Edison Electric INSTITUTE

2023 Industry Financial Highlights

February 20, 2024

This document is comprised of Q4 2023 Financial Updates for Stock Performance, Dividends, and Credit Ratings from EEI's Finance Department.

These quarterly updates and other EEI Finance Department materials can be found at: www.eei.org/QFU.

About EEI

The Edison Electric Institute (EEI) is the association that represents all U.S. investor-owned electric companies. Our members provide electricity for nearly 250 million Americans, and operate in all 50 states and the District of Columbia. As a whole, the electric power industry supports more than 7 million jobs in communities across the United States. In addition to our U.S. members, EEI has more than 70 international electric companies as International Members, and hundreds of industry suppliers and related organizations as Associate Members. Organized in 1933, EEI provides public policy leadership, strategic business intelligence, and essential conferences and forums.

About EEI's Quarterly Financial Updates

EEI's quarterly financial updates present industry trend analyses and financial data covering 44 U.S. investor-owned electric utility companies. These 44 companies include 39 electric utility holding companies whose stocks are traded on major U.S. stock exchanges and five electric utilities who are subsidiaries of non-utility or foreign companies. Updates are published for the following topics:

- Stock Performance
- Dividends
- Credit Ratings
- Rate Review

EEI Finance Department material can be found online at: www.eei.org/QFU.

For EEI Member Companies

The EEI Finance and Accounting Division maintains current year and historical data sets that cover a wide range of industry financial and operating metrics. We look forward to serving as a resource for member companies who wish to produce customized industry financial data and trend analyses for use in:

- Investor relations studies and presentations
- Internal company presentations
- Performance benchmarking
- Peer group analyses
- Annual and quarterly reports to shareholders

We Welcome Your Feedback

EEI is interested in ensuring that our publications and industry data sets best address the needs of member companies and the regulatory and financial communities. We welcome your comments, suggestions and inquiries.

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Future EEI Finance Meetings

59th EEI Financial Conference
November 10-12, 2024
The Diplomat Beach Resort
Hollywood, Florida

For more information about future EEI Finance Meetings, please contact Aaron Cope, Jr. at (202) 508-5128 or acope@eei.org.

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The 44 U.S. Investor-Owned Electric Utilities

The companies listed below all serve a regulated distribution territory. Other utilities, such as transmission provider ITC Holdings, are not shown below because they do not serve a regulated distribution territory. However, their financial information is included in relevant EEI data sets, such as transmission-related construction spending.

ALLETE, Inc. (ALE)
Alliant Energy Corporation (LNT)
Ameren Corporation (AEE)
American Electric Power Company, Inc. (AEP)
AVANGRID, Inc. (AGR)
Avista Corporation (AVA)
Berkshire Hathaway Energy
Black Hills Corporation (BKH)
CenterPoint Energy, Inc. (CNP)
Cleco Corporation
CMS Energy Corporation (CMS)
Consolidated Edison, Inc. (ED)
Dominion Resources, Inc. (D)
DPL, Inc.
DTE Energy Company (DTE)
Duke Energy Corporation (DUK)
Edison International (EIX)
Entergy Corporation (ETR)
Evergy, Inc. (EVRG)
Eversource Energy (ES)
Exelon Corporation (EXC)
FirstEnergy Corp. (FE)
Hawaiian Electric Industries, Inc. (HE)
IDACORP, Inc. (IDA)
IPALCO Enterprises, Inc.
MDU Resources Group, Inc. (MDU)
MGE Energy, Inc. (MGEE)
NextEra Energy, Inc. (NEE)
NiSource Inc. (NI)
NorthWestern Corporation (NWE)
OGE Energy Corp. (OGE)
Otter Tail Corporation (OTTR)
PG&E Corporation (PCG)
Pinnacle West Capital Corporation (PNW)
PNM Resources, Inc. (PNM)
Portland General Electric Company (POR)
PPL Corporation (PPL)
Public Service Enterprise Group Inc. (PEG)
Puget Energy, Inc.
Sempra Energy (SRE)
Southern Company (SO)
Unitil Corporation (UTL)
WEC Energy Group, Inc. (WEC)
Xcel Energy, Inc. (XEL)

Note: Companies shown in italics are not listed on U.S. stock exchanges for one of the following reasons — they are subsidiaries of an independent power producer; they are subsidiaries of foreign-owned companies; or they were acquired by other investment firms.

Companies Listed by Category
(Based on Business Segmentation Data as of 12/31/2022)

Please refer to the Quarterly Financial Updates webpage for previous years' lists.

Given the diversity of utility holding company corporate strategies, no single company categorization approach will be useful for all EEI members and utility industry analysts. Nevertheless, we believe the following classification provides an informative framework for tracking industry financial trends.

Regulated	80% or more of total assets are regulated
Mostly Regulated	Less than 80% of total assets are regulated

Categorization is based on year-end business segmentation data presented in SEC 10-K filings, supplemented by discussions with and information provided by parent company IR departments.

The EEI Finance and Accounting Division continues to evaluate our approach to company categorization and business segmentation. In addition, we can produce customized categorization and peer group analyses in response to member company requests. We welcome comments, suggestions and feedback from EEI member companies and the financial community.

Regulated (38 of 44)

Alliant Energy Corporation
Ameren Corporation
American Electric Power Company, Inc.
Avista Corporation
Black Hills Corporation
CenterPoint Energy, Inc.
Cleco Corporation
CMS Energy Corporation
Consolidated Edison, Inc.
Dominion Energy, Inc.
DPL Inc.
DTE Energy Company
Duke Energy Corporation
Edison International
Entergy Corporation
Evergy, Inc.
Eversource Energy
Exelon Corporation
FirstEnergy Corp.
IDACORP, Inc.
IPALCO Enterprises, Inc.
MGE Energy, Inc.
NiSource Inc.
NorthWestern Corporation
OGE Energy Corp.
Otter Tail Corporation
PG&E Corporation
Pinnacle West Capital Corporation
PNM Resources, Inc.
Portland General Electric Company
PPL Corporation
Public Service Enterprise Group Inc.
Puget Energy, Inc.
Sempra Energy
Southern Company
Unitil Corporation
WEC Energy Group, Inc.
Xcel Energy Inc.

Mostly Regulated (6 of 44)

ALLETE, Inc.
AVANGRID, Inc.
Berkshire Hathaway Energy
Hawaiian Electric Industries, Inc.
MDU Resources Group, Inc.
NextEra Energy, Inc.

Note: Companies shown in italics are not listed on U.S. stock exchanges for one of the following reasons — they are subsidiaries of an independent power producer; they are subsidiaries of foreign-owned companies; or they were acquired by other investment firms.

Q4 2023

Stock Performance

HIGHLIGHTS

- Markets reversed Q3's weakness and surged in Q4 after the Fed appeared to pivot away from interest rate hikes. Major indices returned 12% to 13%. The EEI Index and broader Utilities sector each returned about 8%, lifted by a sharp fall in interest rates.
- Recession fears colored economic outlooks when the year began but melted in the face of strong data as 2023 evolved. Late October's 4.9% Q3 GDP report fueled the bullish spirits spurred by the Fed's perceived policy shift.
- Constructive themes that colored utilities' Q3 earnings calls and conferences during Q4 included steady or rising capex outlooks, boosts to demand growth at some utilities, and maintenance of mid-single-digit, five-year earnings growth forecasts.
- Utility stocks have fought rising interest rates since mid-2020. If industry outlooks stay positive utilities may shine again should rates hold steady or fall. Yet the trend back to a nearly fully regulated focus makes state-by-state regulation an ever-present Wall Street concern.

COMMENTARY

Major market indices extended Q3's weakness into late October, when the S&P 500's year-to-date gain had eroded to just 7%. But Federal Reserve Chairman Jerome Powell's comments at the Fed's November 1 policy meeting — the second-straight with no rate increase — hinted rate hikes were over. Markets surged in November and December. The S&P 500 gained 11.7% in Q4 to end 2023 with a 26.3% return. The Dow Jones Industrials jumped 13.1% to finish 2023 with a 16.2% return. The red-hot Nasdaq surged 13.4% in the year's last quarter to close the year up 43.3%.

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	-8.7
Dow Jones Ind.	28.1	-3.5	25.3	9.7	21.0	-7.0	16.2
S&P 500	21.8	-4.4	31.5	18.4	28.7	-18.3	26.3
Nasdaq Comp.^	28.2	-3.9	35.2	43.6	21.4	-33.5	43.3

Calendar year returns shown for all periods, except where noted.
^Price gain/loss only. Other indices show total return.
Source: EEI Finance Department, S&P Global Market Intelligence

II. Category Comparison (% Return)

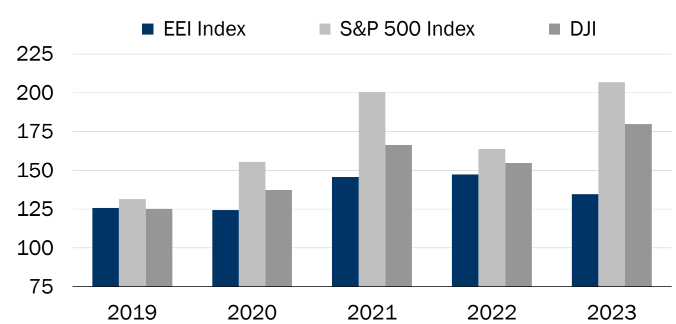
U.S. Investor-Owned Electric Utilities

Index	2017	2018	2019	2020	2021	2022	2023
All Companies	11.6	4.3	23.1	-8.1	17.6	2.7	-6.3
Regulated	11.7	4.5	24.6	-9.0	16.7	3.6	-3.9
Mostly Regulated	11.3	3.6	17.9	-4.9	21.1	-1.1	-22.5

