COHEN & STEERS SELECT UTILITY FUND INC
Form N-CSR
March 06, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21485

Cohen & Steers Select Utility Fund, Inc.
(Exact name of registrant as specified in charter)

280 Park Avenue, 10th Floor, New York, NY	10017
(Address of principal executive offices)	(Zip code)

Adam M. Derechin

Cohen & Steers Capital Management, Inc.

280 Park Avenue

New York, New York 10017
(Name and address of agent for service)

Registrant s telephone number, including area code: (212) 832-3232

Date of fiscal year end: December 31

Date of reporting period: December 31, 2008

Item 1. Reports to Stockholders.

COHEN & STEERS SELECT UTILITY FUND, INC.

To Our Shareholders:

We are pleased to submit to you our report for the year ended December 31, 2008. The net asset value at that date was $13.21 per common share. The Fund's common stock is traded on the New York Stock Exchange (NYSE) and its share price can differ from its net asset value; at year end, the Fund's closing price on the NYSE was $10.30. The total returns, including income, for the Fund and the comparative benchmarks were:

	Six Months Ended December 31, 2008	Year Ended December 31, 2008
Cohen & Steers Select Utility Fund at Market Value[a]	54.07%	57.40%
Cohen & Steers Select Utility Fund at Net Asset Value[a]	46.25%	49.17%
S&P 1500 Utilities Index[b]	24.80%	26.70%
S&P 500 Index[b]	28.47%	36.99%
Blended benchmark 80% S&P 1500 Utilities Index/ 20% Merrill Lynch Fixed Rate Preferred Index[b]	24.11%	25.49%

The performance data quoted represent past performance. Past performance is no guarantee of future results. The investment return and the principal value of an investment will fluctuate and shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance results reflect the effects of leverage, resulting from the issuance of preferred shares and borrowings under a credit agreement.

A quarterly dividend of $0.24 per common share was declared and will be paid to common shareholders on March 31, 2009.[c] The Fund may pay distributions in excess of the Fund's investment company taxable income and net realized capital gains. This excess would be a "return of capital" distributed from the Fund's assets. Distributions of capital decrease the Fund's total assets and, therefore, could have the effect of increasing the Fund's expense ratio. In addition, in order to make these distributions, the Fund may have to sell portfolio securities at a less than opportune time.

[a] As a closed-end investment company, the price of the Fund's New York Stock Exchange-traded shares will be set by market forces and at times may deviate from the net asset value per share of the Fund.

[b] S&P 1500 Utilities Index is an unmanaged market capitalization weighted index of 72 companies whose primary business involves the generation, transmission and/or distribution of electricity and/or natural gas. The S&P 500 Index is an unmanaged index of common stocks that is frequently used as a general measure of stock market performance. The Merrill Lynch Fixed Rate Preferred Index is an unmanaged index of preferred securities.

[c] Please note that distributions paid by the Fund to shareholders are subject to recharacterization for tax purposes. The final tax treatment of these distributions is reported to shareholders after the close of the calendar year.

COHEN & STEERS SELECT UTILITY FUND, INC.

Investment Review

The year was volatile for equities in the United States and around the world. It began with a sell-off driven by a fresh wave of write-downs from major banks, followed by the hastily arranged sale of Bear Stearns to JPMorgan Chase. The shocks kept coming, picking up speed in September with the U.S. government takeover of Fannie Mae and Freddie Mac, Lehman Brothers' bankruptcy and the nationalization of insurance giant AIG.

Amid concerns that the entire financial system could be at risk, the U.S. Congress, Treasury secretary and Federal Reserve chairman structured a $700 billion rescue package that has been used to buy preferred shares in banks to bolster capital and encourage lending. The Fed and other central banks dropped interest rates and implemented stimulus packages in a coordinated effort to break the credit freeze and kick-start the global economy.

Utilities stocks declined in this environment, but not as much as the broader equity market. Utilities' defensive characteristics less cyclical revenues that benefit from regulation, minimal competition and stable underlying demand often help relative performance during periods of sharp market downturns.

