

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

DUFF & PHELPS UTILITIES INCOME INC

Form N-30D

August 15, 2001

Dear Fellow Shareholders:

Performance Review: We are pleased to report that your Fund had a total return (market price change plus income) of 4.6% for the second quarter of 2001. In comparison, the S&P Utilities Index had a total return of -5.7%, and a composite of the S&P Utilities Index and the Lehman Utility Bond Index, reflecting the stock and bond ratio of the Fund, had a total return of -4.2%. Year-to-date, total return of your Fund has been 6.6% compared to -12.4% for the S&P Utilities Index and -6.7% for the composite.

During the second quarter of 2001, your Fund paid three monthly 6.5 cent dividends. The 6.5 cent per share monthly rate, without compounding, would be 78 cents annualized, or a 7.24% common stock dividend yield based on the June 29, 2001 closing price of \$10.78 per share. That yield compares favorably with the quarter-end yield of 3.6% on the Dow Jones Utility Index and the 3.0% yield on the S&P Utilities Index.

The Business Cycle and Telecommunications Industry Credit Quality: The United States economy enjoyed exceptional performance during the 1990's, and especially from 1996 through mid-2000. Much of the economic optimism of the later period was linked to perceived fundamental changes in the economy, often referred to as the "New Economy." That term focused on the dramatic acceleration in productivity that is tied to innovations in information technology, particularly computers and communications. The acceleration in productivity encouraged an investment boom to take advantage of profit opportunities provided by technological advances, a consumption boom in response to increases in national income, and a surge in stock values that reflected optimism about higher corporate earnings growth.

Since mid-2000 however, the economy has turned from favorable performance to a period of adjustment, characterized by slower economic growth and higher unemployment, as a result of the imbalances that built up during the earlier period. The Federal Reserve is shepherding the economy through this period with prompt and aggressive easing of monetary (interest rate) policy--an unprecedented six time, 275 total basis point reduction in the federal funds rate so far this year.

Ups and downs in the economy are commonly called business cycles. During the down part of the business cycle, bond rating agencies typically report a decline in the aggregate credit worthiness of bond issuers, and a greater number of specific bond issuer downgrades than upgrades. Indeed, Standard and Poor's reports that during the first half of 2001, domestic corporate bond downgrades exceeded upgrades by almost 5 to 1 measured by outstanding market value, and almost 4 to 1 measured by issuer count. Uncharacteristically, the telecommunications sector has been the hardest hit, with downgrades outpacing upgrades by about 11 to 1 measured by volume and by about 6 to 1 by issuer count. Further, the telecommunications industry had already begun to suffer credit quality deterioration even during the recent robust economic times. Why has this been so?

The telecommunications sector has been hard hit largely because of industry changes and developments after the passage of the Telecommunications Act of 1996. In an attempt to foster competition in telecommunications service at the local level, the Act forced existing local exchange carriers, most pointedly the regional Bell operating companies (RBOCs), to give new industry entrants access to their networks for specific functions on a wholesale cost basis. In return, once a competitive environment at the local level was established, the

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

pre-existing local exchange carriers would be permitted to enter the long distance market.

The new entrants to the local phone market felt that a secure business niche had been created for them by law, but required extensive capital to fund their business plans. Capital was readily available from enthusiastic investors and was tapped by many companies, most all in the non-investment grade, "junk" rating categories. But, because of the highly competitive environment, profits were slower in coming than expected and, as the outlook darkened for new entrants, the door for continued funding closed and credit quality and ratings deteriorated.

To a much lesser extent, bond quality downgrades have also occurred with the financially stronger incumbent national phone companies, both in the United States and abroad. Again, this has not been caused by general economic conditions, but by advances in technology and the need to fund business plans. "Bandwidth" and "3G" are the telecommunications technology buzzwords of the day. Bandwidth refers to the capacity of a communications medium to provide increased speed and functionality for delivering voice and data. Upgraded television cable systems can provide greater bandwidth at home. 3G, or third generation wireless technology, promises greater bandwidth while consumers are mobile.

In order to meet the anticipated consumer demand for greater bandwidth, national incumbent phone companies have accumulated debt to acquire cable companies and 3G wireless licenses, and to build the infrastructure necessary to deliver bandwidth over these mediums. The result has been slippage in bond ratings.

The credit trends of both the emerging and national incumbent phone companies will probably stay negative in the near-term, as business plans get adjusted and corporate balance sheets get "right-sized." This kind of adjustment does not directly benefit from stimulative Federal Reserve interest rate policy.

Despite current trends, your Fund has policies in place to protect its bond portfolio. First, the Fund is not permitted to make commitments to bonds that are rated below investment grade. Second, a staff of portfolio managers and analysts is in place to maintain a high quality and well diversified portfolio. On June 30, 2001, the bond portion of the portfolio had representation from 12 telecommunications industry companies, with an average credit quality category of "A."

The Bush Energy Plan: Over the past year or so, the electric utility industry has received more attention than it is accustomed to receiving. After all, the industry has been generally thought of as "mature"--providing slower-growing investments for conservative, income-oriented investors like DNP, compared to the formerly high flyers in the New Economy. This increased interest is not only a result of the swoon of technology-related company stock prices. It is also due to the problems plaguing California--rolling blackouts, extremely volatile gas and electric prices, and the almost-unheard-of bankruptcy filing of the state's largest utility. A service we have essentially taken for granted doesn't seem so static anymore, as concerns are raised that California-type problems could crop up this summer in other parts of the country.

