

EVERGREEN UTILITIES & HIGH INCOME FUND
Form N-CSR
November 03, 2006

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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 811-21507

Utilities and High Income Fund

(Exact name of registrant as specified in charter)

200 Berkeley Street Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

Michael H. Koonce, Esq.
200 Berkeley Street Boston,
Massachusetts 02116

(Name and address of agent for service)

Registrant's telephone number, including area code: (617) 210-3200

Date of fiscal year end: [August 31, 2006]

Date of reporting period: [August 31, 2006]

Item 1 - Reports to Stockholders.

Evergreen Utilities and High Income Fund

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The fund will file its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q will be available on the SEC's Web site at <http://www.sec.gov>. In addition, the fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330.

A description of the fund's proxy voting policies and procedures, as well as information regarding how the fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, is available by visiting our Web site at EvergreenInvestments.com or by visiting the SEC's Web site at <http://www.sec.gov>. The fund's proxy voting policies and procedures are also available without charge, upon request, by calling 800.343.2898.

Mutual Funds:

NOT FDIC INSURED MAY LOSE VALUE NOT BANK GUARANTEED

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LETTER TO SHAREHOLDERS

October 2006

Dennis H. Ferro

President and Chief Executive Officer

Dear Shareholder,

We are pleased to provide the annual report for Evergreen Utilities and High Income Fund, covering the twelve-month period ended August 31, 2006.

Domestic capital markets, both equity and fixed income, faced a variety of sometimes inconsistent influences during the past twelve months. Investors weighed the positive effects of solid earnings growth and indications that the Federal Reserve Board (Fed) might have reached the end of its cycle of credit tightening. Supporting an optimistic view was new evidence late in the period that the pace of economic growth was starting to decelerate and that inflationary pressures were beginning to recede. However, for much of the twelve months, investors contemplated the risks that high energy and commodity costs would increase general inflationary pressures and eventually stall the economic expansion. Worries also surfaced that the slowing housing market might start to be a drag on the general economy.

After experiencing robust growth through 2005, the nation's economy surged by more than 5% in the first quarter of 2006. The expansion then slowed more than generally had been expected, with growth in Gross Domestic Product (GDP) decelerated to 2.5% in the second quarter. Year-over-year corporate earnings, meanwhile, were expected to rise in the third quarter by more than 10% for the thirteenth consecutive quarter. After raising the influential fed funds rate 17 consecutive times, from 1.00% to 5.25%, the Fed left the rate unchanged at its meeting in August. However, core inflation remained above the range preferred by the Fed, and it remained uncertain whether the Fed finally had ended its rate

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LETTER TO SHAREHOLDERS continued

hikes or had simply paused to assess the impacts of past rate increases.

In assessing the sometimes conflicting pieces of evidence about the state of the economy, Evergreen's Investment Strategy Committee focused on a variety of signals pointing to the resilience of the economic recovery. While rates of growth in corporate profits, capital expenditures and personal consumption were starting to decelerate, all these economic indicators nevertheless still were rising at what we believed to be more sustainable paces.

In the equity markets, domestic stocks tended to produce moderate performance for the twelve months, but returns of the market indexes masked considerable short-term volatility. Stocks of utilities tended to outperform general market averages. During the same period, the fixed income markets generated modest, but usually positive results. The backdrop of strong economic growth and rising corporate profitability helped lower-rated, higher-yielding bonds outperform higher-quality securities.

In this environment, the investment team managing the Evergreen Utilities and High Income Fund continued to focus on generating a high level of current income and moderate capital growth. The team allocated a majority of the assets of this closed-end fund to investments in equity and convertible securities of utility companies, supplemented by a healthy exposure to lower-rated, high-yielding corporate debt.

