

# Stock Performance

## HIGHLIGHTS

- U.S. equities in Q1 2023 extended a rally that started in Q4 with gains focused in the technology, consumer services and consumer goods sectors. The EEI Index returned -2.9% as defensive stocks lagged.
- A review of investor presentations associated with utilities' Q4 2022 earnings calls showed an industry commencing 2023 with what appears to be a continued optimistic and steady growth outlook.
- While higher fuel costs have driven monthly energy bills up across the nation, Q1's Wall Street research noted there's little evidence so far that utility commissions have become less supportive of clean energy investment and reliability-related capex.
- Fading inflationary forces and warm winter weather drove natural gas prices down sharply in Q1, offering hope for reduced utility bill pressure. Henry Hub spot prices dropped from over \$7 mm/BTU in December to under \$3 mm/BTU in late January and closed the quarter just over \$2 mm/BTU.

## COMMENTARY

U.S. equities in Q1 2023 extended a rally that started in Q4 2022. While the Dow Jones Industrial Average returned a modest 0.9% for the quarter, the S&P 500 and Nasdaq Composite were far stronger, returning 7.5% and 16.8% respectively, on strength among technology, consumer services and consumer goods companies. The EEI Index returned -2.9%. Wall Street analysts noted utilities shared in the relative weakness of defensive stocks as investors broadly embraced risk.

The equity market rebound came after sharp losses in 2022, when the S&P 500 Index declined nearly 20% and the

## I. Index Comparison (% Return)

Index	2017	2018	2019	2020	2021	2022	2023*
EEI Index	11.7	3.7	25.8	-1.2	17.1	1.2	-2.9
Dow Jones Ind.	28.1	-3.5	25.3	9.7	21.0	-7.0	0.9
S&P 500	21.8	-4.4	31.5	18.4	28.7	-18.3	7.5
Nasdaq Comp.^	28.2	-3.9	35.2	43.6	21.4	-33.5	16.8

Calendar year returns shown for all periods, except where noted.

\*3 mo. through March 31.

^Price gain/loss only. Other indices show total return.

Source: EEI Finance Department, S&P Global Market Intelligence

## II. Category Comparison (% Return)

### U.S. Investor-Owned Electric Utilities

Index	2017	2018	2019	2020	2021	2022	2023*
All Companies	11.6	4.3	23.1	-8.1	17.6	2.7	-0.5
Regulated	11.7	4.5	24.6	-9.0	16.7	3.6	0.0
Mostly Regulated	11.3	3.6	17.9	-4.9	21.1	-1.1	-3.8

Calendar year returns shown for all periods except where noted.

Returns shown here are unweighted averages of constituent company returns.

The EEI Index return shown in Table I above is cap-weighted.

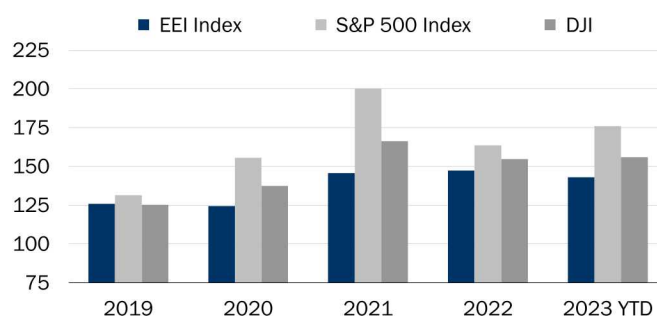
\*3 mo. through March 31.

Note: Diversified category eliminated in 2017 due to lack of constituent companies.

Source: EEI Finance Department, S&P Global Market Intelligence and company reports

## III. Total Return Comparison

### Value of \$100 invested at close on 12/31/2018



Source: EEI Finance Department, S&P Global Market Intelligence

### IV. 10-Year Treasury Yield — Monthly

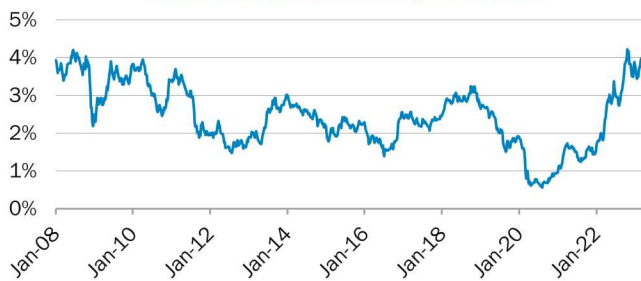
Average Monthly Yield, 1/1/1980 through 3/31/2023