The utilities market was influenced by trends in natural gas prices, which are a key determinant of U.S. power prices and therefore, in many cases, utilities' profit margins. Prices for natural gas and other commodities surged in the first half of the year, only to have a strong retreat in the second half. The reversal, and concerns that prices still had room to fall, weighed disproportionately on utilities that operate in unregulated markets, such as some integrated utilities and independent power producers.

Preferred securities caught in the downdraft

Preferred securities outperformed common stocks in 2008, but still experienced their worst bear market in history, with a total return of   25.2% as measured by the Merrill Lynch Fixed Rate Preferred Index. This reflected economic concerns and turmoil within the financial services industry (financial institutions are heavily represented in the preferred market). However, preferreds ended the year on a more positive note, lifted by the massive global policy response to support global banking systems.

A difficult year for leverage and AMPS

The Fund employs leverage as part of an income-enhancement strategy. While leverage can increase total return in rising markets, it can have the opposite effect in declining markets. In the year ended December 31, 2008, the Fund's leverage detracted significantly from its performance, magnifying the steep decline in the securities it held. As described on page 1, the Fund had a total return on net asset value of   49.17%, compared with a total return of   26.70% for the unleveraged S&P 1500 Utilities Index. That decline started early in the year and was more significant in the fourth quarter.

The Fund's leverage initially consisted of auction market preferred securities (AMPS). Then, in the first quarter of 2008, the AMPS market experienced a major disruption that resulted in failed auctions for many of these securities, including the Fund's. The Fund's Board of Directors and its advisor sought a solution that would preserve

COHEN & STEERS SELECT UTILITY FUND, INC.

the interests of both common and preferred shareholders; and in the third quarter, the Fund entered into a financing arrangement that, along with portfolio liquidations, allowed it to redeem $360 million of its outstanding AMPS and helped diversify its capital structure.

During the fourth quarter of 2008, extreme swings in the equities markets also resulted in volatility in the net asset value of the Fund, causing the Fund to reduce its leverage by $262 million in order to meet required regulatory and rating agency thresholds governing leverage ratios.

In light of these market conditions, which included lower asset values, reduced net investment income and the effects of deleveraging by $262 million, the Fund's Board of Directors changed from a monthly to a quarterly distribution payment schedule and reduced the distribution rate, beginning with the distribution to be paid in March 2009, to reflect the Fund's current estimated net investment income.

The Fund's decline was steep

The Fund underperformed its benchmarks. Benchmarks do not use leverage and their performance does not reflect its impact. The Fund's utilities holdings underperformed the S&P 1500 Utilities Index. Factors that hindered relative return included our allocation to integrated and electric utilities that own deregulated power plants, as these stocks were hampered by the reversal in commodity prices. Stock selection in the oil and gas storage and transportation sector detracted from performance, more than countering the favorable effect of our overweight in gas pipelines. Our underweight in regulated utilities also hindered relative return.

Performance was helped by our underweight in the lower-yielding independent power producers sector, which had a sizable decline, although stock selection partly offset this. Our allocation to preferred securities, which we consider an important source of income, had little net effect on the Fund's performance compared with the blended benchmark. While security selection was relatively favorable, our underweight detracted from relative return.

Investment Outlook

We believe that utilities remain attractive, even after discounting the effects that challenging economic and financial conditions are likely to have on earnings and cash flows. Utilities stocks are trading at a multiple of 11.3x year-ahead earnings, well below the long-term average of 14x. We believe that long-term earnings growth should be approximately 7% on an annualized basis, ahead of the 3-4% historical average as fundamentals remain healthy steady increases in demand over time, with supply constrained by regulatory factors.

We favor regulated utilities that have strong balance sheets and attractive infrastructure opportunities. We also believe that our integrated utility holdings should experience rising values for their generation assets as supply and demand tighten over the next several years.

COHEN & STEERS SELECT UTILITY FUND, INC.

Sincerely,

MARTIN COHEN	ROBERT H. STEERS
Co-chairman	*Co-chairman*
ROBERT S. BECKER	WILLIAM F. SCAPELL
Portfolio Manager	*Portfolio Manager*

The views and opinions in the preceding commentary are subject to change. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice and is not intended to predict or depict performance of any investment.