Early this year when many of the problems in California were receiving so much attention, President Bush established the National Energy Policy Development Group, directing it to "develop a national energy policy designed to . . . promote dependable, affordable, and environmentally sound production and distribution of energy for the future." In May, the Group announced a plan that included five specific national goals and provided a set of recommendations to

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

be implemented by Executive order or Congressional legislation.

The five goals are: (1) modernize conservation by implementing new technologies; (2) revitalize our energy infrastructure of gas pipelines, electric transmission lines, refineries, and generation facilities; (3) increase domestic energy supplies from the most prevalent sources--gas, oil, and coal--as well as hydropower, nuclear power, and renewable energy sources like wind and solar; (4) accelerate protection and improvement of the environment through replacement of older equipment with new, "clean" technologies in addition to caps and reductions in emissions of pollutants; and (5) increase energy security by reducing America's dependence on foreign sources of energy.

The proposed energy policy sounds good, but what does it mean for the types of companies in which DNP invests? First, it must be acknowledged that our national energy problems were many years in the making. Likewise, this is a long-range energy plan that will take years to implement. In the short-run (the next six to twelve months), DNP's investments will be affected more by the economic recovery and how California's problems are resolved (or not) than by implementation of any of the Plan's recommendations. Second, the

2

changeover of the Senate to Democratic control is likely to slow progress on recommendations that need legislative approval, such as increased funding for energy research and development or opening part of the Arctic National Wildlife Refuge to new exploration and production of gas and oil.

Generally, recommendations under the Administration's control--for example, expedited approval processes for pipeline or transmission line siting and nuclear license extensions or additions--should help companies whose businesses are inhibited by bottlenecks or other constraints existing in the current system. A company like Exelon Corporation, for instance, which is the largest owner and operator of nuclear facilities in the country, would benefit from the ability to extend the useful life of its low-cost nuclear fleet and add new, safe nuclear generation units using technologies developed abroad over the past several years. Similarly, to the extent that a utility operates businesses in regions of excess supply, such as Dominion Resources, Inc., Duke Energy Corporation, or The Southern Company, any enhancements to the gas pipeline system or electric transmission grid would give companies another outlet for their capacity.

While the proposed energy policy is a constructive start to addressing the basic national energy issues, the benefits will take some time to realize. Don't expect monumental change any time soon!

Board of Directors Meeting--At the regular July Board of Directors' meeting, the Board declared the following monthly dividends:

Cents Per Share	Record Date	Payable Date
6.5 cents	August 31	September 10
6.5 cents	September 28	October 10
6.5 cents	October 31	November 13

Automatic Dividend Reinvestment Plan and Direct Deposit Service--The Fund has a

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

dividend reinvestment plan available to all registered shareholders.

Those shareholders whose shares are held for them by a brokerage house or nominee in "street-name" may not participate in the Fund's automatic dividend reinvestment plan. For such shareholders desiring automatic dividend reinvestment, we suggest you contact your broker or other nominee.

As an added service, the Fund offers direct deposit service through electronic funds transfer to all registered shareholders currently receiving a monthly dividend check. This service is offered through The Bank of New York. For more information and/or an authorization form on automatic dividend reinvestment or direct deposit, please contact The Bank of New York at 1-877-381-2537 or <http://stock.bankofny.com>.

Visit us on the Web--You can obtain the most recent shareholder financial report and dividend information at our web site <http://www.duffutility.com>.

We appreciate your interest in Duff & Phelps Utilities Income Inc., and we will continue to do our best to be of service to you.

/s/ Claire V. Hansen

/s/ Nathan I. Partain

Claire V. Hansen, CFA

Nathan I. Partain, CFA

Chairman

President and Chief
Executive Officer

3

DUFF & PHELPS UTILITIES INCOME INC.
SCHEDULE OF INVESTMENTS
(UNAUDITED)
June 30, 2001

COMMON STOCKS--73.3%

Shares	Company	Market Value (Note 1)
-----	-----	-----
[] ELECTRIC--39.5%		
1,300,000	Allegheny Energy Inc.....	\$ 62,725,000
1,000,000	Allete Inc.....	22,500,000
796,000	Dominion Resources.....	47,863,480
1,600,000	DTE Energy Co.....	74,304,000
1,300,000	Duke Energy Corp.....	50,713,000
1,593,400	Endesa S.A.....	25,303,192
1,005,000	Entergy Corp.....	38,581,950
1,000,000	Exelon Corp.....	64,120,000
1,299,100	FPL Group Inc.....	78,218,811
1,000,000	Keyspan Corp.....	36,480,000
215,000	National Grid Group PLC ADR.....	7,933,500
770,000	National Grid Group PLC (United Kingdom)...	5,657,784

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

2,256,600	NiSource Inc.....	61,672,878
1,318,600	NSTAR.....	56,119,616
1,120,000	Pinnacle West Capital Corp.....	53,088,000
900,000	Progressive Energy Inc.....	40,428,000
1,000,000	Public Service Enterprise Group.....	48,900,000
1,500,000	Reliant Energy Inc.....	48,315,000
850,000	Scottish & Southern Energy (United Kingdom)	7,948,952
200,000	Scottish & Southern Energy ADR.....	18,705,000
1,000,000	Scottish Power PLC ADR.....	29,200,000
3,500,000	Southern Co.....	81,375,000
1,000,000	TECO Energy Inc.....	30,500,000
1,500,000	Vectren Corp.....	31,050,000

		1,021,703,163

[_] GAS--9.6%

926,000	AGL Resources.....	21,992,500
1,004,800	El Paso Energy Corp.....	52,792,192
400,000	National Fuel Gas Co.....	20,796,000
2,425,000	Utilicorp United Inc.....	74,083,750
950,000	WGL Holdings Inc.....	25,754,500
1,500,000	Williams Companies Inc.....	49,425,000

		244,843,942

The accompanying notes are an integral part of the financial statements.

