers at a cost of \$240 million - National Grid hopes to raise half through stimulus grants.

Texas-New Mexico Power (TNMP) plans to put smart meters in 10,000 homes through a partnership with smart meter manufacturer SmartSynch and AT&T. The meters will connect to utility control stations through AT&T's wireless network. SmartSynch and AT&T have already connected smart meters at commercial and industrial locations to about 100 utilities. Verizon and other phone companies are also creating smart grid partnerships.

Energy monitors could quickly become the latest addition to phone and cable company packages that combine TV, phone and Internet service. Phone carriers like the smart grid because they can rent space on their existing transmission lines to utilities. Phone companies have already invested billions in these lines - renting them would create a new, stable, low maintenance revenue stream. Utilities would benefit by not having to invest in new transmission infrastructure.

But whether the phone company/ utility relationship works depends on how much the rental costs. Unmeshed Wi-Fi firms like Tropos are already attempting to undercut phone carrier prices. Last year, Fat Spaniel Technologies launched the first open source energy monitoring platform, which monitors all devices and systems and distills the data into usable information. They provide monitoring technology for over 2,000 renewable energy plants across 17 countries.

Venture capital firms have begun to pump money into the sector. Smart grid startups raised \$202 million in Q308 - \$120 million for Gridpoint, \$40 million for Trilliant, \$23 million for BPL Global, and \$18.5 million for Eka Systems, according to the Cleantech Group.

Soon, 50,000 lucky homes in Boulder, Colorado will participate in Smart Grid City - the first living smart grid lab in the U.S. Excel Energy (NYSE: XEL) spearheaded the \$100 million project which will outfit homes with solar panels, plug-in hybrids and, for some, a specialized heating, cooling and lighting system - all of which is integrated into an energy monitor that measures the home's carbon footprint. The home of University of Colorado Chancellor Bud Peterson served as the pilot. He and his wife were able to save enough energy to store two days back-up power and charge their car batteries. They can change the settings on the thermostat, A/C and appliances from anywhere using a Web, iPod or iPhone interface. [Watch the](#)

International consulting firm Accenture (NYSE: ACN) formed the Accenture Intelligent City Network to accelerate development of smart grids around the world. Members include utilities and city authorities, which will exchange knowledge and experience in planning and implementing smart grid technology.

Accenture says the Network will create blueprints to deploy smart grids, including how to integrate them with broader investments in intelligent infrastructures, such as smart buildings and transportation. Charter members include Xcel Energy (NYSE: XEL), East China Grid Company, a Chinese transmission company, Russian Interregional Distribution Grid Company of Centre, which is creating an "intelligent" city in Belgorod, Dutch utility Alliander N.V. and the City of Amsterdam.

### Key Smart Grid Players:

**IBM (NYSE: IBM)** is involved in 50 smart grid projects around the world. In a \$170 million project with EnergyAustralia, the country's largest electric network, IBM's IT architecture will connect 12,000 fiber optic sensing devices to the utility's operating system. The smart-grid upgrades will give the utility an "instant picture" of the network which will reduce outages, manage distributed renewable energy sources, and improve efficiency of energy distribution. Its venture capital arm invests in companies that facilitate an intelligent grid, such as Silver Spring Networks, eMeter, and SynapseSense. **IBM is a strong green investment, currently rated HOLD; Price Target: \$110. See SB20 profile: Issue 55, June/July 2008.**

**GE (NYSE: GE)** makes hardware and software for smart meters. Northern California utility PG&E is installing 3.3 million GE smart meters; American Electric Power is installing 200,000 GE smart meters, with a goal of 5 million users by 2015.

**Intel (Nasdaq: INTC)** is working with the State Grid Corporation of China, which controls 80% of China's grid, on a three-year smart grid project. The utility is using Intel's servers to run grid simulations; they're also jointly setting up a lab to find ways to embed chips into transmission equipment. The embedded chips for the smart grid (and to run microprocessors in wind turbines) are more energy efficient versions of Intel's computer chips, thus giving it a new multi-billion dollar product line. It's also working on its own meter - The Energy Detective (TED). And Intel Capital, its venture capital arm, is investing in companies like GridNet, which is creating a smart grid network based on Intel's long-range wireless protocol. GE and Intel are developing ways to stream Internet data to televisions, which could also be used to deliver household energy information.