On September 22, 2006, the Board of Trustees of the Fund approved a proposal to add Crow Point Partners, LLC (Crow Point) as sub-advisor to the Fund. The proposal is subject to approval by shareholders. A shareholder meeting has been scheduled for Friday, December 15, 2006 at which shareholders of record at the close of business on October 13, 2006 will be entitled to vote. Assuming shareholder approval, the sub-advisory arrangement is

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LETTER TO SHAREHOLDERS continued

expected to become effective following the meeting. Crow Point is a new investment advisory firm that is majority owned by M.D. Sass/Macquarie Financial Strategies, L.P. Timothy O'Brien, currently a Managing Director for Evergreen Investments, is a co-founder and a principal of Crow Point. Mr. O'Brien has been the lead manager for the equity portion of the Fund since its inception.

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As always, we continue to recommend a diversified strategy, and we believe exposure to Evergreen's closed-end funds may help investors achieve their long-term goals.

Please visit our Web site, **EvergreenInvestments.com**, for more information about our funds and other investment products available to you. From the Web site, you may also access details about daily fund prices, yields, dividend rates and fund facts about Evergreen closed-end funds. Thank you for your continued support of Evergreen Investments.

Sincerely,

Dennis H. Ferro

President and Chief Executive Officer
Evergreen Investment Company, Inc.

Special Notice to Shareholders:

Please visit our Web site at **EvergreenInvestments.com** for a statement from President and Chief Executive Officer, Dennis Ferro, addressing NASD actions involving Evergreen Investment Services, Inc. (EIS), Evergreen's mutual fund broker-dealer or statements from Dennis Ferro and Chairman of the Board of the Evergreen funds, Michael S. Scofield, addressing SEC actions involving the Evergreen funds.

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FINANCIAL HIGHLIGHTS

(For a common share outstanding throughout each period)

	Year Ended August 31,		
	2006	2005	2004 ¹
Net asset value, beginning of period	\$ 25.43	\$ 19.76	\$ 19.10 ²
Income from investment operations			
Net investment income (loss)	4.07 ³	1.80	0.77
Net realized and unrealized gains or losses on investments	(0.51)	5.64	0.34
Distributions to preferred shareholders from ³			
Net investment income	(0.39)	(0.15)	(0.02)
Net realized gains	(0.02)	(0.04)	0
Total from investment operations	3.15	7.25	1.09
Distributions to common shareholders from			
Net investment income	(2.76)	(1.58)	(0.30)
Net realized gains	(2.67)	0	0

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Total distributions to common shareholders	(5.43)	(1.58)	(0.30)
Offering costs charged to capital for			
Common shares	0	0	(0.04)
Preferred shares	0.01 ^{3, 4}	0	(0.09)
Total offering costs	0.01	0	(0.13)
Net asset value, end of period	\$ 23.16	\$ 25.43	\$ 19.76
Market value, end of period	\$ 23.50	\$ 22.21	\$ 18.29
Total return based on market value⁵	35.89%	31.00%	(7.05%)
Ratios and supplemental data			
Net assets of common shareholders, end of period (thousands)	\$195,955	\$250,826	\$227,328
Liquidation value of preferred shares, end of period (thousands)	\$ 80,000	\$ 80,000	\$ 80,000
Asset coverage ratio, end of period	341%	406%	284%
Ratios to average net assets applicable to common shareholders			
Expenses including waivers/reimbursements and interest expense but excluding expense reductions	1.70%	1.49%	1.31% ⁶
Expenses including interest expense but excluding waivers/reimbursements and expense reductions	1.70%	1.54%	1.31% ⁶
Interest expense	0.31%	0.30%	0.29% ⁶
Net investment income (loss) ⁷	16.00%	8.50%	12.05% ⁶
Portfolio turnover rate	122%	126%	55%

¹ For the period from April 30, 2004 (commencement of operations), to August 31, 2004.

² Initial public offering price of \$20.00 per share less underwriting discount of \$0.90 per share.

³ Calculated based on average common shares outstanding during the period.

⁴ Amount represents a refund of certain preferred share offering expenses.

⁵ Total return is calculated assuming a purchase of common stock on the first day and a sale on the last day of the period reported. Dividends and distributions are assumed for the purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total return does not reflect brokerage commissions or sales charges.

⁶ Annualized

⁷ The net investment income (loss) ratio reflects distributions paid to preferred shareholders.