4

DUFF & PHELPS UTILITIES INCOME INC.
 SCHEDULE OF INVESTMENTS--(Continued)
 (UNAUDITED)
 June 30, 2001

Shares	Company	Market Value (Note 1)
-----	-----	-----
	[_] TELECOMMUNICATION--13.9%	
1,000,000	Alltell Corp.....	\$ 61,260,000
1,730,000	BellSouth Corp.....	69,667,100
2,137,230	SBC Communications Inc.....	85,617,434
700,000	Swisscom AG ADR.....	16,695,000
856,250	Telecom Corp. of New Zealand Interim ADR	15,540,938
1,068,400	Telstra Corp. ADR.....	14,840,076
1,819,000	Verizon Communications.....	97,316,500

		360,937,048

[_] NON-UTILITY - 10.3%

308,600	Apartment Investment & Management Co....	14,874,520
---------	--	------------

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

75,400	Archstone Communities Trust.....	1,943,812
200,000	Avalon Bay Communities Inc.....	9,350,000
409,000	Boston Properties Inc.....	16,728,100
129,900	Camden Property Trust.....	4,767,330
347,400	CBL & Associates Properties Inc.....	10,661,706
403,600	Centerpoint Properties Corporation.....	20,260,720
301,000	Chelsea GCA Realty Inc.....	14,116,900
495,000	Duke-Weeks Realty Corp.....	12,300,750
315,825	Equity Office Properties Trust.....	9,989,545
225,000	Equity Residential Properties Trust.....	12,723,750
269,000	Essex Property Trust Inc.....	13,328,950
278,100	First Industrial Realty Trust	8,938,134
250,000	General Growth Properties, Inc.....	9,840,000
140,000	Green S.L. Realty Properties Inc.....	4,243,400
200,000	Kimco Realty Corp.....	9,470,000
370,600	ProLogis Trust.....	8,420,032
75,000	Pan Pacific Retail Properties Inc.....	1,950,000
525,100	Reckson Associates Realty Corp.....	12,077,300
171,545	Reckson Associates Realty Corp. Class B.	4,221,722
125,000	Simon Property Group.....	3,746,250
225,000	Smith Charles E. Residential Realty Inc.	11,283,750
301,100	Spieker Properties Inc.....	18,050,945
25,000	Storage USA.....	900,000

The accompanying notes are an integral part of the financial statements.

5

DUFF & PHELPS UTILITIES INCOME INC.
 SCHEDULE OF INVESTMENTS--(Continued)
 (UNAUDITED)
 June 30, 2001

Shares	Company	Market Value (Note 1)
-----	-----	-----
349,000	Summit Properties.....	\$ 9,363,670
465,800	Vornado Realty Trust.....	18,184,832
104,500	Weingarten Realty Investors.....	4,582,325

		266,318,443

	Total Common Stocks (Cost--\$1,649,017,429).....	1,893,802,596

PREFERRED STOCKS--8.0%

[_] NON-UTILITY--1.1%

500,000	Cox Communications Inc. 7% 8/16/02.....	29,000,000

		29,000,000

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

[_] UTILITY--6.9%

450,000	Dominion Resources 9 1/2% 11/16/04.....	26,010,000
700,000	Duke Capital Financing Trust III 8 3/8% 8/31/29	18,550,000
1,200,000	Duke Energy 8 1/4% 5/18/04.....	30,780,000
223,500	EIX Trust II Series B 8.60% 10/29/29.....	3,061,950
550,000	MediaOne Group 7.00% 11/15/02.....	14,795,000
500,000	NiSource Industries Inc. 7.75% 2/19/03.....	24,595,000
209,000	P P & L Capital Trust II 8.10% 7/01/27.....	5,235,450
789,100	Texas Utilities Co. 9 1/4% 8/16/02.....	40,835,925
450,900	Utilicorp United Inc. 9 3/4% 11/16/02.....	14,861,664

		178,724,989

	Total Preferred Stocks (Cost--\$205,045,503)....	207,724,989

The accompanying notes are an integral part of the financial statements.

6

DUFF & PHELPS UTILITIES INCOME INC.
 SCHEDULE OF INVESTMENTS--(Continued)
 (UNAUDITED)
 June 30, 2001

BONDS--20.9%

Par Value	Company	Ratings			Market Value (Note 1)
		Fitch IBCA, Duff & Phelps	Moody's	Standard and Poor's	
	[_] ELECTRIC--10.5%				
\$ 5,000,000	AES Ironwood Corp. 8.857%, due 11/30/25.....	Not Rated	Baa3	BBB-	\$ 5,130,790
21,839,000	Alabama Power Co. 9%, due 12/01/24.....	A+	A1	A	23,127,785
18,050,000	Comed Financing II 8 1/2%, due 1/15/27.....	Not Rated	Baa2	BBB	17,528,788
7,500,000	Commonwealth Edison Co. 9 7/8%, due 6/15/20.....	A-	A3	A-	8,301,593
8,850,000	Commonwealth Edison Co. 8 5/8%, due 2/01/22.....	A-	A3	A-	9,302,934
5,000,000	Commonwealth Edison Co. 8 3/8%, due 9/15/22.....	A-	A3	A-	5,213,680
10,000,000	Commonwealth Edison Co. 8 3/8%, due 2/15/23.....	A-	A3	A-	10,411,520
6,000,000	Dayton Power and Light 8.15% due 1/15/26.....	AA	A2	BBB+	5,940,162
24,000,000	Dominion Resources Capital Trust 7.83%, due 12/01/27.....	BBB	Baa1	BBB-	22,711,296