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For more information about any of our funds, visit cohenandsteers.com, where you will find daily net asset values, fund fact sheets and portfolio highlights. You can also access newsletters, education tools and market updates covering the global real estate, listed infrastructure, utilities, large cap value and preferred securities sectors.

In addition, our Web site contains comprehensive information about our firm, including our most recent press releases, profiles of our senior investment professionals and an overview of our investment approach.

COHEN & STEERS SELECT UTILITY FUND, INC.

Our Leverage Strategy
(Unaudited)

Our leverage strategy utilizes a combination of auction market preferred shares (AMPS) and borrowings, potentially, up to the maximum permitted by the 1940 Act under certain market conditions, to provide additional capital for the Fund, with an objective of increasing the net income available for common shareholders. As of December 31, 2008, leverage represented 41% of the Fund's managed assets, with AMPS and borrowings each representing 31% and 10%, respectively.

It has been our philosophy to utilize interest rate swap transactions to seek to reduce the interest rate risk inherent in our utilization of leverage. Considering that AMPS have variable dividend rates and borrowings have variable interest rate payments, we seek to lock in those rates on a significant portion of this additional capital through interest rate swap agreements (where we effectively convert our variable rate obligation to a fixed rate obligation for the term of the swap agreements). Specifically, as of December 31, 2008, we have fixed the rate on 45% of our leverage at an average interest rate of 3.4% for an average remaining period of 4.3 years (when we first entered into the swaps, the average term was 5.3 years). Locking in a significant portion of our leveraging costs is designed to protect the dividend-paying ability of the Fund. The use of leverage increases the volatility of the Fund's net asset value in both up and down markets. However, we believe that locking in a portion of the Fund's leveraging costs for the term of the swap agreements partially protects the Fund's expenses from an increase in short-term interest rates.

Leverage Facts[a]

Leverage (as a % of managed assets)	41%
% Fixed Rate	45%
% Variable Rate	55%
Weighted Average Rate on Swaps	3.4%
Weighted Average Term on Swaps	4.3 years
Current Rate on AMPS[b]	1.8%
Current Rate on Debt[c]	1.5%

The Fund intends to enhance its dividend yield through leverage. There are special risks and costs associated with leverage. The net asset value of the Fund's common shares may be reduced by the issuance and ongoing costs of leverage. As long as the Fund is able to invest in securities that produce a realized investment yield that is greater than the total cost of leverage, the leverage strategy will produce higher current net investment income for the common shareholders. On the other hand, to the extent that the total cost of leverage exceeds the incremental income gained from employing such leverage, the common shareholders would realize lower net investment income. In addition to the impact on net income, the use of leverage will have an effect of magnifying capital appreciation or depreciation for common shareholders. Specifically, in an up market, leverage will typically generate greater capital appreciation than if the Fund did not employ leverage. Conversely, in down markets, the use of leverage will generally result in greater capital depreciation than if the Fund did not use leverage. To the extent that the Fund is required or elects to reduce its leverage, the Fund may need to liquidate investments at times of adverse economic conditions, which may result in capital losses and potentially reduce returns to common shareholders. There can be no assurance that a leverage strategy will be successful during any period in which it is employed.

[a] Data as of December 31, 2008. Information subject to change.

[b] See Note 5 in Notes to Financial Statements.

[c] See Note 6 in Notes to Financial Statements.

COHEN & STEERS SELECT UTILITY FUND, INC.

DECEMBER 31, 2008

Top Ten Long-Term Holdings[a]
(Unaudited)

Security	Value	% of Managed Assets
Exelon Corp.	$ 60,568,410	6.3%
Southern Co.	58,709,417	6.1
Duke Energy Corp.	58,255,731	6.1
FPL Group	45,978,569	4.8
PG&E Corp.	42,188,171	4.4
Entergy Corp.	34,401,688	3.6
FirstEnergy Corp.	32,340,580	3.4
Public Service Enterprise Group	31,614,446	3.3
Xcel Energy	23,033,201	2.4
PPL Corp.	22,842,567	2.4

[a] Top ten holdings are determined on the basis of the value of individual securities held. The Fund may also hold positions in other types of securities issued by the companies listed above. See the Schedule of Investments for additional details on such other positions.