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS

August 31, 2006

	Principal Amount	Value
CORPORATE BONDS 42.8%		
CONSUMER DISCRETIONARY 8.9%		
Auto Components 0.2%		
American Axle & Manufacturing Holdings, Inc., 5.25%, 02/11/2014	\$500,000	\$ 417,500
Automobiles 0.1%		
Ford Motor Co., 7.45%, 07/16/2031	230,000	181,700
Diversified Consumer Services 0.5%		
Service Corporation International, 8.00%, 06/15/2017 144A	1,000,000	962,500
Hotels, Restaurants & Leisure 1.6%		
Caesars Entertainment, Inc., 8.125%, 05/15/2011	1,000,000	1,057,500
Festival Fun Parks, LLC, 10.875%, 04/15/2014	475,000	469,063
Seneca Gaming Corp., 7.25%, 05/01/2012	1,000,000	987,500
Town Sports International, Inc., 9.625%, 04/15/2011	642,000	678,915
		<u>3,192,978</u>
Media 2.9%		
CSC Holdings, Inc., 7.625%, 04/01/2011	1,000,000	1,027,500
Lamar Media Corp., 6.625%, 08/15/2015	1,000,000	942,500
LIN TV Corp., 6.50%, 05/15/2013	835,000	774,462
Mediacom Communications Corp., 9.50%, 01/15/2013	1,000,000	1,032,500
MediaNews Group, Inc., 6.375%, 04/01/2014	1,000,000	890,000
R.H. Donnelley Corp., 10.875%, 12/15/2012	1,000,000	1,100,000
		<u>5,766,962</u>
Multi-line Retail 0.6%		
J.C. Penney Co., Inc., 7.375%, 08/15/2008	1,000,000	1,033,615
Neiman Marcus Group, Inc., 9.00%, 10/15/2015	100,000	106,750
		<u>1,140,365</u>
Specialty Retail 1.5%		
Central Garden & Pet Co., 9.125%, 02/01/2013 (p)	1,500,000	1,560,000
Payless ShoeSource, Inc., 8.25%, 08/01/2013	300,000	309,000
United Auto Group, Inc., 9.625%, 03/15/2012	1,000,000	1,057,500
		<u>2,926,500</u>

Textiles, Apparel & Luxury Goods 1.5%

Levi Strauss & Co., 9.75%, 01/15/2015	800,000	832,000
Oxford Industries, Inc., 8.875%, 06/01/2011	1,000,000	1,015,000
Warnaco Group, Inc., 8.875%, 06/15/2013	1,000,000	1,027,500
		2,874,500

CONSUMER STAPLES 2.6%

Food & Staples Retailing 1.1%

Ingles Markets, Inc., 8.875%, 12/01/2011	1,000,000	1,047,500
Rite Aid Corp., 8.125%, 05/01/2010	1,000,000	1,008,750
		2,056,250

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

August 31, 2006

	Principal Amount	Value
CORPORATE BONDS		
continued		
CONSUMER STAPLES		
continued		
Food Products 1.5%		
B&G Foods Holdings Corp., 8.00%, 10/01/2011	\$ 1,000,000	\$ 1,020,000
Dean Foods Co., 8.15%, 08/01/2007	500,000	511,250
Del Monte Foods Co., 6.75%, 02/15/2015	1,500,000	1,432,500
		2,963,750

ENERGY 5.9%

**Energy Equipment &
Services 0.7%**

Hornbeck Offshore Services, Inc., Ser. B, 6.125%, 12/01/2014	150,000	140,625
Parker Drilling Co., 9.625%, 10/01/2013 (p)	315,000	344,925

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PHI, Inc., 7.125%, 04/15/2013 144A	1,000,000	957,500
		<hr/>
		1,443,050
		<hr/>