Source: U.S. Federal Reserve

### V. 10-Year Treasury Yield — Weekly

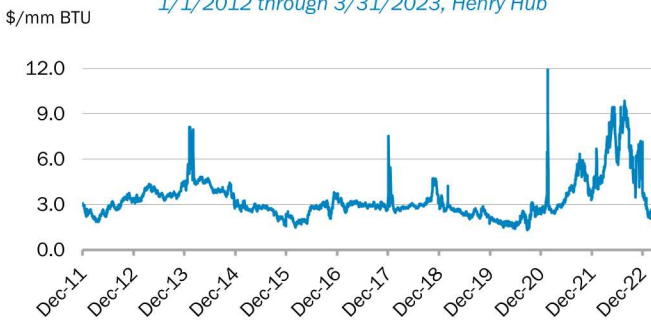
Weekly Yield, 1/1/2008 through 3/31/2023



Source: U.S. Federal Reserve

### VI. Natural Gas Spot Prices

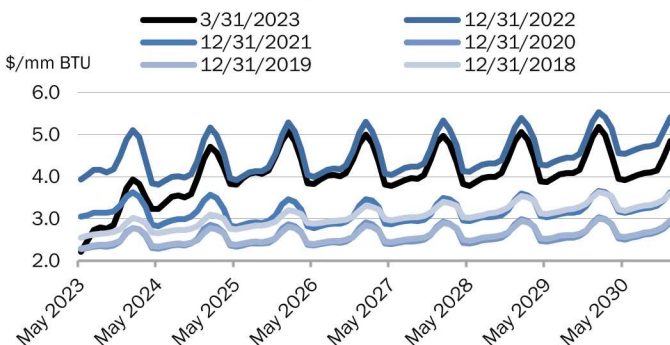
1/1/2012 through 3/31/2023, Henry Hub



Source: S&P Global Market Intelligence

### VII. NYMEX Natural Gas Futures

5/2023 through 12/2030, Henry Hub



Source: S&P Global Market Intelligence

### VIII. Returns by Quarter

U.S. Investor-Owned Electric Utilities

Index	2020	2020	2020	2021	2021	2021	2021	2022	2022	2022	2022	2023
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
EEl Index	1.8	5.6	6.5	3.0	-0.7	1.4	12.9	4.8	-4.9	-6.7	8.8	-2.9
Dow Jones Industrial	18.5	8.2	10.7	8.3	5.1	-1.5	7.9	-4.0	-10.9	-6.2	15.8	0.9
S&P 500	20.5	8.9	12.2	6.2	8.6	0.6	11.0	-4.6	-16.1	-4.9	7.3	7.5
Nasdaq Comp. <sup>A</sup>	30.6	11.0	15.4	2.8	9.5	-0.4	8.3	-9.0	-23.0	-3.5	-1.6	16.8

Category*	2020	2020	2020	2021	2021	2021	2021	2022	2022	2022	2022	2023
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
All Companies	-1.0	1.3	8.8	6.0	0.3	-0.7	11.5	5.2	-3.8	-8.3	10.7	-0.5
Regulated	-1.3	-0.1	8.6	4.8	0.3	-0.7	11.9	6.4	-3.6	-8.2	10.0	0.0
Mostly Regulated	0.2	6.2	9.3	10.6	0.3	-0.8	10.1	0.0	-5.0	-9.0	14.3	-3.8

<sup>A</sup>Price gain/(loss) only. Other indices show total return. / \* Returns shown here are unweighted averages of constituent company returns. The EEl Index return shown above is cap-weighted. Source: EEl Finance Department, S&P Global Market Intelligence

### IX. Sector Comparison, Trailing 3 mo. Total Return

For the three-month period ending 3/31/2023

Sector	Total Return
Technology	24.7%
Consumer Services	10.4%
Consumer Goods	9.8%
Basic Materials	5.9%
Industrials	4.1%
Telecommunications	2.8%
Financials	-2.3%
EEl Index	-2.9%
Utilities	-3.1%
Healthcare	-3.8%
Oil & Gas	-4.6%

