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STREET WATCH

# Alternative-energy investments enjoy post-Katrina surge

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NEW YORK -- Even as Hurricane Katrina drove oil stocks and oil-related investments ever higher, renewable energy investments have had a surge of their own in the past three weeks.

Of course, it's happened before. When a summertime blackout two years ago shut off electricity in large chunks of the Midwest and East Coast, alternative-energy stocks enjoyed another spike, only to fall back a few months later.

This time around the spike may be permanent. With oil above \$60 a barrel rather than \$30 as it was in 2003, technologies such as fuel cells, turbines, solar and wind are a lot more competitive.

"Katrina brought home just how reliant this country is on oil for our energy supply," said Robert Wilder, manager of the WilderHill Clean Energy Index. "The market for these technologies is enormous."

Since Katrina hit land, an exchange-traded fund that tracks Wilder's index has more than doubled in assets. Although the influx of money into the PowerShares WilderHill Clean Energy Portfolio hardly brings it into competition with the tens of billions of dollars in assets at Fidelity's Magellan mutual fund, the jump is a notable development.

Wilder attributes the recent investment surge to fears that the country's energy supply is becoming increasingly vulnerable to abrupt price fluctuations, terror attacks here and abroad, acts of nature and the whims of foreign governments.

Wilder, a lecturer in energy policy at the University of California at San Diego, said that since Aug. 29, the value of the portfolio has grown to \$129 million from \$56 million. One of 22 funds operated by PowerShares Capital Management of Wheaton, WilderHill is up 12 percent since it launched in March.

But with oil at \$65 a barrel, Walter Nasdeo, research director at `Ardour Capital Investments, a New York boutique firm that specializes in the

renewable-energy industry, said renewable energy products are financially competitive. Therefore, he says investors can both help to develop companies that produce efficient energy and make money at the same time.

"We don't think the world will not use oil, but we believe these companies have enormous upside as more businesses and factories look for low-cost, secure sources of energy," Nasdeo said.

Most renewable energy companies have revenues under \$50 million and operate in the red. One good example is Capstone Turbine Corp., which builds on-site power generators, and holds the largest weighted position-- 8.7 percent--on the WilderHill Clean Energy Index.

According to Nasdeo, Capstone's revenues should grow to about \$17 million this year and \$22 million in 2006, up from \$12.6 million last year.

More important, cash burn has been coming down: from \$47 million in 2004 to about \$39 million this year and about \$37 million next year.

Capstone's stock is up 164 percent this year. Since Aug. 25, which was on the cusp of Katrina, the stock has jumped 33 percent. Nasdeo has a 12-month price target of \$7 a share, up from Friday's close of \$4.83, and added that even propelled by the burst in interest, the stock "won't strain itself" if it goes higher.

Even major utility companies are likely to become Capstone clients, said Jamie Wimberly, who oversees the Distributed Energy Stock Index, a project of Washington, D.C.-based Distributed Energy Financial Group LLC. Utilities, he said, are desperate to find alternatives to transmission lines that can lose 15 percent of power when moving electricity thousands of miles from generator to end-user.

Wimberly, who is planning to launch its own exchange-traded fund by the end of the year, also likes American Power Conversion Corp., a \$1.7 billion-a-year company that makes uninterruptible power-supply products typically sold to hospitals, factories and public works facilities.

But even Capstone and APCC don't satisfy the green criteria of longtime renewable-energy purists like Maurice Schoenwald, who launched his mutual fund New Alternatives Fund in 1982.

Schoenwald's largest holdings are in Spanish companies, some of which operate wind parks that produce electricity for large industrial users. Within the U.S., Schoenwald likes FuelCell Energy Inc. and Plug Power Inc., both of which use on-site fuel cells to produce energy for manufacturing plants, hotels, prisons and universities.

As for a pure solar play, renewable-energy funds often include Evergreen Solar Inc., a maker of solar panels, which does about 35 percent of its business in Europe.

"The concept we started with was having a clean environment and ... clean energy," Schoenwald said. "Finally, it seems people are catching on."

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