**Cisco (Nasdaq: CSCO)** is creating networking software and plans to get involved in building energy management.

**Google (Nasdaq: GOOG)** is developing the [PowerMeter](#), now in prototype, which will take advantage of the company's masterful, free Web interfaces. Once a smart meter is connected in one's home, people will be able to see their electricity consumption in real-time on an iGoogle web page. There's a push for smart grid technology to adopt Internet Protocol, which would undoubtedly benefit Google. Google hopes to convince smart meter manufacturers to allow energy consumption information to be collected and displayed by PowerMeter on the Web. **Google is a strong, green stock. Rated BUY; Price Target: \$480. See SB20 profile: Issue 55, June/July 2008.**

**Itron (Nasdaq: ITRI)** is one of the top three metering firms in the world. Among its utility customers are Southern California Edison, where it's providing 5.3 million smart meters, San Diego Gas and Electric, Connecticut Light and Power, and Tucson Electric Power. **ITRI has a long history of positive cash flow and is a strong, green investment. Rated BUY; Price Target \$70.**

**Echelon (Nasdaq: ELON)** is another major smart grid player that manufactures network infrastructure products for demand response.

**Comverge (Nasdaq: COMV)** offers demand response programs to utilities - it has 500 utility clients and 4.5 million devices installed. Its strength is in residential services. The new Apollo Platform incorporates demand response with electric-vehicle charging facilities, renewable energy management and other smart grid features. Progress Energy Carolina and PEPCO Holding, Inc. have adopted the platform. **Rated Accumulate; Price Target: \$7. See SB20 profile: Issue 46, July/August 2007.**

**EnerNOC (Nasdaq: ENOC)** also provides demand response services, but is focused on industrial and commercial building owners, utilities and government. Solid cash flow, strong margins, with 2200 MW under management. Revenues could grow 40% this year, approaching profitability. Shares are up 48% YTD - ENOC has signed deals for 100 MW of new capacity in 2008. **Rated Buy, Price Target: \$17.**

**American Superconductor (Nasdaq: AMSC)** makes high temperature superconducting wire, which can make transmission lines 95% more efficient. It produces about 720,000 meters a year, although mass commercialization is still a few years away. AMSC received an order for 80,000 meters (50 miles), its largest order to date. Most of its revenue comes from its wind subsidiary, which operates mostly in China. **Rated BUY; Price Target \$30.**

Other important public companies include **Telvent (Nasdaq: TLVT)**, based in Spain, whose Q109 orders are at an all time high (Rated BUY; Target \$25); **ESCO Technologies (NYSE: ESE)**, Rated HOLD, **Badger Meter (NYSE: BMI)**, Rated HOLD, Target \$28.50, **PowerSecure (Nasdaq: POWR)** and **Zenergy Power (AIM: ZEN)**, which also makes superconducting wire.

### Privately Held Companies

**Landis+Gyr** has been around for 100 years and is a forerunner in advanced meters. The company has a \$360 million contract with Texas utility Oncor, a \$52 million deal with Arizona utility Salt River Power, and a \$10 million deal with Idaho Power. It has revenues of \$1.25 billion and operates in 30 countries.

**Silver Spring Networks, known as** the Cisco of the smart grid, makes IP-based software and hardware that connect utilities and customers across the power grid. Founded in 2002, it raised \$75 million, led by Kleiner Perkins Caufield & Byers.

**GridPoint** also makes hardware and software for the smart grid and has raised over \$200 million from Goldman Sachs and others.

Other companies in the space include **Sensus Metering Systems**, which is installing smart meters for 430,000 residential and commercial customers in Hawaii; **SmartSynch**, which makes smart meters that communicate through IP networks like Wi-Fi, and raised \$80 million in venture capital; **eMeter**, which makes smart grid software for utilities; **Greenbox Technologies**, whose management team created Internet Flash technology, is building a dashboard so that people can control energy use remotely; **Trilliant**, which makes hardware and software that enables time-of-use metering and two-way communication, and raised \$40 million; **Tendril**, which makes home energy management software and hardware; and **Positive Energy**, which develops research reports for utilities that help customers reduce energy consumption and receive more transparent energy bills.

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Watch a [video on smart grid](#).