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.
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, 1/1/1981 through 12/31/2023

Source: U.S. Federal Reserve

V. 10-Year Treasury Yield — Weekly

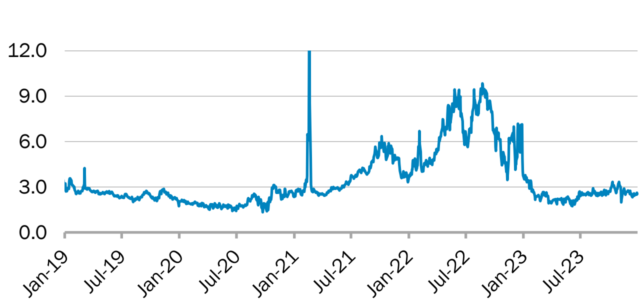
Weekly Yield, 1/1/2019 through 12/31/2023

Source: U.S. Federal Reserve

VI. Natural Gas Spot Prices

1/1/2019 through 12/31/2023, Henry Hub

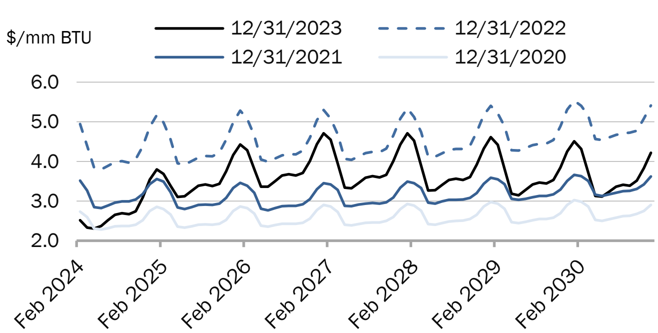
$/mm BTU



Source: S&P Global Market Intelligence

VII. NYMEX Natural Gas Futures

2/2024 through 12/2030, Henry Hub



Source: S&P Global Market Intelligence

VIII. Returns by Quarter

U.S. Investor-Owned Electric Utilities

Index	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
EEI Index	3.0	-0.7	1.4	12.9	4.8	-4.9	-6.7	8.8	-2.9	-3.0	-10.3	8.0
Dow Jones Industrial	8.3	5.1	-1.5	7.9	-4.0	-10.9	-6.2	15.8	0.9	4.0	-2.1	13.1
S&P 500	6.2	8.6	0.6	11.0	-4.6	-16.1	-4.9	7.3	7.5	8.7	-3.3	11.7
Nasdaq Comp.^	2.8	9.5	-0.4	8.3	-9.0	-23.0	-3.5	-1.6	16.8	12.8	-4.1	13.4

Category*	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
All Companies	6.0	0.3	-0.7	11.5	5.2	-3.8	-8.3	10.7	-0.5	-2.7	-10.5	8.1
Regulated	4.8	0.3	-0.7	11.9	6.4	-3.6	-8.2	10.0	0.0	-2.5	-8.7	8.0
Mostly Regulated	10.6	0.3	-0.8	10.1	0.0	-5.0	-9.0	14.3	-3.8	-3.9	-23.3	9.2

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

IX. Sector Comparison, Trailing 3 mo. Total Return

For the three-month period ending 12/31/2023

Sector	Total Return
Telecommunications	16.7%
Technology	16.2%
Financials	15.2%
Consumer Services	14.6%
Industrials	13.4%
Basic Materials	9.1%
Utilities	8.6%
EEI Index	8.0%
Healthcare	6.4%
Consumer Goods	4.7%
Oil & Gas	-6.5%

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

X. Sector Comparison, Trailing 12 mo. Total Return

For the twelve-month period ending 12/31/2023

Sector	Total Return
Technology	65.1%
Consumer Services	34.1%
Industrials	19.8%
Financials	16.1%
Consumer Goods	13.9%
Basic Materials	11.0%
Telecommunications	3.5%
Healthcare	1.9%
Oil & Gas	-1.0%
Utilities	-7.2%
EEI Index	-8.7%

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

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

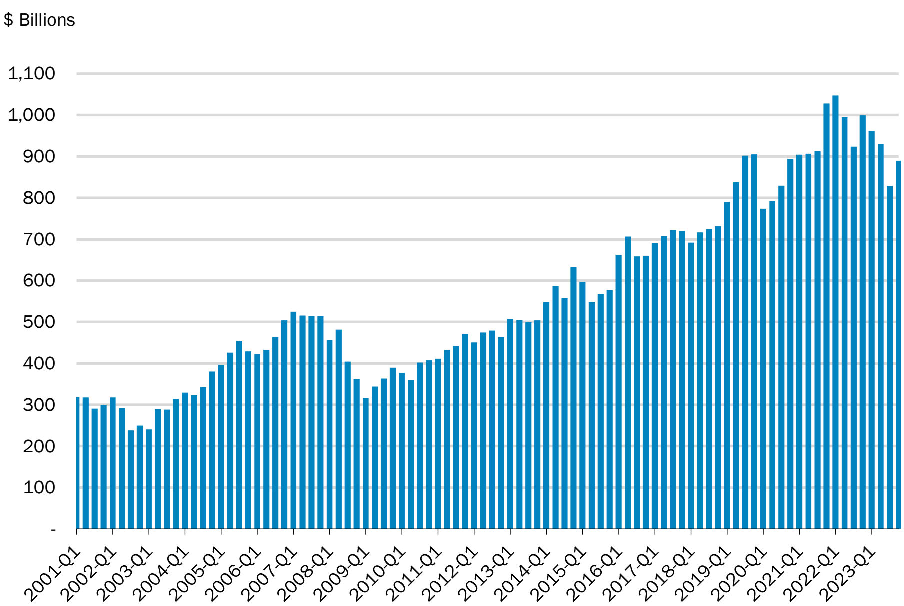
U.S. Investor-Owned Electric Utilities

Company	Stock Symbol	$ Market Cap	% Total	Company	Stock Symbol	$ Market Cap	% Total
NextEra Energy, Inc.	NEE	123,381	13.86%	CMS Energy Corporation	CMS	16,898	1.90%
Southern Company	SO	76,571	8.60%	Alliant Energy Corporation	LNT	13,005	1.46%
Duke Energy Corporation	DUK	74,818	8.41%	AVANGRID, Inc.	AGR	12,538	1.41%
Sempra Energy	SRE	47,083	5.29%	Evergy, Inc.	EVRG	12,011	1.35%
American Electric Power Co., Inc.	AEP	42,272	4.75%	NiSource Inc.	NI	10,978	1.23%
Dominion Energy, Inc.	D	39,330	4.42%	Pinnacle West Capital Corp.	PNW	8,151	0.92%
PG&E Corporation	PCG	38,061	4.28%	OGE Energy Corp.	OGE	6,996	0.79%
Exelon Corporation	EXC	35,756	4.02%	IDACORP, Inc.	IDA	4,987	0.56%
Xcel Energy Inc.	XEL	34,174	3.84%	Portland General Electric Co.	POR	4,371	0.49%
Consolidated Edison, Inc.	ED	31,385	3.53%	MDU Resources Group, Inc.	MDU	4,032	0.45%
Public Service Enter. Group Inc.	PEG	30,453	3.42%	Black Hills Corporation	BKH	3,632	0.41%
Edison International	EIX	27,381	3.08%	PNM Resources, Inc.	PNM	3,581	0.40%
WEC Energy Group, Inc.	WEC	26,547	2.98%	Otter Tail Corporation	OTTR	3,542	0.40%
DTE Energy Company	DTE	22,714	2.55%	ALLETE, Inc.	ALE	3,511	0.39%
Eversource Energy	ES	21,584	2.43%	NorthWestern Corporation	NWE	3,076	0.35%
Entergy Corporation	ETR	21,398	2.40%	Avista Corporation	AVA	2,742	0.31%
FirstEnergy Corp.	FE	21,006	2.36%	MGE Energy, Inc.	MGEE	2,615	0.29%
PPL Corporation	PPL	19,976	2.24%	Hawaiian Electric Industries, Inc.	HE	1,557	0.17%
Ameren Corporation	AEE	19,011	2.14%	Unitil Corporation	UTL	846	0.10%
CenterPoint Energy, Inc.	CNP	18,033	2.03%	Total Industry		890,003	100.00%

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

XII. EEI Index Market Capitalization (at Period End)

U.S. Investor-Owned Electric Utilities



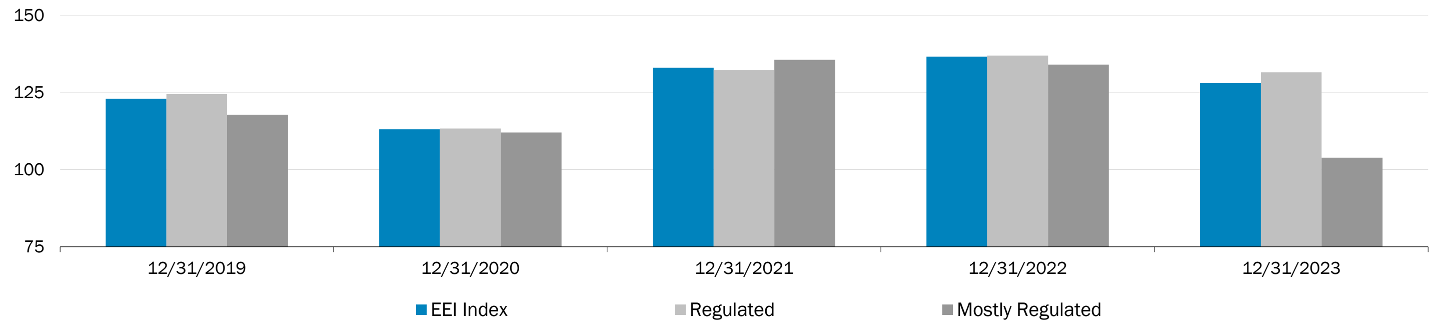
Note: Change in EEI Index market capitalization reflects the impact of buyout and spin-off activity in addition to stock market performance.
Source: EEI Finance Dept., S&P Global Market Intelligence