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

5,000,000	Gulf States Utilities 8.94%, due 1/01/22.....	BBB	Baa3	BBB-	5,169,715
1,000,000	Houston Lighting 83/4%, due 3/01/22.....	A-	A3	BBB+	1,041,621
18,800,000	Hydro--Quebec 93/4%, due 1/15/18.....	AA-	A2	A+	20,002,955
5,000,000	Illinois Power Co. 7 1/2%, due 7/15/25.....	A-	Baa1	BBB+	4,742,280
5,000,000	Louisiana Power & Light Co. 8 3/4%, due 3/01/26.....	BBB+	Baa2	BBB+	5,119,660
4,000,000	New York State Electric & Gas Corp. 8 7/8%, due 11/01/21.....	A	A3	A	4,162,124

The accompanying notes are an integral part of the financial statements.

7

DUFF & PHELPS UTILITIES INCOME INC.
SCHEDULE OF INVESTMENTS--(Continued)
(UNAUDITED)
June 30, 2001

Par Value	Company	Ratings			Market Value (Note 1)
		Fitch IBCA, Duff & Phelps	Moody's	Standard and Poor's	
\$ 5,000,000	Progress Energy Inc. 73/4%, due 3/1/31.....	Not Rated	Baa1	BBB	\$ 5,176,090
5,000,000	PSEG Power 8 5/8%, due 4/15/31.....	Not Rated	Baa1	BBB	5,401,670
10,000,000	Public Service Co. of Colorado 8 3/4%, due 3/01/22.....	A	A3	A	10,384,970
22,750,000	Puget Capital Trust 8.231%, due 6/01/27.....	Not Rated	Baa2	BBB-	21,577,601
13,000,000	Southern Co. Capital Trust 8.14%, due 2/15/27.....	Not Rated	A3	BBB+	12,402,494
27,830,000	Texas Utilities Electric Co. 93/4%, due 5/01/21.....	A-	A3	BBB+	29,272,624
12,000,000	UtiliCorp United Inc. 8%, due 3/01/23.....	BBB	Baa3	BBB	11,329,824
10,000,000	Virginia Electric & Power Co. 8 5/8%, due 10/01/24.....	A+	A2	A	10,401,830
17,700,000	Virginia Electric & Power Co. 8 1/4%, due 3/01/25.....	A+	A2	A	18,045,203
					----- 271,899,209
	[_] GAS--2.4%				
5,125,000	ANR Pipeline Co. 9 5/8%, due 11/01/21.....	Not Rated	Baa1	BBB+	6,053,061
5,000,000	KN Energy Inc. 71/4%, due 3/01/28.....	BBB	Baa2	BBB	4,812,905
10,000,000	Phillips Petroleum Co. 9.18%, due 9/15/21.....	BBB	Baa2	BBB	10,501,950

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

5,000,000	Southern California Gas Co. 83/4%, due 10/01/21.....	AA	A1	AA-	5,186,210
6,488,000	Southern Union Co. 7.60%, due 2/01/24.....	BBB+	Baa2	BBB+	6,149,858
8,850,000	Southern Union Co. 81/4%, due 11/15/29.....	BBB+	Baa2	BBB+	8,968,165

The accompanying notes are an integral part of the financial statements.

8

DUFF & PHELPS UTILITIES INCOME INC.
SCHEDULE OF INVESTMENTS--(Continued)
(UNAUDITED)
June 30, 2001

Par Value	Company	Ratings			Market Value (Note 1)
		Fitch IBCA, Duff & Phelps	Moody's	Standard and Poor's	
\$10,000,000	TE Products Pipeline Co. 7.51%, due 1/15/28.....	Not Rated	Baa2	BBB+	\$ 9,333,170
9,000,000	Trans-Canada Pipeline 9 1/8%, due 4/20/06.....	Not Rated	A3	BBB	9,920,997
					----- 60,926,316
	[_] TELECOMMUNICATION--6.1%				
19,000,000	AT&T Corp. 8.35%, due 1/15/25.....	A-	A2	A	19,417,449
15,000,000	AT&T Corp. 83/4%, due 3/01/31.....	BBB	Baa2	BBB	15,626,115
5,000,000	Bell South Capital Funding 7 7/8% 2/15/30.....	AA+	Aa3	AA-	5,337,400
25,000,000	British Telecom PLC 8 5/8%, due 12/15/30.....	A	Baa1	A-	27,263,925
11,350,000	France Telecom 81/2%, due 3/01/31.....	A-	A3	A-	11,941,289
12,000,000	GTE California Inc. 8.07%, due 4/15/24.....	AA	AA3	A+	12,165,432
17,625,000	GTE Corp. 7.90%, due 2/01/27.....	A+	A2	A+	17,523,868
13,750,000	New England Telephone & Telegraph 9%, due 8/01/31.....	AA	Aa2	A+	14,506,608
9,000,000	New York Telephone Co. 7 5/8%, due 2/01/23.....	AA	A1	A+	8,803,980
9,000,000	Tele-Commun Inc. 9.80%, due 2/01/12.....	A-	A3	A	10,647,387
5,000,000	US West Communications 8 7/8%, due 6/01/31.....	BBB+	A2	BBB+	5,270,880
5,000,000	Vodafone Group PLC 7 7/8% 2/15/30.....	A	A2	A	5,271,980
5,000,000	Worldcom Inc. 81/4% 5/15/13.....	A-	A3	BBB+	4,885,300