Note: Sector Comparison page based on the Dow Jones U.S. Indexes, which are market-capitalization-weighted indices. Source: EEl Finance Dept., Dow Jones & Company, Google Finance, Y Charts

### X. Sector Comparison, Trailing 12 mo. Total Return

For the twelve-month period ending 3/31/2023

Sector	Total Return
Oil & Gas	11.2%
Industrials	-3.6%
Telecommunications	-5.3%
Healthcare	-5.5%
Basic Materials	-6.2%
EEl Index	-6.2%
Utilities	-7.2%
Technology	-9.2%
Consumer Goods	-11.5%
Financials	-13.8%
Consumer Services	-15.4%

Note: Sector Comparison page based on the Dow Jones U.S. Indexes, which are market-capitalization-weighted indices. Source: EEl Finance Dept., Dow Jones & Company, Google Finance, Y Charts

XI. Market Capitalization at March 31, 2023 (in \$ Millions)

U.S. Investor-Owned Electric Utilities

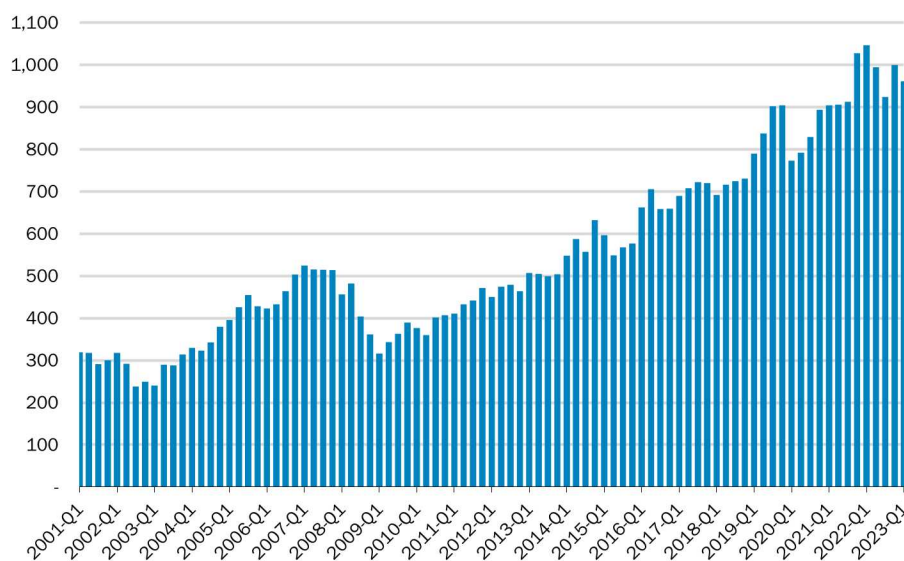
Company	Stock Symbol	\$ Market Cap	% Total	Company	Stock Symbol	\$ Market Cap	% Total
NextEra Energy, Inc.	NEE	152,048	15.81%	CMS Energy Corporation	CMS	17,770	1.85%
Southern Company	SO	74,799	7.78%	AVANGRID, Inc.	AGR	15,423	1.60%
Duke Energy Corporation	DUK	74,282	7.72%	Eergy, Inc.	EVRG	14,051	1.46%
Sempra Energy	SRE	47,639	4.95%	Alliant Energy Corporation	LNT	13,398	1.39%
American Electric Power Co., Inc.	AEP	46,572	4.84%	NiSource Inc.	NI	11,383	1.18%
Dominion Energy, Inc.	D	46,064	4.79%	Pinnacle West Capital Corp.	PNW	8,970	0.93%
Exelon Corporation	EXC	41,304	4.29%	OGE Energy Corp.	OGE	7,540	0.78%
Xcel Energy Inc.	XEL	36,890	3.83%	MDU Resources Group, Inc.	MDU	6,198	0.64%
Consolidated Edison, Inc.	ED	33,915	3.53%	IDACORP, Inc.	IDA	5,488	0.57%
PG&E Corporation	PCG	32,130	3.34%	Portland General Electric Co.	POR	4,365	0.45%
Public Service Enter. Group Inc.	PEG	31,100	3.23%	Hawaiian Electric Industries, Inc.	HE	4,202	0.44%
WEC Energy Group, Inc.	WEC	29,897	3.11%	PNM Resources, Inc.	PNM	4,192	0.44%
Eversource Energy	ES	27,139	2.82%	Black Hills Corporation	BKH	4,093	0.43%
Edison International	EIX	26,895	2.80%	ALLETE, Inc.	ALE	3,598	0.37%
FirstEnergy Corp.	FE	22,874	2.38%	NorthWestern Corporation	NWE	3,227	0.34%
Ameren Corporation	AEE	22,323	2.32%	Avista Corporation	AVA	3,098	0.32%
Entergy Corporation	ETR	22,027	2.29%	Otter Tail Corporation	OTTR	3,005	0.31%
DTE Energy Company	DTE	21,360	2.22%	MGE Energy, Inc.	MGEE	2,809	0.29%
PPL Corporation	PPL	20,454	2.13%	Unitil Corporation	UTL	912	0.09%
CenterPoint Energy, Inc.	CNP	18,543	1.93%	<b>Total Industry</b>		<b>961,977</b>	<b>100.00%</b>