EEI Index Market Cap (in $ Billions)

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	1000
2015-Q1	597	2023-Q1	962
2015-Q2	549	2023-Q2	931
2015-Q3	568	2023-Q3	829
2015-Q4	577	2023-Q4	890

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	12/31/2023
EEI Index Annual Return (%)		23.06	(8.07)	17.62	2.74	(6.30)
EEI Index Cumulative Return ($)	100.00	123.06	113.12	133.05	136.69	128.08
Regulated EEI Index Annual Return		24.56	(9.01)	16.72	3.59	(3.92)
Regulated EEI Index Cumulative Return	100.00	124.56	113.33	132.28	137.03	131.67
Mostly Regulated EEI Index Annual Return		17.87	(4.95)	21.09	(1.15)	(22.50)
Mostly Regulated EEI Index Cumulative Return	100.00	117.87	112.04	135.67	134.12	103.94

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.

Few market watchers expected anything like this when the year began; recession calls were then widespread while fears that "something will break" from the Fed's rate hikes also kept outlooks muted. The sole bullish theme through much of 2023 was investors' enthusiasm for the commercialization potential of artificial intelligence (AI). Market strength was focused in the so-called "Magnificent Seven" large-cap tech companies — Google, Amazon, Apple, Meta (Facebook), Microsoft, AI chip maker Nvidia and Tesla — along with others seen as agents or beneficiaries of AI-driven innovation. Absent those seven names, the S&P 500 would have been 3% lower for the year by late October. But November and December's market gains were broad-based.

The EEI Index returned 8.0% in Q4, lifted by a sudden fall in interest rates and roughly matching the broader Utilities' sector's 8.6% return. However, neither index could fight rising interest rates through most of 2023 or compete with the AI optimism of the "Magnificent Seven", and each finished the year down about 8%.

Economic Strength Thwarts Recession Fears

Recession fears that colored economic outlooks as the year began melted in the face of surprisingly strong data as 2023 evolved. Estimated Q1 real gross domestic product (GDP) rose from a first estimate of 1.1% to a final reading of 2.2%. Q2 produced 2.1% growth. But it was late October's Q3 GDP report at 4.9% that fueled the bullish spirits spurred by Fed Chairman Powell's perceived pivot.

XIV. EEI Index Top Ten Performers

For the six-month period ending 12/31/2023

Company	% Return	Category
Otter Tail Corporation	48.0	R
Edison International	17.4	R
PG&E Corporation	10.9	R
Unitil Corporation	5.7	R
MGE Energy, Inc.	5.0	R
Public Service Enterprise Group Inc.	3.6	R
Southern Company	2.2	R
NiSource Inc.	0.5	R
Sempra Energy	0.0	R
ALLETE, Inc.	-0.7	MR

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

Economic bears missed their 2023 recession call but took analytical solace in what proved to be an earnings recession. Corporate profits for all S&P 500 companies (according to data compiled by Zacks Investment Research) declined 2.3% year-to-year in Q1 and 6.7% in Q2, marking three quarters of negative comparisons (including Q4 2022's 5.5% decline). As Q4 ended, full-year 2023 earnings were pegged to be unchanged from 2022. Optimism returned to 2024 and 2025 with projected 10%+ growth. While individual companies and pockets of the market showed good earnings gains, the aggregate picture imbues 2023's market advance with a macro-driven and thematic quality that broad fundamentals don't quite substantiate.

Interest Rates Drop in Q4

Utility shares have faced the headwind of rising interest rates since 2020, when the 10-year Treasury yield reached a record low 0.6%. Starting 2023 at 3.7%, the 10-year yield rose to nearly 5% by late October, causing much of utilities' 2023 negative return. In addition to Fed rate hikes, Wall Street pundits in Q3 attributed rising yields to bond investors' newfound exhaustion at Washington's big deficits and rising debt, which seem likely to rise further when the economy weakens. Yet after the Fed's November meeting rates fell steadily from late October's 5.0% to 3.8% as December ended, driving the EEI Index's 8.0% Q4 gain. Interest rates also took direction from inflation data; monthly CPI inflation held in a narrow range of 3.0% to 3.2% through Q4, the lowest levels of the year and down from 5% readings through May.

Fundamental Concerns Color Thinking

During much of 2023, Wall Street's utility research grappled with several factors that weighed on utility stocks in addition to the share price impact of higher interest rates.

Cost of Capital. Analyst research noted some utilities face the prospect of refinancing maturing debt over the next few years at what may be much higher interest costs. Depressed share prices also raise the equity cost of capital for utilities.

Wildfires. Wildfire risk was typically seen as a concern for California utilities. But Hawaii's August fires made headlines and Wall Street's Q3 research noted similar risk in Oregon and Colorado.

Inflation. If inflation raises renewable build-out costs and threatens long-term capex planning, utility growth plans may suffer. Related supply chain bottlenecks may also delay construction.

Regulation. Analysts cited scattered regulatory outcomes in 2023 that disappointed investors. With electric bills rising due to higher capex, Wall Street closely watched rate reviews for signs of waning support for utility investment.

Q4 Presentations Convey Steady Outlooks

Wall Street's worry over threats to the industry's fundamental picture took a back seat to parsing the Q3 earnings reports and investor presentations that occurred during Q4.

Utilities release Q3 earnings in October and November each year and hold conference calls with investors to review outlooks. Wall Street's published research in Q4 generally saw Q3 earnings as on target, with several utilities slightly raising earnings guidance. Utilities' Q3 conference call presentations, taken as a whole, presented a cautiously optimistic picture. Several utilities formally raised 5-year capex projections while others noted opportunities not yet included in current outlooks. A few raised load growth forecasts due to economic development in service territories along with record-setting peak loads in 2023. Many noted demand boosts from data centers (one facet of utility exposure to AI-driven innovation) and the "re-shoring" of industrial production. A number of Q3 earnings presentations cited favorable regulatory support for clean energy investment. Wall Street said utilities appear to be successfully managing rising interest costs and the impact of inflation on company operations and capex planning. Many companies cited room for additional operations & maintenance (O&M) cost efficiencies, in some cases from deployment of AI-driven approaches to system monitoring.

EEI's Financial Conference in November, along with other industry conferences, added news flow that Wall Street research analyzed and reported. Constructive themes that were extended from Q3 earnings calls included steady or rising capex outlooks, boosts to demand growth at some utilities, and maintenance of the mid-single-digit, five-year earnings growth forecasts that have been a constant for much of the industry in recent years.

Yet Wall Street is paid, in part, to be critical thinkers; analysts also noted industry balance sheets are a bit stretched from aggressive capex financing and remained wary that state regulation may turn less supportive of capex — especially if the economy turns down. For the time being, Wall Street appears in agreement with utilities' general view that state commissions and ratepayers will tolerate 2% to 4% bill inflation, given that's required to fund the nation's clean energy transition and the jobs and local economic development that come with it. But the multi-year trend back to nearly a fully regulated focus makes state-by-state regulatory relations an ever-present Wall Street concern.

Wall Street Turns More Positive on Valuation

Utility stocks have fought rising interest rates since mid-2020 and have lagged a surging, albeit volatile, stock market in four of the last five years. Will utilities get any respect in 2024? If industry news stays positive and outlooks steady the answer likely depends on interest rates, although company-specific regulatory outcomes can override macro forces and shape stock moves on a company-by-company basis. Wall Street broadly sees utilities as cheaper than they've been in years, and set up to shine should rates fall and earnings outlooks remain steady. In 2023, the Nasdaq 100 had its best year since the 1999 tech bubble. The broader Nasdaq peaked in March 2000 then collapsed; it took 15 years to recover. It's hard to be a bear in a bull market, but long-term investors have reason to like utility stocks in early 2024. The next five years may be very different than the past five.■

Q4 2023

Dividends

HIGHLIGHTS

- Thirty-four companies increased or reinstated their dividend in 2023 compared to 34, 32 and 34 during 2022, 2021 and 2020, respectively. There was one dividend suspension in 2023.
- Thirty-eight of the 39 utilities in the EEI Index were paying a common stock dividend as of December 31, 2023.
- The average dividend increase in 2023 was 5.1%, with a range of 1.0% to 10.0% and a median increase of 5.4%.
- The industry's dividend payout ratio was 64.2% for the twelve months ended September 31, 2023, exceeding all other U.S. business sectors.
- The industry's average dividend yield was 3.8% on December 31, 2023, leading all U.S. business sectors.

COMMENTARY

The investor-owned electric utility industry continued its long-term trend of widespread dividend increases in 2023. A total of 34 companies increased or reinstated their dividend for the second straight year; this compares to 32 in 2021, 34 in 2020, 37 in 2019, 39 in 2018 and 36 to 40 companies annually from 2012 through 2017. One company suspended its dividend in 2023. One company reduced its dividend in 2022, zero did so in 2021 and two did in 2020.