Sector Breakdown

(Based on Managed Assets)
(Unaudited)

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SCHEDULE OF INVESTMENTS

December 31, 2008

		Number of Shares	Value
COMMON STOCK	121.1%		
ENERGY	8.0%		
INTEGRATED OIL & GAS	0.1%		
Duncan Energy Partners LP		25,900	$ 352,240
OIL & GAS EQUIPMENT & SERVICES	0.1%		
Exterran Partners LP		32,821	368,580
OIL & GAS STORAGE & TRANSPORTATION	7.8%		
DCP Midstream Partners LP		65,733	617,890
Enbridge Energy Partners LP		74,337	1,895,593
Energy Transfer Partners LP[a]		150,667	5,124,185
Enterprise Products Partners LP[a]		329,500	6,830,535
Kinder Morgan Energy Partners LP[a]		199,400	9,122,550
Magellan Midstream Partners LP		110,000	3,323,100
MarkWest Energy Partners LP[a]		135,600	1,082,088
Spectra Energy Corp.[a]		841,808	13,250,058
Williams Partners LP[a]		319,700	3,817,218
			45,063,217
TOTAL ENERGY			45,784,037
TELECOMMUNICATIONS SERVICES	1.1%		
INTEGRATED TELECOMMUNICATIONS SERVICES			
Fairpoint Communications		145,953	478,726
Frontier Communications Corp[a]		642,000	5,611,080
			6,089,806
UTILITIES	112.0%		
ELECTRIC UTILITIES	76.3%		
Allegheny Energy		139,000	4,706,540
Cleco Corp.[a]		253,276	5,782,291
DPL[a]		215,200	4,915,168
Duke Energy Corp.[a,b]		3,881,128	58,255,731
E.ON AG (ADR) (Germany)[a]		185,116	7,543,477
Electricite de France (France)[c]		294,700	17,140,301
Enel S.p.A. (Italy)[c]		1,377,000	8,870,080
Entergy Corp.[a]		413,830	34,401,688

See accompanying notes to financial statements.

COHEN & STEERS SELECT UTILITY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2008

		Number of Shares	Value
Exelon Corp.[b]		1,089,164	$ 60,568,410
FirstEnergy Corp.		665,718	32,340,580
Fortum Oyj (Finland)[c]		215,000	4,673,093
FPL Group		913,542	45,978,569
Great Plains Energy[a]		388,697	7,513,513
ITC Holdings Corp.		102,826	4,491,440
Northeast Utilities[a]		527,875	12,700,673
NV Energy		719,000	7,110,910
Pepco Holdings[a]		657,141	11,670,824
Pinnacle West Capital Corp.[a]		436,600	14,027,958
PPL Corp.[a]		744,300	22,842,567
Progress Energy[a]		205,121	8,174,072
Scottish and Southern Energy PLC (United Kingdom)[c]		232,930	4,106,862
Southern Co.[a]		1,586,741	58,709,417
			436,524,164
GAS UTILITIES	2.0%		
AGL Resources[a]		162,100	5,081,835
Equitable Resources		184,083	6,175,984
			11,257,819
MULTI UTILITIES	33.7%		
Ameren Corp.[b]		269,231	8,954,623
CenterPoint Energy		185,000	2,334,700
CMS Energy Corp.		568,000	5,742,480
Consolidated Edison[a]		260,198	10,129,508
Dominion Resources[a]		450,200	16,135,168
NSTAR[a]		231,339	8,441,560
OGE Energy Corp.[a]		451,000	11,626,780
PG&E Corp.[a]		1,089,852	42,188,171
Public Service Enterprise Group[a]		1,083,800	31,614,446
TECO Energy[a]		267,900	3,308,565
United Utilities Group PLC (United Kingdom)[c]		649,593	5,898,309

See accompanying notes to financial statements.

COHEN & STEERS SELECT UTILITY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2008

	Number of Shares	Value
Vectren Corp.[a]	406,067	$ 10,155,736
Wisconsin Energy Corp.		