Source: EEI Finance Dept., S&P Global Market Intelligence

XII. EEI Index Market Capitalization (at Period End)

U.S. Investor-Owned Electric Utilities

\$ Billions



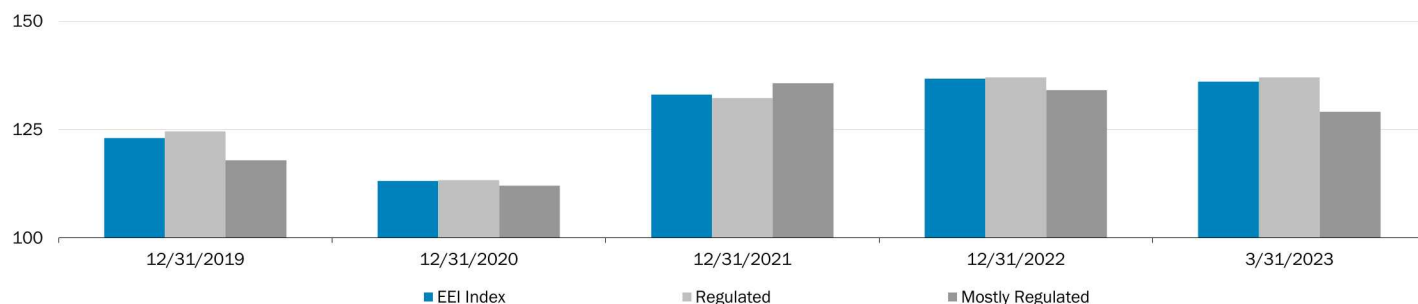
Note: Change in EEI Index market capitalization reflects the impact of buyout and spin-off activity in addition to stock market performance.

Source: EEI Finance Dept., S&P Global Market Intelligence

EEI Index Market Cap (in \$ Billions)			
2007-Q2	516	2015-Q2	549
2007-Q3	515	2015-Q3	568
2007-Q4	514	2015-Q4	577
2008-Q1	457	2016-Q1	663
2008-Q2	482	2016-Q2	706
2008-Q3	404	2016-Q3	659
2008-Q4	362	2016-Q4	660
2009-Q1	316	2017-Q1	690
2009-Q2	344	2017-Q2	708
2009-Q3	363	2017-Q3	722
2009-Q4	390	2017-Q4	720
2010-Q1	377	2018-Q1	692
2010-Q2	360	2018-Q2	716
2010-Q3	402	2018-Q3	725
2010-Q4	407	2018-Q4	731
2011-Q1	411	2019-Q1	790
2011-Q2	433	2019-Q2	838
2011-Q3	442	2019-Q3	902
2011-Q4	472	2019-Q4	905
2012-Q1	451	2020-Q1	773
2012-Q2	475	2020-Q2	792
2012-Q3	480	2020-Q3	830
2012-Q4	464	2020-Q4	894
2013-Q1	507	2021-Q1	905
2013-Q2	505	2021-Q2	907
2013-Q3	500	2021-Q3	913
2013-Q4	504	2021-Q4	1,028
2014-Q1	548	2022-Q1	1,047
2014-Q2	588	2022-Q2	995
2014-Q3	557	2022-Q3	924
2014-Q4	632	2022-Q4	1,000
2015-Q1	597	2023-Q1	962