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## Selected Stock Updates

### Google (Nasdaq: GOOG)

Market Cap: \$125B  
 Price: \$395.97  
 Target: \$480  
 52 Day Low/High: \$247.30-602.45

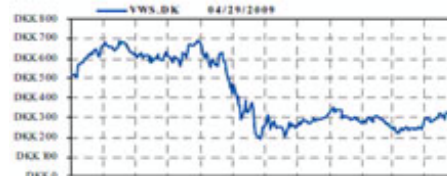
Google is a stock to own in a recovering economy, reporting strong Q1 results in line with expectations, in a challenging economy. In addition to strong internal growth, the company has become an outstanding player in the green economy.



Google entered our SB20 List last year. See SB20 profile: Issue 55, June/July 2008.

### Vestas Wind Systems AS (VWS.CO; VWDRY.PK)

Market Cap: \$12B  
 Price: DKK363 (\$64.41)  
 Target: \$ DKK450 (\$79.85)  
 52 Day Low/High: DKK180-700



Vestas, still the largest wind turbine manufacturer in the world, came through the quarter with superb results, underlining its strength even in very challenging economic conditions. Management says activity has substantially increased and expects large orders in the coming months. Vestas raised €800m in capital, buoying its position and confirming investor confidence in wind.

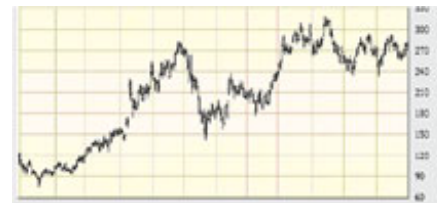
AWEA indicated that 2,800 MW of wind projects were completed in the first quarter and 3,540 MW were announced, represent 75% of the installed capacity in the U.S. for 2008. The wind market is proceeding much more bullish than was expected at the start of the year.

Vestas' valuation of 14.7X2010E doesn't fully capture its leadership position. Announcements of new orders will push the stock higher.

Vestas is a "core" member our SB20 list. See SB20 profile: Issue 46, July/August 2007.

### First Solar (Nasdaq: FSLR)

Market Cap: \$15.93B  
 Price: \$188.37  
 Target: \$205  
 52 Day Low/High: \$85.28-\$317



First Solar delivered another quarter above expectations, exceeding forecasts for revenue and earnings, with exceptional gross margins. It booked important utility projects in Q1 (see News Highlights). The company is clearly a star among in the solar group and could one of the few long-term winners. Its cost structure remains on track to compete with silicon manufacturers, even if polysilicon prices drop further.

CEO Michael Ahearn announced he would step down and would serve as Chairman of the Board. Ardour Capital views it as an opportunity to bring in someone with greater expertise in utility-scale project development.

On March 2, First Solar announced it would purchase OptiSolar's assets for \$400 million in equity. FSLR gained access to land rights with the space to build 19 GW, 1.3 GW of potential projects and a 550 MW contract with PG&E.

FSLR is now producing modules at \$0.98 per watt, edging closer to its \$0.70 goal, and widening its cost advantage over competitors. After just six years, FSLR has produced a total of 1 GW of thin film solar, and 500 MW of that was produced in the past 8 months. By the end of 2009, it says it will have the capacity to produce 1 GW every year - equivalent to an average nuclear plant.

First Solar has been on our SB20 List for 2 years. See SB20 profile: Issue 55, June/July 2008.

## Green Mountain Coffee Roasters (Nasdaq: GMCR)

Market Cap: \$1.79B  
Price: \$72.31  
Target: \$68  
52 Day Low/High: \$23-79.13

Green Mountain had a blowout quarter, handily beating estimates and signing a deal to sell its one-cup brewers in 3000 Walmart stores. Walmart is the largest retailer of coffee brewers, which could add 10-20% to GMCR's brewer sales, which rose 148% for the quarter. 40-50% annual EPS growth should continue through 2009 and could exceed 30% for the next 5-10 years.

The amount of coffee shipped increased 18.6% YOY, with Fair Trade and Organic coffees accounting for over 30% of pounds shipped.

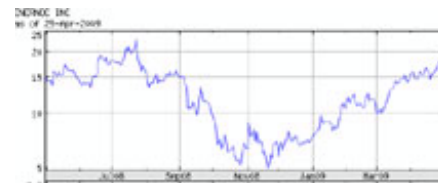
Strong sales were anticipated for the quarter, but the results were even stronger, with upside on nearly every metric. The large market opportunity for GMCR's brewers has barely been penetrated. Canaccord Adams notes, "GMCR's ultimate opportunity remains largely under-appreciated by the investment community, given that not only is nearly half of the float still sold short, but investor recognition of the stock outside of the Northeast appears modest."

