
The Dow Jones Utility Average (DJUA) is both the youngest of the three Averages calculated by Dow Jones and the most stable. During its 78-year existence, there have only been three major reorganizations of the index and only 40 companies have been part of the Average since it was introduced in 1929. This is quite a contrast to the Industrials and Transportation Averages which have had over 100 components during their histories and change their constitutions every two or three years.

As part of Global Financial Data's United States Stocks Project, we are putting together histories of all New York Stock Exchange issues back to 1815. This will enable our users to study the history of individual companies back to their beginning. In order to help our customers study the past, we are putting together histories of the major indices so they can study how the indices behaved in the past. This article looks at one of those components, the Dow Jones Utility Average.

Why an Average?

It should be remembered that the DJUA is an average rather than an index, based upon the average price of the stocks rather than the capitalization. When the Dow Jones Average was first calculated back in 1885 using an average was the logical way to calculate an index. Few people realize it, but until October 13, 1915, stocks on the NYSE were quoted as a percent of their par value. Most stocks were issued at \$100 so quoting the stock at 120 made no difference, but if a stock were issued at \$50, a quote of 120 meant the stock sold at 120% of its \$50 par, or \$60.

Since all stocks were quoted in percentage terms, an average was the easiest way to calculate the index. If a stock reduced its par from \$100 to \$50, in effect a 2 for 1 split, the stock would continue to be quoted at 120%, so there was no need to adjust the divisor for the index. This also made it easier to substitute stocks in the Average since their quoted prices were similar in value.

The introduction of trading based upon the dollar value of stocks created problems for both the Dow Jones and New York Times Averages when stocks split. The New York Times chose to count stocks twice if they split, in effect ignoring the split, whereas Dow Jones chose to introduce a divisor and adjust it when splits occurred. Since no DJUA companies split until the 1950s, there was no need to change the divisor until then.

Today computers make it simple to calculate capitalization based indices of stocks, but the revival of equal-weighted indices for the S&P 500 and other indices shows the value of this approach.

The Introduction of the Dow Jones Utility Average

The DJUA was introduced in the December 25, 1929 issue of the Wall Street Journal, a Christmas present, if you will, to Wall Street data buffs. The index was calculated back to July 1, 1929 to provide some history, and in April of 1930, it was extended back to January 2, 1929. The Average only included 18 stocks before July 1, 1929 because quotes could not be found for

two of the components, Commonwealth & Southern and Niagara Hudson Power (now Niagara Mohawk) before July 1929.

The original index included 20 Utility companies broadly defined to include telephone companies, electric utilities and natural gas utilities. Of the original 20 companies, five remain in the Average today: Edison International (originally Southern California Edison Co.), PG&E (originally Pacific Gas & Electric), Public Service Enterprise Group Inc. (originally Public Service Co. of New Jersey), American Electric Power (originally American Gas & Electric Co.) and Consolidated Edison. Here is a list of the original components as introduced in December 1929.

American & Foreign Power	Electric Power & Light Co.
American Gas & Electric Co.	Engineers Public Electric
American Power & Light Co.	International Telephone & Telegraph
American Telephone & Telegraph	National Power & Light
American Water Works & Electric Co.	North American Co.
Brooklyn Union Gas	Pacific Gas & Electric
Columbia Gas System	Public Service Co. of N.J.
Consolidated Gas System	Standard Gas & Electric Co.
Consolidated Edison	Western Union Telegraph
Niagara Hudson Power (later Niagara Mohawk Power)	
Southern California Edison (now Edison International)	

The DJUA remained unchanged until June 1, 1938 when the Average was reduced to 15 companies and the telephone companies were removed. One interesting consequence was that American Telephone & Telegraph was moved to the Dow Jones Industrial Average (DJIA) on March 14, 1939 and replaced IBM. IBM was not added back to the DJIA until June 29, 1979. During those 40 years, IBM was one of the best performing stocks on the New York Stock Exchange and if it had been kept in the DJIA during those 40 years, the Average would be much higher than it is today.

The Public Utility Holding Company Act of 1935

The next major change in the DJUA resulted from the Public Utility Holding Company Act of 1935 (PUHCA). Until the 1930s, many utilities were owned by holding companies that stretched across state lines. The purpose of the legislation was to force Utility Holding Companies to divest themselves of utilities they owned across state lines in order that they could be regulated by individual states. The importance of the holding companies was reflected in the fact that up until the 1930s, S&P kept separate indices for Utility Operating Companies and Utility Holding

Companies.

Another reason for the law was Samuel Insull whose holding company owned a number of Chicago area public utilities as well as railroads. It was both the monopolistic influence his companies had and the repercussions caused by the collapse of his holding company that contributed to the passage of the PUHCA. The Energy Policy Act of 2005 repealed the PUHCA effective February 8, 2006.

Since several members of the DJUA were holding companies. The problem not only was that the holding companies were shrinking in size and became completely different firms, but that the utility holding company stocks were quite volatile due to the uncertainty over the companies' future.

Six holding companies in the DJUA Average (Commonwealth & Southern Corp. Preferred, American Water Works & Electric, Electric Bond & Share, Electric Power & Light, Engineers Public Service and North American Co.) were removed. These companies either distributed shares in the new companies that were spun off to shareholders (Engineers Public Service Co.), they sold their interest in other utilities (North American sold its interest in St. Louis County Gas Co.) or they ceased operations as a domestic utility (Electric Bond & Share Co.) After the reorganization, the DJUA, it included four natural gas companies, three electric utility holding companies (which had direct control over their subsidiaries and did not have to reorganize under the PUHCA) and eight operating electric utilities.