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

158,661,613

9

DUFF & PHELPS UTILITIES INCOME INC.
SCHEDULE OF INVESTMENTS--(Continued)
(UNAUDITED)
June 30, 2001

Par Value	Company	Ratings			Market Value (Note 1)
		Fitch IBCA, Duff & Phelps	Moody's	Standard and Poor's	
	[_] NON-UTILITY--1.9%				
\$17,500,000	Contl Cablevision 9 1/2%, due 8/01/13.....	Not Rated	A3	A-	\$ 19,455,503
8,000,000	Dayton Hudson Corp. 9 7/8%, due 7/01/20.....	A	A2	A	10,066,568
19,940,000	EOP Operating LP 7 1/2%, due 4/19/29.....	BBB+	Baa1	BBB+	18,371,639
					----- 47,893,710
	Total Bonds (Cost--\$547,175,733).....				----- 539,380,848
U.S. TREASURY OBLIGATIONS--0.4%					
7,250,000	U.S. Treasury Notes 13 3/8%, due 8/15/01.....				7,339,291
2,000,000	U.S. Treasury Bonds 10 3/4%, due 8/15/05.....				2,425,866
	Total U.S. Treasury Obligations (Cost--\$9,628,272).....				----- 9,765,157
U.S. GOVERNMENT AGENCY OBLIGATIONS--2.7%					
65,000,000	Federal Home Loan Mortgage Corp. 9 3/4%, due 2/14/03.....				70,108,155
	Total U.S. Government Agency Obligations (Cost--\$69,718,894)				----- 70,108,155
COMMERCIAL PAPER--1.9%					
50,000,000	General Electric Capital Corp. 4.07%, due 7/02/01.....				49,994,347
	Total Commercial Paper (Amortized cost--\$49,994,347).....				----- 49,994,347
	TOTAL INVESTMENTS (Cost--\$2,530,580,178).....				----- \$2,770,776,092

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

The percentage shown for each investment category is the total value of that category as a percentage of the total net assets of the Fund.

The accompanying notes are an integral part of the financial statements.

10

DUFF & PHELPS UTILITIES INCOME INC.
BALANCE SHEET
(UNAUDITED)
June 30, 2001

ASSETS:

Investments at market value:

Common stocks (cost \$1,649,017,429).....	\$1,89
Preferred stocks (cost \$205,045,503).....	20
Bonds (cost \$547,175,733).....	53
U.S. Treasury obligations (cost \$9,628,272).....	
U.S. Government Agency Obligation (cost \$69,718,894).....	7
Commercial paper (amortized cost \$49,994,347).....	4
Interest-bearing deposits with custodian.....	
Receivables:	
Interest.....	1
Dividends.....	
Securities lending income.....	
Prepaid expenses.....	
Total Assets.....	\$2,80

LIABILITIES:

Due to Adviser (Note 2).....	\$
Due to Administrator (Note 2).....	
Dividends payable on common stock.....	1
Dividends payable on remarketed preferred stock.....	
Accrued expenses.....	
Commercial paper outstanding (Note 6).....	19
Total Liabilities.....	21

CAPITAL:

Remarketed preferred stock (\$.001 par value; 100,000,000 shares authorized and 5,000 shares issued and outstanding, liquidation preference \$100,000 per share) (Note 5).....	50
Common stock (\$.001 par value; 250,000,000 shares authorized and 212,258,247 shares issued and outstanding) (Note 4).....	
Paid-in surplus (Note 4).....	1,89
Accumulated net realized loss on investments.....	(4)
Distributions in excess of net investment income.....	(1)
Unrealized depreciation on foreign currency translation.....	
Net unrealized appreciation on investments.....	24
Net assets applicable to common stock (equivalent to \$9.82 per share based on 212,258,247 shares outstanding).....	2,08
Total Capital (Net Assets).....	2,58

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

Total Liabilities and Capital..... \$2,80

The accompanying notes are an integral part of the financial statements.

DUFF & PHELPS UTILITIES INCOME INC.
STATEMENT OF OPERATIONS
(UNAUDITED)
For the six months ended June 30, 2001

INVESTMENT INCOME:

Interest.....	\$ 25,287
Dividends (less withholding tax of \$524,387).....	84,017
Securities lending income.....	662
Total investment income.....	109,967

EXPENSES:

Commercial paper interest expense (Note 6).....	5,657
Management fees (Note 2).....	7,713
Administrative fees (Note 2).....	1,914
Transfer agent fees.....	307
Custodian fees.....	162
Remarketing agent fees.....	628
Shareholder reports.....	325
Legal and audit fees.....	144
Directors' fees (Note 2).....	144
Other expenses.....	372
Total expenses.....	17,372
Net investment income.....	92,594

REALIZED AND UNREALIZED GAIN ON INVESTMENTS:

Net realized gain on investments.....	23,817
Net change in unrealized appreciation on investments and foreign currency translation	(169,542)
Net loss on investments.....	(145,725)
Net decrease in net assets resulting from operations.....	(\$ 53,130)

The accompanying notes are an integral part of the financial statements.