*GMCR is a "core" member our SB20 list. See SB20 profile: Issue 46, July/August 2007.*



## EnerNOC (Nasdaq: ENOC)

Market Cap: \$353.93M  
Price: \$17.35  
Target: \$17  
52 Day Low/High: \$4.80-\$24.10



**Smart Grid Play.** Shares are up 48% YTD reflecting nearly 100 MW of new deals this year in demand response with strong margins, in some cases over 50%. The company has about 2200 MW under management with over 40% revenue growth, approaching breakeven.

ENOC has demonstrated its ability to execute successfully even during the recession and remains well-financed.

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**For more "Best Ideas" for stocks, see Issue 61, Stock Highlights.**

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## Stock Ratings Update

Stock Ratings from our research partners, [Cannacord Adams](#) and [Ardour Capital](#):

All stocks ratings are updated at the end of each month. We then update throughout the following month as we get new ratings.

When you see two Ratings, that means the rating changed from last month. The first is the previous rating; the second is the current rating, eg, Accumulate/ Buy

**Currencies:** "home" currencies

\*\* foreign stocks that have US ADRs

### Healthy Living Stocks

<u>Company</u>	<u>Ticker</u>	<u>Price</u>	<u>Target</u>	<u>52-Week Range</u>	<u>Rating</u>	<u>Target Updated</u>
Green Mtn Coffee	GMCR	\$72.50	\$95	23-79.13	BUY	5/6/09
Hain Celestial	HAIN	\$16.85	\$19	11.18-31.26	BUY	5/5/09
Martek BioSciences	MATK	\$18.52	\$26	15.36-39.60	BUY	
NBTY	NTY	\$26.86	\$25	12.22-37.26	BUY	
Planet Organic	POH.V; POHEF.PK	C\$0.31	C\$0.80	0.26-2.52	Hold	
SunOpta	STKL; SOY.TO	\$1.76	\$3.50	0.79-7.72	BUY	5/12/09
United Natural	UNFI	\$23.26	\$25	12.83-28.70	BUY	
Whole Foods	WFMI	\$20.30	\$18	7.04-36.03	BUY/Hold	5/7/09

#### Notes:

**GMCR:** blow-out quarter, wins Wal-Mart deal.

**HAIN:** attractive valuation, sufficient liquidity and strong industry position.

**MATK** sales remain strong with captive audience for infant formula.

**Planet Organic:** growth looks limited by the economy and liquidity.

**STKL:** recovering from investor concerns regarding liquidity. One of the best ways to play the healthy food trend - involved in all distribution channels and much of the industry supply chain, but stock has no near-term catalysts.

**WFMI** raised capital, but in for a multi-year turnaround.

### Biobased Materials

<u>Company</u>	<u>Ticker</u>	<u>Price</u>	<u>Target</u>	<u>52-Week Range</u>	<u>Rating</u>	<u>Target Updated</u>
Cereplast	CERP	\$0.08	\$0.30	0.06-0.51	Hold	
Metabolix	MBLX	\$7.72	\$7	4.62-13.88	Hold	5/7/09

### Recycling Stocks

<u>Company</u>	<u>Ticker</u>	<u>Price</u>	<u>Target</u>	<u>52-Week Range</u>	<u>Rating</u>	<u>Updated</u>
Bioteq Environmental**	BQE.TO	C\$0.49	C\$0.85	0.32-3.99	Speculative BUY	5/12/09
Casella Waste	CWST	\$2.05	\$4	0.53-14.49	BUY	

Covanta	CVA	\$14.04	\$21	12.47-29.86	Accumulate/BUY	
Darling International	DAR	\$5.97	\$9.50	2.82-17.52	Hold/Accumulate	
Headwaters	HW	\$2.65	\$4	1.22-16.40	BUY/Hold	5/6/09
LKQ	LKQX	\$17.19	\$15	8.70-23.25	Hold	5/4/09
Horsehead Holding	ZINC	\$7.24	\$8	2.26-15.45	BUY	5/13/09
Metalico	MEA	\$2.27	\$4	1.15-18.85	BUY	5/12/09
Schnitzer Steel	SCHN	\$49.82	\$50	16.45-118.55	BUY	
Sims Metal Mgmt	SMS	A\$14.72	A\$25	6.97-41.49	BUY	5/13/09