The percentage of companies that raised or reinstated their dividend in 2023 was 87% for the second straight year. This was up from 82% in 2021 and in line with the 85% to 93% range from 2015 through 2020. By contrast, only 27 of the 65 utilities tracked by EEI increased their dividend in 2003, just prior to the passage of legislation that reduced dividend tax rates. The percentages noted above are drawn

I. Sector Comparison, Dividend Payout Ratio

Last Twelve Months

Sector	Payout Ratio (%)
EEI Index Companies*	64.2
Utilities	59.8
Consumer Staples	53.8
Materials	39.6
Energy	39.4
Industrial	34.1
Health Care	33.5
Financial	27.2
Technology	25.3
Consumer Discretionary	21.9

*For this table, EEI (1) sums dividends and (2) sums earnings of all index companies and then (3) divides to determine the comparable DPR.

EEI Index Companies payout ratio based on LTM common dividends paid and income before nonrecurring and extraordinary items.

S&P sector payout ratios based on 2023E dividends and earnings per share (estimates as of 12/31/2023).

For more information on constituents of each S&P sector see www.sectorspdr.com.

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

II. Sector Comparison, Dividend Yield

at 12/31/2023

Sector	Yield (%)
EEI Index Companies	3.8
Energy	3.6
Utilities	3.5
Consumer Staples	2.7
Materials	2.0
Financial	1.8
Health Care	1.6
Industrial	1.5
Technology	0.9
Consumer Discretionary	0.8

*EEI Index Companies' yield based on last announced, annualized dividend rates (as of 12/31/2023); S&P sector yields based on 2023E cash dividends (estimates as of 12/31/2023).

For more information on constituents of each S&P sector see www.sectorspdr.com.

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

III. Dividend Patterns 2004–2023

U.S. Investor-Owned Electric Utilities

	Raised	No Change	Lowered	Omitted	Reinstated	Not Paying	Total	Dividend Payout Ratio*
2004	35	22	1	0	0	7	65	67.9%
2005	34	22	1	1	2	5	65	66.5%
2006	41	17	0	0	0	6	64	63.5%
2007	40	15	0	0	3	3	61	62.1%
2008	36	20	1	0	1	1	59	66.8%
2009	31	23	3	0	0	1	58	69.6%
2010	34	22	0	0	0	1	57	62.0%
2011	31	22	0	1	1	0	55	62.8%
2012	36	14	0	0	1	0	51	64.2%
2013	36	12	1	0	0	0	49	61.5%
2014	38	9	1	0	0	0	48	60.4%
2015	39	7	0	0	0	0	46	67.0%
2016	40	4	0	0	0	0	44	62.9%
2017	38	4	0	1	0	0	43	64.0%
2018	39	1	1	0	0	1	42	63.9%
2019	37	2	0	0	0	1	40	62.6%
2020	34	2	2	0	0	1	39	65.3%
2021	32	6	0	0	0	1	39	61.6%
2022	34	3	1	0	0	1	39	70.8%
2023 Q1	19	19	0	0	0	1	39	69.5%
2023 Q2	2	36	0	0	0	1	39	68.2%
2023 Q3	5	33	0	0	0	1	39	68.6%
2023 Q4	8	29	0	1	1	0	39	68.5%
2023	33	4	0	1	1	0	39	68.5%

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Avg. Increase	9.4%	7.2%	8.2%	6.8%	7.2%	5.3%	5.7%	5.8%	5.6%	5.6%	5.7%	5.1%	5.1%	4.8%	5.2%	5.1%
Avg. Decrease	45.7%	46.4%	NA	100%	NA	41.0%	34.5%	NA	NA	NA	79.8%	NA	40.6%	NA	51.8%	100%

Note: Only one action per company per year is counted. If a company raised its dividend twice, this counts as one in the Raised column. / *2023 figures reflect dividend changes (raised, lowered, etc.) through 12/31/2023 and earnings and dividends through 9/30/2023 (payout ratio).

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

IV. Category Comparison, Dividend Payout Ratio

Last Twelve Months

Category	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
EEI Index	60.4	67.0	62.9	64.0	63.9	62.6	65.3	61.6	70.8	68.5
Regulated	59.4	68.7	61.1	68.7	60.1	62.1	65.3	59.5	69.2	66.1
Mostly Reg.	63.8	62.6	68.0	53.3	72.8	64.1	65.2	69.0	77.4	84.3
Diversified	56.4	64.9	64.6	--	--	--	--	--	--	--

Regulated: 80% or more of total assets are regulated
Mostly Regulated: Less than 80% of total assets are regulated
Diversified: Prior to 2017, less than 50% of total assets are regulated
*2023 figures reflect earnings and dividends through 9/30/2023.
Source: EEI Finance Department, S&P Global Market Intelligence and company reports.

V. Category Comparison, Dividend Yield

at 12/31/2023

Category	Dividend Yield (%)
EEI Index	3.8
Regulated	3.8
Mostly Regulated	3.9

Regulated: 80% or more of total assets are regulated
Mostly Regulated: Less than 80% of total assets are regulated
Source: EEI Finance Department, S&P Global Market Intelligence and company reports.

from a dataset that begins in 1988. Mergers and acquisitions reduced the number of publicly traded utilities included in the EEI Index from 65 in 2003 to 39 at year-end 2023.

As shown in the Dividend Patterns table, 38 of the 39 publicly traded utilities in the EEI Index were paying a common stock dividend as of December 31, 2023. Each company is limited to one action per year in the table. For example, if a company raised its dividend twice during a year that counts as one in the Raised column. Electric utilities generally use the same quarter each year for dividend changes, with Q1 the most common.

2023 Increases Average 5.1%

The average dividend increase in 2023 was 5.1%, with a range of 1.0% to 10.0% and a median increase of 5.4%. NextEra Energy (+10.0% in Q1), WEC Energy (+7.2% in Q1), DTE Energy (+7.1% in Q4), Ameren (+6.8% in Q1), Xcel Energy (+6.7% in Q1), PPL Corporation (+6.7% in Q1) and Exelon (+6.7% in Q1) posted the largest percentage increases.

NextEra Energy, headquartered in Juno Beach, Florida, increased its quarterly dividend from $0.425 to $0.4675 per share during the first quarter. The increase is consistent with

VI. Dividend Summary

U.S. Investor-Owned Electric Utilities (at 12/31/2023)

Company Name	Ticker	Category	Annual Dividend Rate	Payout Ratio	Dividend Yield	Last Action	To	From	Announced
ALLETE, Inc.	ALE	MR	$2.71	83.1%	4.4%	Raised	$2.71	$2.60	2023 Q1
Alliant Energy Corporation	LNT	R	$1.81	64.9%	3.5%	Raised	$1.81	$1.71	2023 Q1
Ameren Corporation	AEE	R	$2.52	55.9%	3.5%	Raised	$2.52	$2.36	2023 Q1
American Electric Power Co., Inc.	AEP	R	$3.52	69.2%	4.3%	Raised	$3.52	$3.32	2023 Q4
AVANGRID, Inc.	AGR	MR	$1.76	159.9%	5.4%	Raised	$1.76	$1.73	2018 Q3
Avista Corporation	AVA	R	$1.84	83.6%	5.1%	Raised	$1.84	$1.76	2023 Q1
Black Hills Corporation	BKH	R	$2.50	61.9%	4.6%	Raised	$2.50	$2.38	2022 Q4
CenterPoint Energy, Inc.	CNP	R	$0.80	54.1%	2.8%	Raised	$0.80	$0.76	2023 Q3
CMS Energy Corporation	CMS	R	$1.95	77.7%	3.4%	Raised	$1.95	$1.84	2023 Q1
Consolidated Edison, Inc.	ED	R	$3.24	74.3%	3.6%	Raised	$3.24	$3.16	2023 Q1
Dominion Resources, Inc.	D	R	$2.67	55.6%	5.7%	Raised	$2.67	$2.52	2022 Q1
DTE Energy Company	DTE	R	$4.08	59.7%	3.7%	Raised	$4.08	$3.81	2023 Q4
Duke Energy Corporation	DUK	R	$4.10	76.8%	4.2%	Raised	$4.10	$4.02	2023 Q3
Edison International	EIX	R	$3.12	49.2%	4.4%	Raised	$3.12	$2.95	2023 Q4
Entergy Corporation	ETR	R	$4.52	59.9%	4.5%	Raised	$4.52	$4.28	2023 Q4
Evergy, Inc.	EVRG	R	$2.57	77.5%	4.9%	Raised	$2.57	$2.45	2023 Q4
Eversource Energy	ES	R	$2.70	57.5%	4.4%	Raised	$2.70	$2.55	2023 Q1
Exelon Corporation	EXC	R	$1.44	64.4%	4.0%	Raised	$1.44	$1.35	2023 Q1
FirstEnergy Corp.	FE	R	$1.64	133.0%	4.5%	Raised	$1.64	$1.56	2023 Q3
Hawaiian Electric Industries, Inc.	HE	MR	$0.00	72.1%	0.0%	Lowered	$0.00	$1.44	2023 Q4
IDACORP, Inc.	IDA	R	$3.32	58.9%	3.4%	Raised	$3.32	$3.16	2023 Q4
MDU Resources Group, Inc.	MDU	MR	$0.50	47.2%	2.5%	Raised	$0.50	$0.49	2022 Q4
MGE Energy, Inc.	MGEE	R	$1.71	50.3%	2.4%	Raised	$1.71	$1.63	2023 Q3
NextEra Energy, Inc.	NEE	MR	$1.87	59.4%	3.1%	Raised	$1.87	$1.70	2023 Q1
NiSource Inc.	NI	R	$1.00	56.0%	3.8%	Raised	$1.00	$0.94	2023 Q1
NorthWestern Corporation	NWE	R	$2.56	85.6%	5.0%	Raised	$2.56	$2.52	2023 Q1
OGE Energy Corp.	OGE	R	$1.67	79.3%	4.8%	Raised	$1.67	$1.66	2023 Q3
Otter Tail Corporation	OTTR	R	$1.75	25.9%	2.1%	Raised	$1.75	$1.65	2023 Q1
PG&E Corporation	PCG	R	$0.04	0.0%	0.2%	Raised	$0.04	–	2023 Q4
Pinnacle West Capital Corporation	PNW	R	$3.52	78.7%	4.9%	Raised	$3.52	$3.46	2023 Q4
PNM Resources, Inc.	PNM	R	$1.55	69.3%	3.7%	Raised	$1.55	$1.47	2023 Q4
Portland General Electric Company	POR	R	$1.90	81.5%	4.4%	Raised	$1.90	$1.81	2023 Q2
PPL Corporation	PPL	R	$0.96	59.4%	3.5%	Raised	$0.96	$0.90	2023 Q1
Public Service Enterprise Group Inc.	PEG	R	$2.28	39.5%	3.7%	Raised	$2.28	$2.16	2023 Q1
Sempra Energy	SRE	R	$2.38	46.3%	3.2%	Raised	$2.38	$2.29	2023 Q1
Southern Company	SO	R	$2.80	86.5%	4.0%	Raised	$2.80	$2.72	2023 Q2
Unitil Corporation	UTL	R	$1.62	58.4%	3.1%	Raised	$1.62	$1.56	2023 Q1
WEC Energy Group, Inc.	WEC	R	$3.12	70.9%	3.7%	Raised	$3.12	$2.91	2023 Q1
Xcel Energy Inc.	XEL	R	$2.08	60.4%	3.4%	Raised	$2.08	$1.95	2023 Q1
Industry Average				**68.5%**	**3.9%**				