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

DUFF & PHELPS UTILITIES INCOME INC.
STATEMENT OF CHANGES IN NET ASSETS

	For the six months ended June 30, 2001 (UNAUDITED)	For t en Decem 2
	-----	-----
FROM OPERATIONS:		
Net investment income.....	\$ 92,594,744	\$ 190
Net realized gain on investments.....	23,817,175	53
Net change in unrealized appreciation on investments and foreign currency translation.....	(169,542,551)	311
	-----	-----
Net increase (decrease) in net assets resulting from operations.....	(53,130,632)	555
DISTRIBUTIONS TO STOCKHOLDERS FROM:		
Net investment income--preferred stock (Note 5).....	(9,962,872)	(23
Net investment income--common stock (Note 3).....	(82,574,183)	(165
	-----	-----
Total distributions.....	(92,537,055)	(189
FROM CAPITAL STOCK TRANSACTIONS (Note 4):		
Shares issued to common stockholders from dividend reinvestment.....	13,467,530	22
	-----	-----
Net increase in net assets derived from capital stock transactions.....	13,467,530	22
	-----	-----
Total increase (decrease).....	(132,200,157)	387
TOTAL NET ASSETS:		
Beginning of period.....	2,716,013,544	2,328
	-----	-----
End of period (including distributions in excess of and undistributed net investment income of \$10,934,990 and \$3,415,147, respectively).....	\$2,583,813,387	\$2,716
	=====	=====

The accompanying notes are an integral part of the financial statements.

DUFF & PHELPS UTILITIES INCOME INC.
STATEMENT OF CASH FLOWS
(UNAUDITED)
For the six months ended June 30, 2001

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

Cash Flows From (For):

OPERATING ACTIVITIES

Interest received.....	\$	28,143,263
Income dividends received.....		83,662,136
Securities lending income.....		588,642
Operating expenses paid (excluding interest).....		(11,540,580)
Interest paid on commercial paper.....		(7,008,170)

Net cash provided by operating activities..... \$ 93,845

INVESTING ACTIVITIES

Purchase of investment securities.....	(3,395,581,754)
Proceeds from sale/redemption of investment securities.....	3,385,832,149

Net cash used in investing activities..... (9,749)

FINANCING ACTIVITIES

Dividends paid.....	(95,013,079)
Proceeds from issuance of common stock under dividend reinvestment plan	13,467,531
Change in net proceeds from issuance of commercial paper.....	2,229,341

Net cash used in financing activities..... (79,316)

Net increase in cash and cash equivalents..... 4,77

Cash and cash equivalents--beginning of period..... 3,62

Cash and cash equivalents--end of period..... \$ 8,40
=====

Reconciliation of net investment income to net cash provided by operating activities:

Net investment income..... \$ 94,676

Adjustments to reconcile net investment income to net cash provided by operating activities:

Decrease in interest receivable.....	774,419
Increase in dividends receivable.....	(355,326)
Decrease in accrued expenses.....	(1,176,169)
Increase in other receivable.....	(74,195)

Total adjustments..... (831)

Net cash provided by operating activities..... \$ 93,84
=====

The accompanying notes are an integral part of the financial statements.

DUFF & PHELPS UTILITIES INCOME INC.
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
June 30, 2001

(1) SIGNIFICANT ACCOUNTING POLICIES:

Duff & Phelps Utilities Income Inc. (the "Fund") was incorporated under the laws of the State of Maryland on November 26, 1986. The Fund commenced operations on January 21, 1987, as a closed-end diversified management investment company registered under the Investment Company Act of 1940. The primary investment objectives of the Fund are current income and long-term growth of income. Capital appreciation is a secondary objective.

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

The following are the significant accounting policies of the Fund:

(a) The market values for securities are determined as follows: Securities traded on a national securities exchange or traded over-the-counter and quoted on the NASDAQ System are valued at last sales prices. Securities so traded for which there were no sales and other securities are valued at the mean of the most recent bid-asked quotations. Bonds not traded on a securities exchange nor quoted on the NASDAQ System are valued at a fair value using a procedure determined in good faith by the Board of Directors which includes the use of a pricing service. Each money market instrument having a maturity of 60 days or less is valued on an amortized cost basis, which approximates market value. Other assets and securities are valued at a fair value, as determined in good faith by the Board of Directors.

(b) No provision is made for Federal income taxes since the Fund has elected to be taxed as a "regulated investment company" and has made such distributions to its shareholders deemed necessary to be relieved of all Federal income taxes under provisions of current Federal tax law. The Fund intends to utilize provisions of Federal income tax laws which allow a realized capital loss to be carried forward for eight years following the year of loss and offset such losses against any future realized gains. At December 31, 2000, the Fund had tax capital loss carry forwards of \$79,152,839 which expire beginning on December 31, 2003.

The accumulated net realized loss and undistributed net investment income captions on the balance sheet reflect book/tax temporary differences. These differences are a result of the deferral of wash sale losses, the accretion of market discount and the cash basis recognition of preferred dividends for tax purposes.

(c) The accounts of the Fund are kept on the accrual basis of accounting. Security transactions are recorded on the trade date. Realized gains or losses from sales of securities are determined on the specific identified cost basis. Dividend income is recognized on the ex-dividend date. Interest income and expense are recognized on the accrual basis.

(d) The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

(e) As required, effective January 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing discount and premium on debt securities. Prior to January 1, 2001, the Fund did not amortize premiums or discounts on debt securities. The cumulative effect of this accounting change had no impact on total net assets of the Fund, but resulted in a \$14,407,825 reduction in cost of securities and a corresponding \$14,407,825 increase in net unrealized appreciation, based on securities held by the Fund on January 1, 2001.