### XIII. Comparative Category Total Annual Returns

U.S. Investor-Owned Electric Utilities, Value of \$100 invested at close on 12/31/2018



	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	3/31/2023
EEI Index Annual Return (%)		23.06	(8.07)	17.62	2.74	(0.49)
EEI Index Cumulative Return (\$)	100.00	123.06	113.12	133.05	136.69	136.02
Regulated EEI Index Annual Return		24.56	(9.01)	16.72	3.59	(0.01)
Regulated EEI Index Cumulative Return	100.00	124.56	113.33	132.28	137.03	137.02
Mostly Regulated EEI Index Annual Return		17.87	(4.95)	21.09	(1.15)	(3.76)
Mostly Regulated EEI Index Cumulative Return	100.00	117.87	112.04	135.67	134.12	129.07

Calendar year returns shown, except where noted.  
Diversified category eliminated in 2017 due to lack of constituent companies.  
Returns are unweighted averages of constituent company returns.

Nasdaq fell more than 30%. Including last year's market action, the EEI Index shows relative strength. For the trailing two-year period at March 31, 2023, the EEI Index returned 12.0%, more than double the Dow Jones Industrial's 5.0% return and also well-above the S&P 500's 6.7%. Weakness in tech last year left the Nasdaq down 7.7% for the two-year period.

#### Economy Rebounds from Early 2022 Weakness

Backward-looking economic data released in Q1 confirmed the rebound from a weak first half of 2022 that became evident in Q4. In October, the Bureau of Economic Analysis (BEA) released its first estimate of Q3 2022 real GDP at 2.6%; this compared to -1.6% in Q1 and -0.6% in Q2. The Q3 figure was revised upward to 3.2% in December. In January, the BEA reported an advance estimate of Q4 GDP at 2.9%, which was reduced slightly to 2.6% in late March.

Wall Street's outlook for 2023 was far less certain as investors sought to gauge the impact of inflation, the U.S. Federal Reserve's rate hikes, and geopolitical strains on economic growth and corporate profits. Forward-looking economic reporting during Q1 keyed on economists' recession calls for later this year. Even the Federal Reserve, based on minutes from its March meeting, saw a likelihood of what it called a "mild recession" in late 2023; this view was spurred in part by the collapse of Silicon Valley Bank in early March and related fallout across the banking sector. News reports said Fed officials foresee real GDP growth of only 0.4% for full-year 2023. As of early April 2023, Wall Street estimates

### XIV. EEI Index Top Ten Performers

For the three-month period ending 3/31/2023

Company	% Return	Category
Otter Tail Corporation	23.8	R
Edison International	12.1	R
Unitil Corporation	11.8	R
MGE Energy, Inc.	10.9	R
Pinnacle West Capital Corporation	5.3	R
NiSource Inc.	2.9	R
Public Service Enterprise Group Inc.	2.9	R
WEC Energy Group, Inc.	1.9	R
Consolidated Edison, Inc.	1.2	R
MDU Resources Group, Inc.	1.2	MR

Note: Return figures include capital gains and dividends.  
R = Regulated, MR = Mostly Regulated  
Source: EEI Finance Department

(based on data published by Zack's Investment Research) pegged Q1 earnings for the S&P 500 to be down about 9% from the year-ago period on a modest 1.8% rise in revenue as margin pressures (a theme in recent quarters) persist. Earnings for Q2 were expected to be down almost 7% on flat revenue. Meaningful year-to-year gains weren't expected until Q4 2023.

#### Inflation and Long-Term Rates Ease

The Fed hiked short-term rates twice during Q1 — once in early February and again in early March — adding to its sev-

en rate hikes last year. The overnight Federal Funds (Fed funds) rate climbed to a range of 4.75% to 5.00% at quarter end, up from effectively zero in February 2022. Slowing inflation in Q1 may be one sign of success from the rate hike campaign and a cause for the quarter's bullish sentiment in the equity market. Monthly inflation measured by the consumer price index (CPI) slowed to 6.3% in January, to 6.0% in February and to 5.0% in March after holding above 7% for nearly all of 2022.