Categories — R = Regulated (80% or more of total assets are regulated), MR = Mostly Regulated (Less than 80% of total assets are regulated); based on assets at 12/31/2022.
Dividend Per Share — Per share amounts are annualized declared figures as of 12/31/2023.
Dividend Payout Ratio — Dividends paid for 12 months ended 9/30/2023 divided by net income before nonrecurring and extraordinary items for 12 months ended 9/30/2023. While net income is after tax, nonrecurring and extraordinary items are pre-tax as there is no consistent method of gathering these items on a tax-adjusted basis under current reporting guidelines. On an individual company basis, the Payout Ratio in the table could differ slightly from what is reported directly by the company. NM applies to companies with negative earnings or payout ratios greater than 200%.
Dividend Yield — Annualized Dividends Per Share at 12/31/2023 divided by stock price at market close on 12/31/2023.
Source: EEI Finance Department and S&P Global Market Intelligence.

its plan, announced in 2022, to target roughly 10% annual growth in its per-share dividend through at least 2024, off a 2022 base. NextEra recorded the industry's highest percentage increases in 2022 (+10.4%), 2021 (+10.0%), 2020 (+12.0%) and 2019 (+12.6%), which followed the second-highest percentage increase in 2018 (+13.0%) and the largest percentage increases in both 2017 (+12.9%) and 2016 (+13.0%, along with Edison International and DTE Energy).

WEC Energy Group, based in Milwaukee, Wisconsin, raised its quarterly dividend from $0.7275 to $0.78 in the first quarter. This marked its 322nd consecutive quarterly common stock dividend, dating back to 1942, and the 20th straight year with a dividend increase. WEC Energy contin-

VII. Free Cash Flow

U.S. Investor-Owned Electric Utilities

($ Billions)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net Cash Provided by Oper. Activi-	82.9	77.7	84.4	84.0	87.1	89.0	101.6	98.3	101.2	100.0	95.3	67.7	82.4	92.3
— Capital Expenditures	(77.6)	(74.2)	(78.6)	(90.3)	(90.3)	(96.1)	(104.0)	(112.5)	(113.1)	(121.0)	(125.9)	(135.3)	(136.6)	(150.8)
— Div. Paid to Common Shares	(17.1)	(18.0)	(19.3)	(20.5)	(20.8)	(21.1)	(22.5)	(23.8)	(25.5)	(25.6)	(27.9)	(29.3)	(30.3)	(31.4)
Free Cash Flow	(11.8)	(14.4)	(13.5)	(26.8)	(24.0)	(28.2)	(24.8)	(38.0)	(37.5)	(46.6)	(58.5)	(96.9)	(84.4)	(89.9)

Source: S&P Global Market Intelligence and EEI Finance Department.

ues to target a dividend payout ratio of 65 to 70 percent of earnings.

DTE Energy, headquartered in Detroit, Michigan, increased its quarterly dividend from $0.9525 to $1.02 per share during the fourth quarter. The company noted the move continues its more than 100-year history of issuing a cash dividend.

Ameren, based in St. Louis, Missouri, raised its quarterly dividend from $0.59 to $0.63 per share in Q1, marking the tenth consecutive annual increase. The company anticipates dividend growth will be in line with the company's long-term earnings-per-share growth expectations and within a payout ratio of 55% to 70%.

Xcel Energy, headquartered in Minneapolis, Minnesota, increased its quarterly dividend from $0.4875 to $0.52 per share during Q1. Since increasing its dividend growth objective in 2015 to a range of 5% to 7% annually, Xcel has delivered average annual dividend increases above 6%.

PPL Corporation, based in Allentown, Pennsylvania, raised its quarterly dividend from $0.225 to $0.24 per share in Q1. The company reaffirmed expectations of 6% to 8% annual EPS and dividend growth through at least 2026.

Exelon, headquartered in Chicago, Illinois, increased its quarterly dividend from $0.3375 to $0.36 per share during Q1. In February 2022, the company completed the separation of Constellation Energy, Exelon's former power generation and competitive energy business, with Exelon continuing as the parent company for its fully regulated transmission and distribution utilities.

Hawaiian Electric announced in August 2023 that it would suspend its dividend effective Q4 2023 due to the impact from the devastating Maui wildfires. The company's quarterly dividend rate had been $0.36 per share. Prior to the dividend suspension, Hawaiian Electric's last dividend increase occurred in Q1 2023.

The industry's average and median increases have been relatively consistent in recent years. The average was 5.2% in 2022, 4.8% in 2021, and ranged between 5.1% and 5.7% from 2016 through 2020. The median increase was 5.6% in 2022 and ranged between 4.9% and 5.5% from 2017 through 2021.

PG&E Reinstates Dividend

PG&E in Q4 declared a cash dividend on its common stock for the first time since 2017. The company stated that "reinstating the common dividend reflects Pacific Gas and Electric Company's substantial progress in becoming a safe and stable utility that can now attract more long-term investors. Since 2017, we have reinvested the vast majority of our earnings back into our system and will continue to do so. Our earnings have gone directly into infrastructure projects focused on improving safety and reliability for our customers." The reinstated dividend was set initially at an annual rate of $0.04 per share.

Payout Ratio and Dividend Yield

The industry's dividend payout ratio was 64.2% for the twelve months ended September 31, 2023, exceeding all other U.S. business sectors. The industry's payout ratio was 68.5% when measured as an un-weighted average of individual company ratios; 64.2% represents an aggregate figure. From 2000 through 2022, the industry's annual payout ratio ranged from 60.4% to 70.8%.

While the industry's net income has fluctuated from year to year, its payout ratio has remained relatively consistent after eliminating non-recurring and extraordinary items from earnings. We use the following approach when calculating the industry's dividend payout ratio:

1. Non-recurring and extraordinary items are eliminated from earnings.
2. Companies with negative adjusted earnings are eliminated.
3. Companies with a payout ratio in excess of 200% are eliminated.

The industry's average dividend yield was 3.8% on December 31, 2023, leading all U.S. business sectors. The industry's average dividend yield was 3.4% at year-end 2022, 3.3% at year-end 2021, 3.6% at year-end 2020, 3.0% for 2019 and 3.4% at each of the three previous year-ends. An overall decline in utility stock prices along with strong dividend activity resulted in the higher yield at year-end 2023; the market cap weighted EEI Index returned -8.7% for the year. We calculate the industry's average dividend yield using an un-weighted average of the yields of EEI Index companies paying a dividend.

Business Category Comparison

The Regulated category's dividend payout ratio was 66.1% for the twelve months ended September 30, 2023 compared to 84.3% for the Mostly Regulated category. The Regulated group produced the higher annual payout ratio in 2020, 2017, 2015, 2011, 2010 and in each year from 2003 through 2008.

The Regulated and Mostly Regulated average dividend yields were 3.8% and 3.9%, respectively on December 31, 2023 compared to 3.4% and 3.3% at year-end 2022, 3.3% and 3.0% at year-end 2021, 3.6% and 3.4% at year-end 2020 and 3.0 and 3.1% at year-end 2019. The dividend yields for both categories at year-end 2018 and 2017 were 3.4%.

Electric Utilities' History of Strong Dividends

The electric utility sector has long been known as a leading dividend payer among U.S. business sectors. This reputation is founded on:

- A steady stream of income from a product that is universally needed and with low elasticity of demand.
- A mostly regulated industry that provides reasonable returns on investment and relatively low investment risk.
- A mature industry comprised of companies with very long track records of maintaining and/or steadily increasing their dividends over time.

These characteristics are especially attractive to an aging population of investors who seek a combination of growth and income. A typical total return model for electric utilities is approximately 4% to 6% annual earnings growth and a 3% to 4% dividend yield, producing a highly visible and relatively stable 7% to 10% annualized long-term total return potential.