The effect of this change for the six months ended June 30, 2001 was to decrease net investment income by \$2,081,818; increase net unrealized appreciation by \$3,349,936; and increase net realized gains by \$13,139,707. The statement of changes in net assets and financial highlights for the prior periods have not been restated to reflect this change in presentation.

DUFF & PHELPS UTILITIES INCOME INC.
 NOTES TO FINANCIAL STATEMENTS (Continued)
 (UNAUDITED)
 June 30, 2001

(2) MANAGEMENT ARRANGEMENTS:

The Fund has engaged Duff & Phelps Investment Management Co. (the "Adviser") to provide professional investment management services for the Fund and has engaged J. J. B. Hilliard, W. L. Lyons, Inc. (the "Administrator") to provide administrative and management services for the Fund. The Adviser receives a quarterly fee at an annual rate of .60% of the average weekly net assets of the Fund up to \$1.5 billion and .50% of average weekly net assets in excess thereof. The Administrator receives a quarterly fee at annual rates of .25% of average weekly net assets up to \$100 million, .20% of average weekly net assets from \$100 million to \$1 billion, and .10% of average weekly net assets over \$1 billion. For purposes of the foregoing calculations, "average weekly net assets" is defined as the sum of (i) the aggregate net asset value of the Fund's common stock (ii) the aggregate liquidation preference of the Fund's preferred stock and (iii) the aggregate proceeds to the Fund of commercial paper issued by the Fund. Directors of the Fund not affiliated with the Adviser receive a fee of \$22,500 per year plus \$1,500 per board meeting, plus \$1,000 per committee meeting attended. Committee Chairmen receive an additional fee of \$3,000 per year. Transfer agent and custodian fees are paid to The Bank of New York.

(3) DIVIDENDS:

The Board of Directors has authorized the following distributions to common stockholders from investment income in 2001:

Record Date	Payable Date	Dividend Per Share
----	-----	-----
01-31-01	02-12-01	\$.065
02-28-01	03-12-01	.065
03-30-01	04-10-01	.065

Record Date	Payable Date	Dividend Per Share
----	-----	-----
04-30-01	05-10-01	\$.065
05-31-01	06-11-01	.065
06-29-01	07-10-01	.065

(4) CAPITAL STOCK TRANSACTIONS:

The Fund may purchase shares of its own stock in open market or private transactions, from time to time and in such amounts and at such prices (not exceeding \$100,000 plus accumulated and unpaid dividends in the case of the

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

Fund's remarketed preferred stock and less than net asset value in the case of the Fund's common stock) as management may deem advisable. Since any such purchases of the Fund's common stock would be made at prices below net asset value, they would increase the net asset value per share of the remaining shares of common stock outstanding. The Fund has not purchased any shares of its common stock.

Transactions in common stock and paid-in surplus during 2000 and for the six months ended June 30, 2001 were as follows:

	Shares	Amount
	-----	-----
For the year ended December 31, 2000:		
Beginning capitalization.....	208,478,761	\$1,860,932,872
Dividend reinvestment.....	2,456,999	22,497,362
	-----	-----
Total capitalization.....	210,935,760	\$1,883,430,234
	=====	=====

For the six months ended June 30, 2001:

Beginning capitalization.....	210,935,760	\$1,883,430,234
Dividend reinvestment.....	1,322,487	13,467,530
	-----	-----
Total capitalization.....	212,258,247	\$1,896,897,764
	=====	=====

16

DUFF & PHELPS UTILITIES INCOME INC.
 NOTES TO FINANCIAL STATEMENTS (Continued)
 (UNAUDITED)
 June 30, 2001

(5) REMARKETED PREFERRED STOCK:

In 1988, the Fund issued 5,000 shares of Remarketed Preferred Stock ("RP") in five series of 1,000 shares each at a public offering price of \$100,000 per share. The underwriting discount and other expenses incurred in connection with the issuance of the RP were recorded as a reduction of paid-in surplus on common stock. Dividends on the RP are cumulative at a rate which was initially established for each series at its offering. Since the initial offering of each series, the dividend rate on each series has been reset every 49 days by a remarketing process. Dividend rates ranged from 2.997% to 4.850% during the six months ended June 30, 2001.

The RP is redeemable at the option of the Fund on any dividend payment date at a redemption price equal to \$100,000 per share, plus accumulated and unpaid dividends. The Fund is required to maintain certain asset coverage with respect to the RP, and the RP is subject to mandatory redemption if that asset coverage is not maintained. Each series of RP is also subject to mandatory redemption on a date certain as follows: Series A--November 28, 2012; Series B--November 18,

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

2015; Series C--November 7, 2018; Series D--December 22, 2021; and Series E--December 11, 2024.

In general, the holders of the RP and of the Common Stock have equal voting rights of one vote per share, except that the holders of the RP, as a class, vote to elect two members of the Board of Directors, and separate class votes are required on certain matters that affect the respective interests of the RP and the Common Stock. The RP has a liquidation preference of \$100,000 per share plus accumulated and unpaid dividends.

(6) COMMERCIAL PAPER:

The Board of Directors has authorized the Fund to issue up to \$200,000,000 of Commercial Paper Notes (the "Notes") in minimum denominations of \$100,000 with maturities up to 270 days. The Notes generally will be sold on a discount basis, but may be sold on an interest-bearing basis. The Notes are not redeemable by the Fund nor are they subject to voluntary prepayment prior to maturity. The aggregate amount of Notes outstanding changes from time to time. The Notes are unsecured, general obligations of the Fund. The Fund has entered into a credit agreement to provide liquidity. The Fund is able to request loans under the credit agreement of up to \$100,000,000 at any one time, subject to certain restrictions. Interest rates on the Notes ranged from 3.68% to 5.34% during the six months ended June 30, 2001. At June 30, 2001, the Fund had Notes outstanding of \$195,416,733.