**Notes:**

**Metalico:** Q1 results beat expectations, positive margins

**Schnitzer:** Scrap export prices gain strength on widespread overseas demand. Revenues exceeded estimates.

**Green Building Stocks**

<u>Company</u>	<u>Ticker</u>	<u>Price</u>	<u>Target</u>	<u>52-Week Range</u>	<u>Rating</u>	<u>Updated</u>
Apogee	APOG	\$14.02	\$10	5.32-26	BUY/Hold	
Interface	IFSIA	\$5.93	\$7	1.45-14.33	Hold	
Trex	TWP	\$11.06	\$10	5.11-21.73	Hold	5/4/09

**Energy Stocks:**

**Efficiency/ Energy Storage**

<u>Company</u>	<u>Ticker</u>	<u>Price</u>	<u>Target</u>	<u>52-Week Range \$</u>	<u>Rating</u>	<u>Updated</u>
Active Power	ACPW	\$0.58	\$1.50	0.22-1.76	Accumulate	
American Superconductor	AMSC	\$26.15	\$30	8.22-47.53	BUY	
Badger Meter	BMI	\$39.98	\$28.50	17.58-62.74	Hold	
Baldor Electric	BEZ	\$23.08	\$25	10.21-39.90	BUY	
Beacon Power	BCON	\$0.82	NA	0.32-2.18	NA	
C&D Technologies	CHP	\$2.13	\$2.25	1.01-9.52	Hold	
Capstone Turbine	CPST	\$0.77	\$1	0.39-4.42	Hold	5/5/09
Comverge	COMV	\$8.15	\$7	2.35-15.74	Accumulate	5/8/09
CREE	CREE	\$27.61	\$14	12.57-29	SELL	
EnerNoc	ENOC	\$17.57	\$20	4.80-24.10	BUY/Accumulate	5/7/09
Energys	ENS	\$16.69	\$13	5.71-37.71	Buy/Accumulate	
Esco Techn.	ESE	\$42.78	\$40	24.84-54.06	Accumulate/Hold	5/6/09
Fuel Tech	FTEK	\$13.58	\$14	6.05-27.16	BUY	5/6/09
International Rectifier	IRF	\$17.31	NA	9.27-25.32	NA	
Ittron	ITRI	\$45.13	\$60	34.25-105.99	BUY	
Maxwell Technologies	MXWL	\$10.46	\$11	4.00-14.75	Accumulate	5/6/09

Orion Energy Systems	OESX	\$4.19	\$6	2.76-13.35	BUY	
Polypore	PPO	\$7.74	\$8	2.38-29.26	Accumulate/Hold	5/8/09
Power Integrations	POWI	\$21.50	NA	14.59-35	NA	
Satcon Technology	SATC	\$2.02	\$2.50	1.08-3.51	BUY	5/7/09
Telvent	TLVT	\$17.01	\$25	6.81-28.67	BUY	5/8/09
Ultralife Batteries	ULBI	\$7.59	\$11	4.34-14.43	Accumulate	
Zenergy	ZEN	£138	£200	93-228	BUY	5/13/09

#### Notes:

AMSC is collaborating with NREL and the National Wind Technology Center to validate the economics of a 10 MW superconductor wind turbine. The turbine is considered a "game changer" for multi-MW turbines, reducing the weight and size by up to two-thirds.

Baldor: aligning cost structure with lower revenue levels

Converge: beat estimates, strong balance sheet.

Cree: poor macroeconomic environment, aggressive Street expectations

EnerNOC: beat estimates, raised 2009 guidance; expanding product offerings to energy procurement, risk management, energy efficiency programs.

Esco: new metering product orders should happen in late-2009

Maxwell: Ultracapacitor sales continue to rise, but cash concerns remain.

Zenergy issues shares to finance growth; in line with forecasts.