Dividend Tax Rates

The top tax rate for dividends and capital gains in 2023 was 20%, applied at income thresholds of $553,850 for couples and $492,300 for individuals. Below these thresholds, dividends and capital gains are each taxed at rates of 15% or 0%, depending on the filer's income. A 3.8% Medicare tax that was included in 2010 health care legislation is also applied to all investment income for couples earning more than $250,000 ($200,000 for singles).

The Tax Cuts and Jobs Act (TCJA), signed into law in December 2017, maintained the pre-existing and equal tax rates for dividends and capital gains. This parity is crucial to avoid a capital raising disadvantage for companies, such as electric utilities, that rely on a strong dividend to attract investors and finance capital spending.■

Q4 2023
Credit Ratings

HIGHLIGHTS

- The industry's average parent company credit rating in 2023 remained at BBB+ for the tenth straight year.
- There were only 43 actions in 2023 (16 upgrades, 27 downgrades). On December 31, 68% of parent company outlooks were "stable", 16% were "positive" or "watch-positive", 16% were "negative" or "watch-negative".
- Upgrades cited reduced financial uncertainty and reduced regulatory lag due to predictable regulation and improved metrics related to wildfire risk in California.
- Many of the year's downgrades related to the Maui wildfires in August 2023. Additional downgrades were linked to a terminated acquisition, increased wildfire risk in Oregon, and increased debt from capital investment.
- As 2024 began. S&P maintained a stable outlook for regulated utilities. Moody's maintained the stable outlook for regulated utilities it had revised from negative in late 2023. Fitch retained its deteriorating outlook for North American utilities.

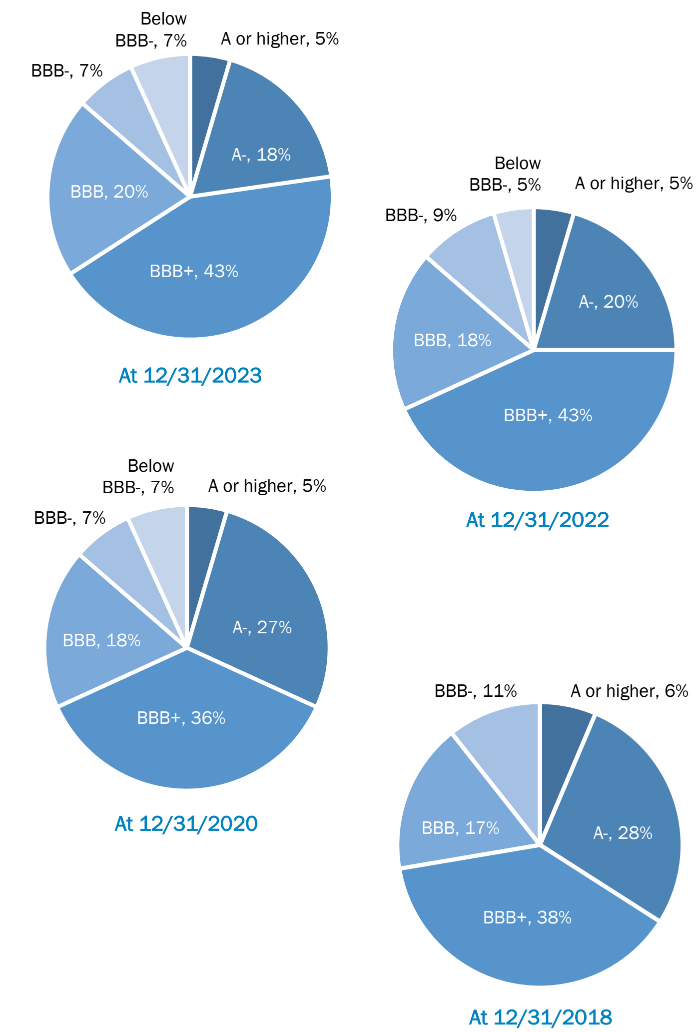
COMMENTARY

The industry's average parent company credit rating in 2023 remained at BBB+ for the tenth straight year, although four parent-level downgrades caused a weakening in aggregate holding company credit quality. There were only 43 total actions — 16 upgrades and 27 downgrades — affecting both parents and subsidiaries. This pace was far below the 68-action annual average of the previous ten calendar years and is the second-lowest annual total in our historical dataset (back to 2000).

On December 31, 2023, 68% of parent company ratings outlooks were "stable" and 16% were "positive" or "watch-

I. S&P Utility Credit Ratings Distribution

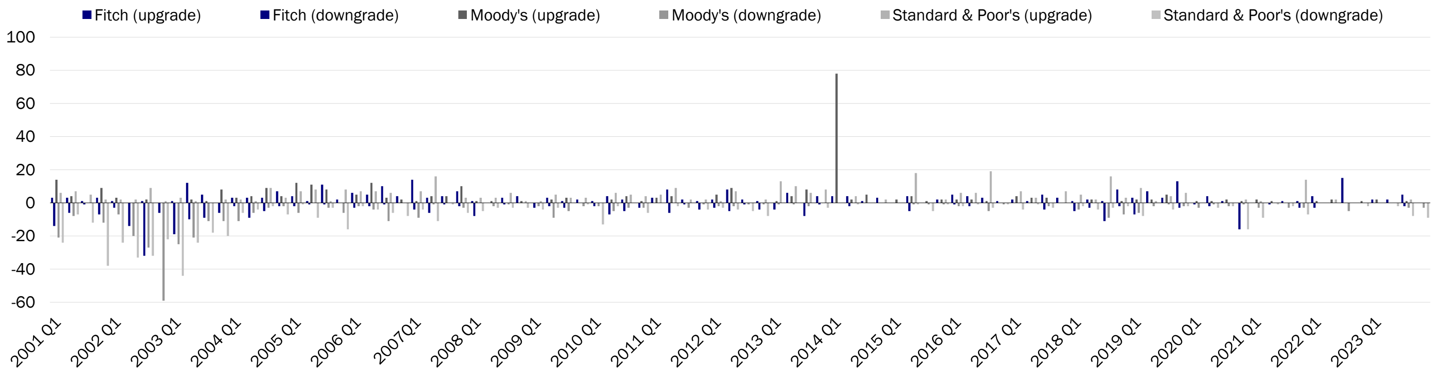
U.S. Investor-Owned Electric Utilities (parent level only)



Note: Rating applies to utility holding company entity.
Source: Standard & Poor's, S&P Global Market Intelligence, and EEI Finance Dept.

II. Credit Rating Agency Upgrades and Downgrades

U.S. Investor-Owned Electric Utilities (parent and subsidiary companies)



	2019				2020				2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Fitch (upgrade)	3	7	3	13	0	4	1	0	0	0	1	1	4	0	15	0	2	2	5	0
Fitch (downgrade)	-7	0	0	-3	-1	-2	0	-16	0	-1	0	-3	-3	0	0	0	0	0	-2	0
Moody’s (upgrade)	2	2	5	0	1	1	2	1	2	1	0	0	1	2	0	1	2	0	1	2
Moody’s (downgrade)	-6	-2	-1	-2	-3	-1	-2	-1	-3	0	-3	-3	0	0	-5	0	0	0	-3	-3
S&P (upgrade)	9	1	4	6	0	0	0	2	1	0	0	14	0	2	0	0	0	0	2	0
S&P (downgrade)	-8	0	-4	-2	0	-3	-2	-16	-9	-1	-2	-7	0	0	0	-2	0	-2	-8	-9

Note: Chart depicts the number of upgrades / downgrades for all rated companies, including subsidiaries, during the quarter.
Source: S&P Global Market Intelligence and EEI Finance Dept.

III. Total Ratings Actions

U.S. Investor-Owned Electric Utilities (parent and subsidiary companies)

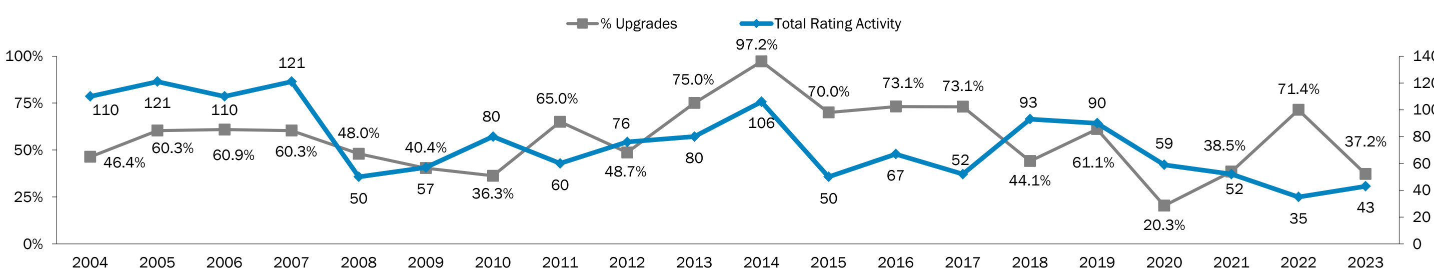
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fitch	22	31	41	17	14	24	25	26	23	14	11	16	15	33	36	24	6	22	11
Moody’s	46	39	32	6	23	20	11	20	17	85	12	13	12	23	20	12	12	9	11
S&P	53	40	48	27	20	36	24	30	40	7	27	38	25	37	34	23	34	4	21
Total	121	110	121	50	57	80	60	76	80	106	50	67	52	93	90	59	52	35	43

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

IV. Direction of Ratings Actions

U.S. Investor-Owned Electric Utilities (parent and subsidiary companies)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Upgrades	51	73	67	73	24	23	29	39	37	60	103	35	49	38	41	55	12	20	25	16
Downgrades	59	48	43	48	26	34	51	21	39	20	3	15	18	14	52	35	47	32	10	27
% Upgrades	46.4	60.3	60.9	60.3	48.0	40.4	36.3	65.0	48.7	75.0	97.2	70.0	73.1	73.1	44.1	61.1	20.3	38.5	71.4	37.2
Total Actions	110	121	110	121	50	57	80	60	76	80	106	50	67	52	93	90	59	52	35	43



Source: Fitch Ratings, Moody’s, Standard & Poor’s positive". Only 16% of outlooks were "negative" or "watch-negative"; this is an increase over the 11% at year-end 2022, which was the lowest negative share since 2013.