Oil, Gas & Consumable

Fuels 5.2%

Chesapeake Energy Corp., 6.875%, 01/15/2016	1,000,000	975,000
El Paso Production Holding Co., 7.75%, 06/01/2013	1,000,000	1,020,000
Exco Resources, Inc., 7.25%, 01/15/2011	1,500,000	1,466,250
Ferrelgas Partners, LP, 6.75%, 05/01/2014	1,000,000	967,500
Forest Oil Corp., 7.75%, 05/01/2014	1,000,000	1,012,500
Frontier Oil Corp., 6.625%, 10/01/2011	125,000	125,625
Peabody Energy Corp., 6.875%, 03/15/2013	1,000,000	995,000
Plains Exploration & Production Co., 8.75%, 07/01/2012	1,000,000	1,055,000
Targa Resources, Inc., 8.50%, 11/01/2013 144A	1,000,000	1,002,500
Tesoro Corp., 6.625%, 11/01/2015 144A	500,000	485,000
Williams Cos., 7.125%, 09/01/2011 (p)	1,000,000	1,020,000
		<hr/>
		10,124,375
		<hr/>

FINANCIALS 4.1%

Consumer Finance

1.3%

Ford Motor Credit Co., 5.70%, 01/15/2010 (p)	745,000	693,938
General Motors Acceptance Corp., 5.625%, 05/15/2009	1,000,000	967,853
Qwest Capital Funding, Inc., 6.50%, 11/15/2018	1,000,000	893,750
		<hr/>
		2,555,541
		<hr/>

Insurance 0.8%

Crum & Forster Holdings Corp., 10.375%, 06/15/2013 (p)	1,500,000	1,500,000
		<hr/>

Real Estate Investment

Trusts 1.7%

Omega Healthcare
Investors, Inc.:

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7.00%, 04/01/2014	1,000,000	987,500
7.00%, 01/15/2016	250,000	244,375
Thornburg Mortgage, Inc., 8.00%, 05/15/2013	1,000,000	985,000
Ventas, Inc., 7.125%, 06/01/2015	1,000,000	1,028,750
		3,245,625
Real Estate Management & Development 0.3%		
CB Richard Ellis Group, Inc., 9.75%, 05/15/2010	650,000	697,125
		697,125

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

August 31, 2006

	Principal Amount	Value
CORPORATE BONDS continued		
HEALTH CARE 1.7%		
Health Care Providers & Services 1.3%		
Extendicare Health Services, Inc., 6.875%, 05/01/2014	\$ 1,000,000	\$ 1,050,000
HCA, Inc., 6.375%, 01/15/2015	700,000	558,250
Triad Hospitals, Inc., 7.00%, 11/15/2013	1,000,000	960,000
		2,568,250
Pharmaceuticals 0.4%		
Mylan Laboratories, Inc., 6.375%, 08/15/2015	715,000	692,656
INDUSTRIALS 4.0%		
Aerospace & Defense 0.5%		
Aviall, Inc., 7.625%, 07/01/2011	1,000,000	1,052,500
Commercial Services & Supplies 2.1%		
Adesa, Inc., 7.625%, 06/15/2012	1,000,000	990,000
Corrections Corporation of America, 6.25%, 03/15/2013	1,050,000	1,019,813
Geo Group, Inc., 8.25%, 07/15/2013	1,000,000	1,000,000
NationsRent Companies, Inc., 9.50%, 10/15/2010 (p)	1,000,000	1,086,520

		4,096,333
<hr/>		
Machinery 1.0%		
Manitowoc Co., Inc., 7.125%, 11/01/2013	1,000,000	990,000
Terex Corp., 7.375%, 01/15/2014	1,000,000	1,005,000
		1,995,000
<hr/>		
Road & Rail 0.2%		
Avis Budget Car Rental, LLC, 7.625%, 05/15/2014 144A	500,000	477,500
<hr/>		
Trading Companies & Distributors 0.2%		
Ashtead Group plc, 9.00%, 08/15/2016 144A	300,000	307,500
<hr/>		
INFORMATION TECHNOLOGY 1.4%		
IT Services 1.4%		
Iron Mountain Inc., 8.625%, 04/01/2013	1,000,000	1,026,250
SunGard Data Systems, Inc., 4.875%, 01/15/2014	1,000,000	867,500
Unisys Corp., 8.00%, 10/15/2012	1,000,000	931,250
		2,825,000
<hr/>		
MATERIALS 6.0%		
Chemicals 2.2%		
Equistar Chemicals, LP, 10.625%, 05/01/2011	1,000,000	1,080,000
Lyondell Chemical Co., 10.50%, 06/01/2013	1,000,000	1,105,000
Scotts Co., 6.625%, 11/15/2013 (p)	1,000,000	970,000
Tronox, Inc., 9.50%, 12/01/2012	600,000	619,500
Westlake Chemical Corp., 6.625%, 01/15/2016 (p)	600,000	573,000
		4,347,500
<hr/>		