#### Solar

<u>Company</u>	<u>Ticker</u>	<u>Price</u>	<u>Target</u>	<u>52-Week Range</u>	<u>Rating</u>	<u>Target Updated</u>
Akeena Solar	AKNS	\$1.15	\$4	0.58-7.95	Hold	
Arise Technologies**	APV.V	C\$0.49	C\$0.90	0.19-2.54	SELL	
Ascent Solar	ASTI	\$4.67	\$5	2.19-18.39	Accumulate/Hold	5/12/09
ATS Automation Tooling	ATA.TO	C\$4.08	NA	2.74-8.90	NA	
Canadian Solar	CSIQ	\$6.88	\$4.50	3.00-51.80	Hold	
Carmanah Technologies	CMH.TO	C\$0.85	C\$1.90	0.4-1.30	Accumulate/BUY	5/12
China Sunergy	CSUN	\$3.05	NA	1.33-15.66	NA	
Conergy AG**	CGY.DE	€0.97	NA	0.30-5.44	NA	
DayStar	DSTI	\$1.20	\$0.50	0.8-4.92	Hold/Reduce	5/12/09
DyeSol	DYE.AX	A1.12	NA	0.52-1.38	NA	
Energy Conversion Devices	ENER	\$18.83	\$24	12.85-83.33	Hold/Buy	5/12/09
Ersol Solar	ES6.DE	€104.54	NA	56.22-112	NA	
E-Ton Solar	3452.T	T95.60	NA	71-298.50	NA	
Evergreen Solar	ESLR	\$2.47	\$2.50	1.00-12.64	Hold	
First Solar	FSLR	\$190.12	\$205	85.28-317	BUY	
GT Solar	SOLR	\$7.54	\$3.50	0.88-17	Hold	5/13/09
Hoku Scientific	HOKU	\$2.78	\$2.50	1.90-8.89	Hold	
JA Solar	JASO	\$3.51	NA	1.55-26.99	NA	
LDK Solar	LDK	\$8.08	NA	3.75-52.40	NA	
MEMC	WFR	\$16.57	\$14.50	10-73.56	Hold	

Phoenix Solar AG	PS4.DE	€32.81	NA	18.55 - 53.20	NA	
Q-Cells AG**	QCE.F	€16.27	NA	9.52-88.25	NA	
Real Goods Solar	RSOL	\$1.90	\$3	1.42-9.25	Speculative BUY	5/12/09
ReneSola	SOL	\$3.43	NA	2.02-29.48	NA	
Renewable Energy Corp.	REC.OL	NOK60	NA	40.75-181	NA	
SolarFun Power	SOLF	\$4.39	NA	2.27-29.17	NA	
Solar Millennium	S2M.DE	€15.16	NA	6.11-35.10	NA	
SolarWorld AG**	SWV.DE	€20.70	NA	10.80-36.42	NA	
Solon AG**	SOO1.DE	€9.13	NA	5.41-62.67	NA	
Spire Corp.	SPIR	\$6.95	\$4	2.94-18.38	Hold	
SunPower	SPWRA	\$27.28	\$36	18.50-107	BUY	
Suntech	STP	\$15.09	\$8	5.09-49.60	Hold/Reduce	5/12/09
Trina Solar	TSL	\$14.25	\$6	5.61-53.50	Hold	
Yingli Green Energy	YGE	\$7.07	NA	2.50-27.96	NA	

#### Notes:

**Arise:** Balance sheet risk too high.

**Ascent:** will probably raise capital in Q2, competitive in thin film if it increases efficiency.

**Carmanah** now has strong leadership, is profitable with free cash flow. A leader in solar LED lighting.

**First Solar:** exceeded Q1 forecast, exceptional margins; projects bankable even in difficult financing climate.

**Real Goods:** Sales are holding up despite recession, aided by acquisitions, lower solar panel prices, and larger projects.

**SunPower:** weak Q1, revenues down 47%, viewed as buying opportunity.

**Suntech:** announced plans to build US factory on 5/12. Trails other solar firms in US marketshare.

**Trina Solar:** impact of the credit crisis & margin erosion in 2009. Curtailed expansion plans.

#### Wind

Company	Ticker	Price	Target	52-Week Range	Rating
Boralex**	BLX.TO	C\$6.27	NA	5.00-18.79	NA
Canadian Hydro Developers	KHD.TO	C\$2.90	C\$3.75	2.01-6.32	BUY
Clipper Wind**	CWP.L	£70.50	£100	61.88-675	Hold
Gamesa**	GAM.MC	€13.82	€11.50	7.74-36.18	Accumulate
Iberdrola Renovables	IBR.MC	€3.04	NA	2-4.95	NA
Japan Wind Development	2766.T	¥278000	NA	132,600-480,000	
Nordex**	NDX.F	€12.65	€12.50	7.14- 32.95	Accumulate/Hold
REpower Systems	RPW.DE	€85.99	€119	50.52-243.54	Buy
Theolia**	TEO.PA	€2.76	NA	1.09-24.93	NA
Vestas Wind**	VWS.CO	DKK363	DKK450	180-700	BUY