Electric utility industry credit quality has generally improved over the past decade. The industry's average parent-level rating has held at BBB+ since increasing from BBB in 2014. Upgrades have outnumbered downgrades in six of the past ten calendar years with an annual average upgrade percentage of 59% over the decade.

EEI captures upgrades and downgrades at both the parent and subsidiary levels. The industry's average credit rating and outlook are the unweighted averages of all Standard & Poor's (S&P) parent holding company ratings and outlooks. However, our upgrade/downgrade totals reflect all actions by the three major ratings agencies affecting parent holding companies as well as individual subsidiaries. Our universe of 44 U.S. parent company electric utilities on December 31, 2023 included 39 that are publicly traded and five that are either a subsidiary of an independent power producer, a subsidiary of a foreign owned company, or owned by an investment firm.

Credit Actions at Parent Level

The only parent-level ratings actions in 2023 by S&P were four downgrades. By comparison, there was one downgrade and no upgrades in 2022, three downgrades and one upgrade in 2021, and three downgrades, one upgrade and one reinstatement in 2020.

On August 15, S&P Global Ratings downgraded Hawaiian Electric Industries (HE) to BB- from BBB-. Subsidiaries Hawaiian Electric, Maui Electric, and Hawaii Electric Light were also downgraded to BB- from BBB. The downgrades resulted from the worst wildfires in Hawaii's history, predominantly on the island of Maui, with over 2,200 structures destroyed and many fatalities. S&P noted that the severity of the fires showed that wildfire risk for the utilities was higher than previously expected, and that class action lawsuits related to the event would significantly increase uncertainty and financial risk going forward.

On August 24, S&P Global Ratings again downgraded HE to B- from BB- following the announcement that its dividend would be suspended beginning in Q3 as a result of the wildfires. Subsidiaries Hawaiian Electric, Maui Electric, and Hawaii Electric Light were also downgraded to B- from BB-. S&P cited growing concern about the company's access to capital markets due to class-action lawsuits.

On November 8, S&P Global Ratings downgraded MDU Resources Group (MDU) to BBB from BBB+ after MDU completed a strategic review and announced the divestiture of its construction services business by year-end 2024. MDU completed a spinoff of its construction materials business, Knife River, in 2023. S&P said the November 8 downgrade reflected the fact that MDU Resources will no longer have the diversification benefit of multiple uncorrelated business lines.

On November 29, S&P Global Ratings downgraded Evergy (EVRG) to BBB+ from A-. Subsidiaries Evergy Kansas Central, Evergy Kansas South, and Evergy Missouri West were also downgraded to BBB+ from A-, while subsidiary Evergy Metro was downgraded to A- from A. S&P cited two recent rate review settlements in Kansas as the primary cause of the downgrades; these were the first rate review decisions in Kansas since the merger between Great Plains Energy and Westar Energy in 2018.

Ratings Activity Remained Slow in 2023

The 43 ratings actions during 2023 (upgrades and downgrades) was the second-lowest total for any year since our dataset's inception in 2000. By comparison, there were 35 actions in 2022, 52 actions in 2021, 59 actions in 2020, and an annual average of 68 over the last decade.

The industry's 16 upgrades in 2023 versus 27 downgrades produced an upgrade percentage of 37.2%, down from 71.4% in 2022 and 38.5% in 2021. Upgrades outnumbered downgrades in six of the past ten calendar years, with an annual average upgrade percentage of 59%.

The Credit Rating Agency Upgrades and Downgrades table presents quarterly activity by all three ratings agencies. Following are full-year totals for 2023:

Fitch (9 upgrades, 2 downgrades)
Moody's (5 upgrades, 6 downgrades)
Standard & Poor's (2 upgrades, 19 downgrades)

Upgrades in 2023

Many of the year's upgrades cited reduced financial uncertainty and reduced regulatory lag due to a more predictable regulatory framework. Other upgrades were driven by improved metrics related to wildfire risk in California, with a significant decline in the number of wildfires linked to utility equipment in the state.

On February 23, Moody's upgraded Edison International (EIX) to Baa2 from Baa3 and its Southern California Edison subsidiary to Baa1 from Baa2. Moody's noted the progress made by Southern California Edison to address wildfire risk, combined with its access to the state's wildfire fund and the legislative reform of the wildfire cost recovery process, has materially improved overall credit quality.

On March 20, Fitch upgraded PG&E (PCG) to BB+ from BB and upgraded subsidiary Pacific Gas & Electric to BB+ from BB. Fitch cited as primary catalyst for the upgrades the significant decline in the number of wildfires involving PG&E equipment during 2019–2022 compared with 2017–2018, along with lower related liabilities. The up-

V. S&P Utility Credit Rating Distribution by Company Category

U.S. Investor-Owned Electric Utilities (parent level only)

	12/31/2018		12/31/2019		12/31/2020		12/31/2021		12/31/2022		12/31/2023	
REGULATED												
A or higher	1	3%	1	3%	1	3%	1	3%	1	3%	1	3%
A-	11	32%	11	31%	11	32%	8	23%	8	22%	11	32%
BBB+	11	32%	11	31%	10	29%	14	40%	15	42%	10	29%
BBB	7	21%	8	23%	7	21%	7	20%	7	19%	7	21%
BBB-	4	12%	2	6%	2	6%	3	9%	3	8%	2	6%
Below BBB-	0	0%	2	6%	3	9%	2	6%	2	6%	3	9%
Total	34	100%	35	100%	34	100%	35	100%	36	100%	34	100%
MOSTLY REGULATED												
A or higher	2	15%	1	10%	1	10%	1	11%	1	13%	1	10%
A-	2	15%	1	10%	1	10%	1	11%	1	13%	1	10%
BBB+	7	54%	7	70%	6	60%	5	56%	4	50%	6	60%
BBB	1	8%	0	0%	1	10%	1	11%	1	13%	1	10%
BBB-	1	8%	1	10%	1	10%	1	11%	1	13%	1	10%
Below BBB-	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	13	100%	10	100%	10	100%	9	100%	8	100%	10	100%

Sources: Standard & Poor's, S&P Global Market Intelligence, and EEI Finance Dept.

grades were also driven by California's wildfire-related legislative reforms, by PG&E's ongoing management efforts to reduce wildfire risk, and by Fitch's expectation that credit metrics at the utilities will improve.

On April 28, Fitch upgraded Edison International (EIX) to BBB from BBB- and upgraded subsidiary Southern California Edison to BBB from BBB-. The upgrades mostly reflect the significant decline in wildfires linked to Southern California Edison's equipment after 2018 despite elevated wildfire activity in California in 2020 and 2021, as well as ongoing efforts to enhance system resilience. With the large majority of 2017/2018 wildfire liabilities resolved, Fitch also said it expects EIX's 2023-2026 credit metrics to improve significantly.

On July 24, S&P Global Ratings upgraded Xcel Energy subsidiary Northern States Power to A from A-. The move followed a final order by the Minnesota Public Utility Commission authorizing a $306 million aggregate rate increase for 2022-2024. S&P Global Ratings cited constructive regulation in Minnesota that includes a multi-year ratemaking framework for electric rates based on forecasted rate-base estimates. The agency noted this reduces regulatory lag, cash flow volatility and uncertainty for the utility and its stakeholders.

On July 26, S&P Global Ratings upgraded Exelon subsidiary Commonwealth Edison to A- from BBB+ due to an improved assessment of governance. The U.S. District Court for the Northern District of Illinois dismissed a bribery charge against the utility following completion of a three-year deferred prosecution agreement that required increased oversight and training related to internal controls.

On July 28, prior to the wildfires in Maui, Fitch upgraded Hawaiian Electric Industries (HE) to BBB+ from BBB and upgraded subsidiary Hawaiian Electric to A- from BBB+. Fitch cited a more predictable regulatory framework implemented in 2021 as the primary reason; regulatory adjustments have improved stability of earnings and cash flow and will moderate the impact of inflation. Fitch also expected Hawaiian Electric to narrow the gap between allowed and earned ROEs over the next few years.

On September 1, Fitch upgraded Southern Company subsidiary Georgia Power to BBB+ from BBB due to the successful start of commercial operation at Vogtle Unit 3. The nuclear unit was placed into service on July 31, 2023. The upgrade also reflects a constructive agreement with the Georgia Public Service Commission (PSC) and other intervenors that allows Georgia Power to recover $7.6 billion of capital costs and $1.0 billion of capitalized financing costs associated with construction of the two Vogtle nuclear units.

On September 22, Fitch upgraded utility parent company Otter Tail (OTTR) to BBB from BBB- and upgraded subsidiary Otter Tail Power to BBB+ from BBB. Fitch cited the predictable earnings and cash flow from the company's regulated operations and strong performance at its non-utility manufacturing and plastics business segments. Fitch expects the regulatory environment to remain supportive of credit quality across the company's three state jurisdictions (Minnesota, North Dakota and South Dakota).