(7) INVESTMENT TRANSACTIONS:

For the six months ended June 30, 2001, purchases and sales of investment securities (excluding short-term securities) were \$3,264,108,173 and \$3,201,198,424, respectively. For federal income tax purposes, at June 30, 2001, the gross unrealized depreciation on investments was \$81,200,834 and gross unrealized appreciation was \$316,674,897. The cost of investments for financial reporting and Federal income tax purposes was \$2,533,930,116 and \$2,535,302,029, respectively.

The Fund may lend portfolio securities to a broker/dealer. Loans are required to be secured at all times by collateral at least equal to the market value of securities loaned. The Fund receives a portion of the income earned on the securities held as collateral and continues to earn income on the loaned securities. Security loans are subject to the risk of failure by the borrower to return the loaned securities in which case the Fund could incur a loss. At June 30, 2001, the fund had loaned portfolio securities with a market value of \$629,648,878 to a broker/dealer and money market instruments with a market value of \$645,438,725 were held in the Fund's account at the broker/dealer as collateral.

17

DUFF & PHELPS UTILITIES INCOME INC. FINANCIAL HIGHLIGHTS--SELECTED PER SHARE DATA AND RATIOS

The table below provides information about income and capital changes for a share of common stock outstanding throughout the periods indicated:

For the year ended December 31

For the six

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

	months ending June 30, 2001 (UNAUDITED)					
	2000	1999	1998	1997	1996	1995
Net asset value:						
Beginning of period.....	\$ 10.51	\$ 8.77	\$ 10.36	\$ 9.90	\$ 8.44	\$ 7.90
Net investment income.....	0.45	0.88	0.89	0.88	0.85	0.85
Net realized gain (loss) and change in unrealized appreciation/depreciation on investments.....	(0.70)	1.76	(1.59)	0.46	1.46	1.46
Total from investment operations.....	(0.25)	2.64	(0.70)	1.34	2.31	2.31
Dividends on preferred stock from net investment income.....	(0.05)	(0.11)	(0.10)	(0.10)	(0.10)	(0.10)
Dividends on common stock from net investment income.....	(0.39)	(0.79)	(0.79)	(0.78)	(0.75)	(0.75)
Total distributions.....	(0.44)	(0.90)	(0.89)	(0.88)	(0.85)	(0.85)
Net asset value:						
End of period.....	\$ 9.82	\$ 10.51	\$ 8.77	\$ 10.36	\$ 9.90	\$ 7.90
Per share market value:						
End of period.....	\$ 10.78	\$ 10.50	\$ 8.31	\$ 11.25	\$ 10.13	\$ 9.90
Ratio of expenses to average net assets attributable to common shares.....	1.64%*	1.79%	1.66%	1.46%	1.45%	1.45%
Total investment return.....	6.63%	37.37%	(19.85)%	19.95%	27.69%	27.69%
Ratio of net investment income to average net assets attributable to common shares.....	8.92%*	9.73%	9.40%	8.85%	9.87%	9.87%
Portfolio turnover rate.....	118.11%	229.70%	223.78%	251.19%	213.57%	213.57%
Net assets, end of period (000s omitted).....	\$2,583,813	\$2,716,014	\$2,328,128	\$2,631,692	\$2,510,035	\$2,180,000

* Annualized

Board of Directors

WALLACE B. BEHNKE

HARRY J. BRUCE

FRANKLIN A. COLE

GORDON B. DAVIDSON

ROBERT J. GENETSKI

CLAIRE V. HANSEN, CFA

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

FRANCIS E. JEFFRIES, CFA

NANCY LAMPTON

DAVID J. VITALE

Officers

CLAIRE V. HANSEN, CFA
Chairman,

NATHAN I. PARTAIN, CFA
President and Chief Executive Officer

T. BROOKS BEITTEL, CFA
Senior Vice President, Secretary and Treasurer

MICHAEL SCHATT
Senior Vice President

JOSEPH C. CURRY, JR.
Vice President

DIANNA P. WENGLER
Assistant Secretary

Duff & Phelps
Utilities Income Inc.

Common stock listed on the New York Stock Exchange under the symbol DNP

55 East Monroe Street
Chicago, Illinois 60603
(312) 368-5510

Shareholder inquiries please contact

Transfer Agent
Dividend Disbursing
Agent and Custodian

The Bank of New York
Shareholder Relations
Church Street Station
P.O. Box 11258
New York, New York 10286-1258
(877) 381-2537

Investment Adviser

Duff & Phelps
Investment Management Co.
55 East Monroe Street
Chicago, Illinois 60603

Administrator

J.J.B. Hilliard, W.L. Lyons, Inc.
Hilliard Lyons Center
Louisville, Kentucky 40202
(888) 878-7845

Edgar Filing: DUFF & PHELPS UTILITIES INCOME INC - Form N-30D

Legal Counsel

Mayer, Brown & Platt
190 South LaSalle Street
Chicago, Illinois 60603

Independent Public Accountants

Arthur Andersen LLP
33 West Monroe Street
Chicago, Illinois 60603

19

Duff & Phelps
Utilities Income Inc.

Semi-Annual Report

June 30, 2001

[Graphic]

2nd Quarter