Vestas beat Q1 estimates, expects significant orders in coming months

### Geothermal/ Wave Energy

<u>Company</u>	<u>Ticker</u>	<u>Price</u>	<u>Target</u>	<u>52-Week Range</u>	<u>Rating</u>	<u>Target Updated</u>
Ocean Power Technologies**	OPTT	\$6.35	NA	3.78-12.44	NA	
Ormat Technologies	ORA	\$34.76	NA	21.83-57.69	NA	
Raser Technologies	RZ	\$3.98	NA	2.15-11.79	BUY	
US Geothermal**	GTH.TO	C\$1.04	NA	0.46-3.05	NA	
WaterFurnace**	WFI.TO	C\$22.57	C\$31.50	19.44-32	BUY	5/7/09

#### Note:

WaterFurnace: mixed 2009 outlook, but longer-term growth has never looked better.

### Biofuels/ Transport

<u>Company</u>	<u>Ticker</u>	<u>Price</u>	<u>Target</u>	<u>52-Week Range</u>	<u>Rating</u>	<u>Updated</u>
BYD Company	1211.HK	HK20.35	NA	9.39-21.50	NA	
D1 Oils**	DOO.L	£10.00	NA	5.13-32.25	NA	
Dynamotive Energy	DYMTF	\$0.27	\$1.10	0.10-0.74	Hold	
Fuel Systems Solutions	FSYS	\$15.42	\$28	9.83-61.24	BUY	5/12/09
Gushan	GU	\$2.33	\$7	1.23-17.95	BUY	5/7/09
Nova Biosource	NBF	\$0.02	\$0.25	0.01-1.45	Suspend	
Pacific Ethanol	PEIX	\$0.37	\$0.25	0.20-6.86	Suspend	
Westport Innovations**	WPT.TO	C\$5.65	NA	3.89-19.25	NA	
Zongshen PEM Power Systems	ZPP.TO	C\$1.35	C\$.60	0.32-1.45	Hold	

#### Notes:

**Gushan:** undervalued

**Nova Biosource:** filed for bankruptcy on March 30.

### Fuel Cells/Hydrogen

<u>Company</u>	<u>Ticker</u>	<u>Price</u>	<u>Target</u>	<u>52-Week Range</u>	<u>Rating</u>	<u>Target Updated</u>
Ballard Power Systems	BLDP	\$1.95	\$2.25	0.85-4.75	Hold	
Fuel Cell Energy	FCEL	\$3.24	\$6.00	1.98-10.30	Accumulate	
Hydrogenics Corp.	HYGS	\$0.46	\$0.60	0.29-2.45	Accumulate/Hold	
ITM Power**	ITM.L	£18.00	NA	10-59.25	NA	
Mechanical Technology	MKTY	\$0.59	NA	0.35-5.50	Hold	
Medis Technologies	MDTL	\$0.36	NA	0.26-10.18	NA	

Plug Power	PLUG	\$1.05	\$1	0.64-3.33	Accumulate/Hold	5/7/09
Quantum Fuel Systems	QTWW	\$0.77	\$1	0.53-3.22	Hold	
Smart Fuel Cell	F3C.DE	€5.95	€7	5-15.21	Accumulate	

### Water

<u>Company</u>	<u>Ticker</u>	<u>Price</u>	<u>Target</u>	<u>52-Week Range</u>	<u>Rating</u>	<u>Updated</u>
Aqua America	WTR	\$18.50	NA	12.20-22	NA	
BWT AG**	BWT.AV	€14.22	NA	9.64-30.20	NA	
Calgon Carbon	CCC	\$16.70	\$18	9.11-23.03	BUY	5/4/09
Energy Recovery	ERII	\$8.00	\$9	4.50-13.25	Accumulate/Hold	5/8/09
Met-Pro	MPR	\$10.31	\$12	5.88-16.70	BUY	
Pure Technologies	PUR.V	C\$3.25	C\$4.50	2-4.00	BUY	
Tetra Tech	TTEK	\$24.56	\$25	14.20-30.15	Hold	
Veolia Environnement**	VE	\$27.311	NA	19.14-73.65	NA	

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