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

August 31, 2006

	Principal Amount	Value
<hr/>		
CORPORATE BONDS continued		
MATERIALS continued		

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Containers & Packaging 1.0%

Crown Americas, Inc., 7.75%, 11/15/2015	\$ 1,000,000	\$ 1,010,000
Owens-Brockway Glass Containers, Inc., 6.75%, 12/01/2014 (p)	1,010,000	944,350
		<hr/> 1,954,350 <hr/>

Metals & Mining 1.1%

Freeport-McMoRan Copper & Gold, Inc., 6.875%, 02/01/2014	1,000,000	990,000
United States Steel Corp., 10.75%, 08/01/2008 (p)	1,000,000	1,082,500
		<hr/> 2,072,500 <hr/>

Paper & Forest Products 1.7%

Boise Cascade, LLC, 7.125%, 10/15/2014 (p)	1,250,000	1,168,750
Bowater, Inc., 6.50%, 06/15/2013	500,000	447,500
Glatfelter, 7.125%, 05/01/2016 144A	800,000	792,630
Verso Paper Holdings, LLC:		
9.125%, 08/01/2014 144A	650,000	650,000
11.375%, 08/01/2016 144A (p)	300,000	298,500
		<hr/> 3,357,380 <hr/>

TELECOMMUNICATION SERVICES 2.6%

Diversified Telecommunication Services 2.1%

Citizens Communications Co., 6.25%, 01/15/2013	1,000,000	971,250
Embarq Corp., 7.08%, 06/01/2016	1,000,000	1,022,123
Insight Midwest, LP, 10.50%, 11/01/2010	1,000,000	1,055,000
Level 3 Communications, Inc., 6.375%, 10/15/2015	1,000,000	967,500
		<hr/> 4,015,873 <hr/>

Wireless Telecommunication Services 0.5%

Rural Cellular Corp., 8.25%, 03/15/2012	1,000,000	1,030,000
		<hr/>

UTILITIES 5.6%

Electric Utilities 3.1%

Aquila, Inc., 14.875%, 07/01/2012	1,000,000	1,325,000
DPL, Inc., 6.875%, 09/01/2011	1,000,000	1,053,029
Edison International, 7.73%, 06/15/2009	1,000,000	1,027,500
Mirant North America, LLC, 7.375%, 12/31/2013	975,000	970,125
NRG Energy, Inc, 7.25%, 02/01/2014	700,000	693,000
Reliant Energy, Inc., 6.75%, 12/15/2014	1,000,000	947,500
		<hr/> 6,016,154 <hr/>

Gas Utilities 0.5%

SEMCO Energy, Inc., 7.75%, 05/15/2013	1,000,000	1,003,231
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Independent Power Producers & Energy Traders 1.5%

AES Corp., 7.75%, 03/01/2014	1,000,000	1,035,000
Dynegy, Inc., 8.375%, 05/01/2016 144A (p)	1,000,000	990,000
Tenaska, Inc., 7.00%, 06/30/2021 144A	977,235	943,387
		2,968,387

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

August 31, 2006

	Principal Amount	Value
CORPORATE BONDS		
continued UTILITIES		
continued Multi-Utilities		
0.5%		
CMS Energy Corp., 7.50%, 01/15/2009	\$ 1,000,000	\$ 1,032,500
<i>Total Corporate Bonds (cost \$86,061,992)</i>		<u>83,861,335</u>

	Shares	Value
CONVERTIBLE PREFERRED STOCKS 5.7%		
ENERGY		
1.9%		
Oil, Gas & Consumable Fuels 1.9%		
El Paso Corp., 4.99%, 12/31/2049	3,000	3,780,375