Despite the changes in the members of the DJUA, the divisor for the Average did not change. The divisor had been lowered from 20 to 15 when the Average removed 5 stocks in 1938, but no change in the divisor was made in 1946 despite changes in 40% of the Average.

The Utility Average Modernizes

No further changes were made in the DJUA for the next 38 years! It would be hard to conceive of the same components of the DJUA in 2007 still being their in 2045, but that's the way things used to be. The change in 1986 only occurred because the Cleveland Illuminating Co. (a member of the DJUA) and Toledo Edison merged into Centerior Energy. So in one sense, it wasn't really a change at all.

In 1991, ARKLA, Inc. (later NorAm Energy) replaced Columbia Gas when Columbia Gas filed for protection under federal bankruptcy law, making it the first real change to the DJUA in 43 years.

The third big change in the DJUA occurred in 1997 when the editors of the Wall Street Journal made an attempt to "revitalize" the DJUA by adding "some of the largest, most actively traded and innovative utilities in the country." Given the fact that the country was in the middle of the Dot Com Boom, these changes were in keeping with the spirit of the times. The change also tried to make the index more geographically diversified, with less of an emphasis on east coast utilities, and to increase the number of natural gas companies represented in the index. Consequently, Columbia Gas, which had been replaced by ARKLA, Inc. was added back into

the Average. The changes left the DJUA with ten electric companies and five natural gas companies.

Three mergers in 2000 led to changes in the DJUA. Dominion Resources was added when it acquired Consolidated Natural Gas, and NiSource, Inc. was added when it acquired Columbia Energy. When PECO Energy acquired UniCom and reorganized as Exelon, the change necessitated the addition of a new company since both PECO Energy and UniCom had been in the DJUA. This led to the addition of AES Corp. Though located in Virginia, AES Corp. is a global company providing electricity and natural gas to customers on five continents giving the DJUA a global presence.

One of the additions to the DJUA in 1997 was Enron, which certainly qualified as an innovative utility, but not to the benefit of its shareholders. It was removed from the DJUA on December 2, 2001 when it collapsed into bankruptcy. Enron was replaced by First Energy Corp.

The DJUA in the 21st Century

Will the DJUA remain as stable in the 21st Century as it did in the 20th Century? Probably not, but it will doubtless remain the most stable of the three averages Dow Jones Calculates. There were only three major changes in the Dow Jones Utility Average in the 20th Century, in 1938, 1946 and 1997. All of the other changes resulted from a merger/acquisition or bankruptcy.

A complete list of the companies that have been in the DJUA since 1929 is provided below. The list includes both the date when the company was added, the date when it was removed and the symbol for the stock.

In some ways the DJUA is a relic of the past, but in an era when the components of the S&P 500 change several times a month, having such a stable index is quite reassuring.

Stock	Added	Removed
AES Corp	10/23/2000	Current
American & Foreign Power	01/02/1929	06/01/1938
American Electric Power	01/02/1929	Current
American Power & Light Co.	01/02/1929	06/01/1938
American Telephone & Telegraph	01/02/1929	06/01/1938
American	01/02/1929	05/07/1947

Water Works & Electric Co., Inc.		
Brooklyn Union Gas Centerior Energy Corp	01/02/1929	06/01/1938
CenterPoint Energy Inc.	05/01/1986	05/11/1997
Cleveland Electric	05/08/1948	Current
Illuminating Co. Columbia Energy	05/08/1948	04/30/1986
Columbia Energy	01/02/1929	08/02/1991
Commonwealth & Southern	05/12/1997	11/01/2000
Commonwealth & Southern pfd. Consolidated Edison	07/01/1929	06/01/1938
Consolidated Natural Gas Co.	06/02/1938	05/07/1947
Dominion	01/02/1929	Current
Resources, Inc. DTE Energy	05/08/1948	01/30/2000
Duke Energy	01/31/2000	Current
Edison	05/08/1948	05/11/1997
International Electric Bond and Share Co.	05/12/1997	Current
Electric Power & Light Corp.	01/02/1929	05/07/1947
Engineers	06/02/1938	05/07/1947
Public Electric Enron Corp.	01/02/1929	05/07/1947
Exelon	01/02/1929	05/07/1947
First Energy Corp.	05/12/1997	12/02/2001
International Telephone & Telegraph	05/08/1948	Current
National Power & Light	12/03/2001	Current
	01/02/1929	06/01/1938

Niagara	07/01/1929	05/11/1997
Mohawk Power		
NiSource, Inc.	11/02/2000	Current
NorAm Energy	08/05/1991	08/06/1997
North American Co.	01/02/1929	05/07/1947
Pan Energy Corp.	05/08/1948	05/11/1997
People's Energy Co.	06/02/1938	05/11/1997
PG&E	01/02/1929	Current
Public Service Enterprise Group Inc.	01/02/1929	Current
Southern Co.	05/12/1997	Current
Standard Gas & Electric Co.	01/02/1929	06/01/1938
TXU Corp.	05/12/1997	Current
Unicom	06/02/1938	10/22/2000
Western Union Telegraph Co.	01/02/1929	06/01/1938
Williams Cos.	05/12/1997	Current