Bond investors continued to view high inflation numbers as a short-term effect of strained supply chains contending with the post-Covid global economic reopening, and seemed to focus in Q1 on the tepid economic outlook. The 10-year Treasury yield stayed range-bound between 3.5% and 4.0% — well-below its 2022 high of 4.25% in late October — despite 5.0% to 6.0% inflation numbers.

### Natural Gas Prices Fall Sharply

Fading inflationary forces combined with warm winter weather drove natural gas prices down sharply in Q1. Henry Hub spot prices fell from over \$7 mm/BTU in December to under \$3 mm/BTU in late January and closed the quarter just over \$2 mm/BTU. Heating-degree-day data from the National Oceanic and Atmospheric Administration (NOAA) was 20% below last year's level in January and down 10% in February. March was up slightly. Since natural gas is the price-setting fuel in many competitive power markets and fuel costs are passed through in rates, the gas price weakness offered some relief to the outlook for utility bill inflation. Higher fuel costs have driven monthly energy bills higher for consumers across the nation. While electricity rates in aggregate nationwide were mostly flat from 2008 through 2019, the average retail price of electricity according to EIA data rose 7% year-to-year in 2022's Q1, more than 12% in Q2, almost 17% in Q3 and 13% in Q4. The average rate nationwide in Q1 2023 rose about 10% year-to-year.

Utility managements and Wall Street analysts are closely watching rate reviews and regulators' reactions to integrated resource plans to see if cost pressures on utility bills spoil consumers' or regulators' support for the clean energy capex that drives earnings growth.

### Earnings Calls in Q1 Indicate Steady Fundamentals

All 39 publicly traded utility holding companies in the EEI Index hold quarterly earnings calls with investors. Conference calls to report and discuss Q4 and full-year earnings occur from late January through February; these are often used to set expectations for the year ahead and address topical industry themes. A review of all 39 investor presentations associated with these calls showed an industry commencing 2023 with what appears to be a continued optimis-

tic and steady growth outlook. To be sure, there were modest cuts in 2023 earnings guidance that came out of last year's Q3 earnings calls at a handful of utilities. But broadly speaking, most utilities seemed to achieve or exceed in full-year 2022 the estimates penciled in early in 2022.

With the passage in August 2022 of the Inflation Reduction Act (IRA), and its strong support for clean energy investment, the industry's long-term outlook for capex likely was enhanced last year. Most utilities cited the IRA as a strong tailwind that may produce opportunities for longer-term investment above what's embedded in current growth outlooks. Most affirmed long-term earnings and dividend growth rates, which cluster at 5% to 7% or 6% to 8% across much of the industry. Many utilities also continued to cite opportunities to constrain operations and maintenance (O&M) expenses through smart-grid investments. Some cited strong local economies and fairly strong load growth outlooks. Several mentioned electric vehicles (EV) as a growth wild card depending on the pace of EV adoption and regulatory treatment of related infrastructure, and some mentioned data centers as a relatively new demand source.

Companies also conveyed a strong sensitivity to bill affordability and, where fuel profiles allowed, pitched their rates favorably in relation to regional averages. All presentations cited the need to work closely with state regulators to produce the clean energy revolution the nation wants without undue bill pressures. The majority of calls noted regulatory relationships as broadly constructive and supportive of clean energy goals and the jobs that result from associated investment. Companies also indicated an aversion to equity dilution and pitched as a total return potential the combination of earnings growth and a 3% or higher dividend yield. Many of these themes are familiar from recent years; the IRA and fuel price spikes of 2022 were new.

### Wall Street Focuses on Regulation

A key theme that received scrutiny in Wall Street's Q1 published research was regulators' perspectives on rising bills and capex outlooks. Despite regulatory scrutiny of customer bill pressures in some regions, analysts said there is little evidence that commissions are generally less supportive of the nation's clean energy agenda and reliability-related capex. For investors, utilities' investment case is premised on steady growth and predictable earnings. Analysts noted state regulation seems broadly balanced (supportive of healthy utilities but not at the expense of rate payers) and constructive (recognizing the significant investment required to meet energy policy goals and utilities' necessary role in execution). This largely echoed what companies noted in their earnings calls. Turbulence in regulatory support for capex could threaten that outlook, and it's likely to continue to be a closely watched area as 2023 unfolds. ■