UTILITIES**3.8%****Multi-Utilities****3.8%**PNM Resources,
Inc., 6.75%,

05/16/2049 142,000 7,348,500

*Total Convertible
Preferred Stocks
(cost \$9,806,720)*

11,128,875

**COMMON
STOCKS****80.0%****ENERGY****7.3%****Oil, Gas &
Consumable****Fuels 7.3%**

Crosstex

Energy, Inc 120,000 11,064,000
Southwestern

Energy Co. * 50,000 1,717,500

Valero GP
Holdings,

LLC 75,000 1,535,250

14,316,750

FINANCIALS**6.1%****Real Estate
Investment****Trusts 6.1%**Global Signal,
Inc

250,000 12,000,000

**TELECOMMUNICATION
SERVICES****18.8%****Diversified****Telecommunication****Services 9.0%**AT&T, Inc 5,000 155,650
BellSouth

Corp 5,000 203,600

Shenandoah

Telecommunications

Co. + 170,000 7,473,200

Verizon

Communications,

Inc 240,000 8,443,200

Windstream

Corp 103,393 1,364,783

 17,640,433

**Wireless
Telecommunication
Services 9.8%**

Alltel Corp. μ	100,000	5,421,000
American Tower Corp., Class A *	125,000	4,482,500
Bouygues SA	50,000	2,629,374
Centennial Communications Corp	575,000	2,696,750
Rogers Communications, Inc	75,000	3,867,000
		<hr/> 19,096,624 <hr/>

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SCHEDULE OF INVESTMENTS continued

August 31, 2006

	Shares	Value
COMMON STOCKS continued		
UTILITIES 47.8%		
Electric Utilities 34.2%		
Allegheny Energy, Inc. *	50,000	\$ 2,087,000
Cleco Corp	50,000	1,248,000
DPL, Inc	400,000	11,120,000
E.ON AG, ADR	190,000	8,056,000
Endesa SA	200,000	6,950,247
Entergy Corp	150,000	11,647,500
Exelon Corp	200,000	12,196,000
FirstEnergy Corp	150,000	8,559,000
Maine & Maritimes Corp	500	8,625
MGE Energy, Inc	15,000	504,150
Mirant Corp. *	75,072	2,174,836
Northeast Utilities	200	4,562
NRG Energy, Inc. *	50,000	2,532,000
Reliant Energy, Inc. *	500	6,730
ScottishPower plc, ADR	47	2,224

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UIL Holdings Corp	333	12,168
		67,109,042

Independent Power Producers & Energy Traders 9.1%

AES Corp. *	500	10,620
Black Hills Corp	200	6,962
Constellation Energy Group, Inc	1,000	60,090
Dynegy, Inc., Class A *	300,000	1,860,000
Ormat Technologies, Inc	25,000	909,750
TXU Corp	225,000	14,897,250
		17,744,672

Multi-Utilities 2.1%

Ameren Corp	200	10,710
CMS Energy Corp	200	2,928
Duke Energy Corp	300	9,000
Energy East Corp	1,000	24,250
NSTAR	50,000	1,646,500
PG&E Corp	200	8,386
Puget Energy, Inc	200	4,526
RWE AG	25,000	2,288,386
Wisconsin Energy Corp	1,500	64,500
Xcel Energy, Inc	200	4,160
		4,063,346

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

August 31, 2006

	Shares	Value
COMMON STOCKS continued		
UTILITIES continued		
Water Utilities 2.4%		
Aqua America, Inc	25,000	\$ 592,250
Kelda Group plc	100,000	1,569,853
Pennichuck Corp	150,000	2,632,500

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4,794,603

Total Common Stocks (cost \$112,728,832)

156,765,470

PREFERRED STOCKS 6.8%

UTILITIES 6.8%

Electric Utilities 6.4%

Carolina Power & Light Co	9,217	848,828
Connecticut Light & Power Co., Ser. 1947	22,000	807,814
Connecticut Light & Power Co., Ser. 1949	9,600	366,000
Consolidated Edison, Inc	10,620	928,453
Dayton Power & Light Co., Ser. A		