On September 26, Moody's upgraded Southern Company subsidiary Mississippi Power to A3 from Baa1 based on an improved Mississippi regulatory environment. Moody's cited the consistency and predictability shown by the Mississippi PSC during the last few years as it approved rate orders in several Mississippi Power regulatory proceedings.

On November 20, Moody's upgraded Consolidated Edison (ED) to Baa1 from Baa2 and upgraded subsidiary Consolidated Edison (CECONY) to A3 from Baa1. Moody's noted better regulatory support as the primary reason, citing recent decisions by the New York PSC that resulted in revenue increases and improved financial metrics. Moody's stated that stakeholder relationships have improved since the last rate order in 2020, with increased political support, more predictable regulatory outcomes and better cost recovery.

Downgrades in 2023

Many of the year's downgrades related to the Maui wildfires in August 2023. Additional downgrades were linked to a terminated acquisition, increased wildfire risk in Oregon, and increased debt from capital investment.

On April 20, S&P Global Ratings downgraded AEP subsidiary Kentucky Power to BBB from BBB+ following cancellation of the planned sale of Kentucky Power to Liberty Utilities. The downgrade was driven by weakening stand-alone financial measures at Kentucky Power. In 2021 and 2022, Kentucky Power's FFO to debt was 11.6% and 11.4%, respectively, significantly below S&P's downgrade threshold of 15%.

On June 20, S&P Global Ratings downgraded Berkshire Hathaway Energy subsidiary PacifiCorp to BBB+ from A following a negative decision in a class action lawsuit related to four Oregon wildfires in 2020. In S&P's view, the verdict that the company contributed to the wildfires significantly increases operating risk for PacifiCorp. S&P also noted that the jury award on a per-plaintiff basis was materially above base-case assumptions. The jury also found that a broader absent class affected by the fires could bring more claims against the company.

On August 11, Moody's downgraded DPL to Ba2 from Ba1 and downgraded subsidiary Dayton Power & Light (DP&L) to Baa3 from Baa2. Moody's observed that the pace of DP&L's investments in transmission, distribution and smart-grid improvements is driving a significant increase in debt, which will more than double between 2021 and 2024. While DP&L's Energy Security Plan IV recently became effective in Ohio, allowing it to implement a delayed base-rate increase, Moody's noted DP&L's agreement to not pursue decoupling exposes its cash flow to more volatility. Moody's also noted concern about a lower ratio of holding company debt to consolidated debt.

On August 18, Moody's downgraded Hawaiian Electric Industries subsidiary Hawaiian Electric Company to Ba3 from Baa1 due to the Maui wildfires. Moody's expects significant financial liabilities if the utility is found to be at fault once investigations are complete. Moody's also noted the future regulatory risk related to cost recovery for system rebuilding.

On August 21, Fitch downgraded Hawaiian Electric Industries to B from BBB+ and downgraded subsidiary Hawaiian Electric to B from A-. Fitch also assigned first-time ratings of B to Hawaiian Electric Company's subsidiaries Maui Electric and Hawaii Electric Light. If investigations

VI. Credit Ratings Distribution

Investment Grade	Moody's	S&P	Fitch
	Aaa	AAA	AAA
	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
	A1	A+	A+
	A2	A	A
	A3	A-	A-
	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Speculative Grade	**Moody's**	**S&P**	**Fitch**
	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
	B1	B+	B+
	B2	B	B
	B3	B-	B-
	Caa1	CCC+	CCC+
	Caa2	CCC	CCC
	Caa3	CCC-	CCC-
	Ca	CC	CC
	C	C	C
Default	**Moody's**	**S&P**	**Fitch**
	C	D	D

Source: Fitch Ratings, Moody's, Standard & Poor's find that utility equipment caused the August wildfires and the utility is deemed by a court to be negligent, Fitch believes the companies may be subject to large third-party liabilities in a process that could take several years.

On October 27, Moody's downgraded Eversource Energy (ES) to Baa2 from Baa1 and downgraded subsidiary NSTAR Electric to A2 from A1. Moody's cited heightened uncertainty related to the company's pending offshore wind project sale and concerns that additional balance sheet actions would be needed to offset the challenges associated with the wind project transaction. Moody's also noted a challenging regulatory environment in Connecticut.

On November 20, S&P Global Ratings downgraded Berkshire Hathaway Energy (BHE) subsidiaries MidAmerican Energy, Nevada Power, and Sierra Pacific Power to A- from A. These downgrades were driven by an assessment that BHE will not provide extraordinary support to its subsidiaries under all foreseeable circumstances. S&P stated that it now expects that BHE's extraordinary support for subsidiary PacifiCorp would be limited should PacifiCorp receive further adverse outcomes in a class action lawsuit related to wildfires.

On December 11, Moody's downgraded Alliant Energy subsidiary Wisconsin Power and Light to Baa1 from A3. Moody's stated that WPL's financial metrics have been weak since 2018 largely due to a three-year base rate freeze associated with the 2017 Tax Cuts and Jobs Act and the coronavirus pandemic, additional debt issuance to help finance higher capital expenditures, and under-recovered fuel costs.

Ratings by Company Category

The S&P Utility Credit Ratings Distribution by Company Category table presents the distribution of credit ratings over time by company category (Regulated, Mostly Regulated and Diversified) for the investor-owned electric utilities. The Diversified category was eliminated in 2017 due to its dwindling number of companies. Ratings are based on S&P's long-term issuer ratings at the holding company level, with only one rating assigned per company. On December 31, 2023, the average rating for the Regulated category was BBB+ and the average rating for the Mostly Regulated category was BBB.

Rating Agency Credit Outlooks

The three major ratings agencies held divergent utility industry credit outlooks as 2024 began. S&P maintained a stable outlook for regulated utilities. Moody's maintained the stable outlook for regulated utilities that it had revised from negative in late 2023. Fitch retained its deteriorating outlook for North American utilities. The agencies cited increased physical risks to utility infrastructure, elevated capital expenditures and related customer bill impacts, and stability of financial metrics as key themes they are watching. We note that the groups of underlying companies vary slightly across the three rating agency outlooks.

Standard & Poor's (S&P)

Published in January 2024, S&P's report "Industry Credit Outlook 2024 – North America Regulated Utilities" maintained the agency's stable industry outlook. However, the report observed that downgrades outpaced upgrades for the fourth consecutive year in 2023. And, given that 28% of the industry has a negative outlook versus 14% with a positive outlook, the agency said it's possible that downgrades may outpace upgrades once again in 2024.

S&P's base case assumes that industry credit quality will remain challenged in 2024. For many utilities, the physical risk to system infrastructure is growing as climate change increases the frequency of extreme weather events such as wildfires. S&P cited industry initiatives that are addressing wildfire risk, including detailed wildfire mitigation plans, system hardening, improved weather forecasting using machine learning, implementation of public safety power shutoffs (PSPS) programs, and vegetation management. S&P also noted that, while the industry's robust capital spending represents necessary investment in safety, reliability, and in the nation's energy transition, it is also leading to rising leverage. Consistent access to the capital markets will be necessary for the industry to fund its debt maturities and cash flow deficits.

S&P noted that effective management of regulatory risk will be key to maintaining the industry's credit quality going forward. This will require constructive rate case orders, minimized regulatory lag, and management of customer bill impacts. Timely recovery of capital expenditures and operation and maintenance costs will also be necessary for the industry to maintain credit quality.

Moody's

In its "Outlook – Regulated Electric and Gas Utilities – US" (published in September 2023), Moody's revised its outlook for the sector to stable from negative. Moody's noted that sustained lower natural gas prices, moderating inflation, and continued regulatory support for the recovery of fuel and purchased power costs will improve credit metrics for the industry. The significant decline in natural gas prices since mid-2022 has provided relief to utilities and has eased both affordability pressures and regulatory risk.

The report also stated that interest rates and capital spending will continue to pressure holding company credit metrics. Although the pace and magnitude of interest rate increases have slowed, increased debt and debt refinancing costs will pressure parent company metrics. Moody's expects utilities to maintain high levels of capital spending as they focus on reducing carbon emissions and investing in system resilience and reliability. Moody's noted that, despite many challenges, aggregate sector FFO metrics have been remarkably steady and are likely to remain so. The sector's aggregate industry funds from operations (FFO) to debt ratio will likely stabilize at 14% in 2024, according to the report.

Moody's listed several factors that could change its outlook back to negative: 1) if there is a sustained decline in regulatory support for timely cost recovery, 2) if capital market access becomes less certain or the availability of bank credit facilities becomes constrained, or 3) if the sector's aggregate FFO-to-debt ratio dips materially below 14%. Factors that could change its outlook to positive were: 1) if the regulatory and political environment turns even more credit supportive, and 2) if the sector's aggregate FFO-to-debt ratio rises to around 18% on a sustainable basis.

Fitch Ratings

In its "North American Utilities, Power & Gas Outlook 2024" (released December 2023), Fitch Ratings maintained its deteriorating outlook for the sector. Fitch stated that macroeconomic headwinds, elevated capital expenditures, and higher funding costs will continue to pressure utility credit metrics. Fitch noted that customer affordability concerns will persist despite a reduction in natural gas prices and inflation. However, with 90% of companies at a stable ratings outlook, Fitch expects little ratings movement in 2024. Fitch expects median leverage metrics for the sector to improve in 2024, driven by the recovery of deferred fuel balances.

Fitch also cited the catastrophic wildfires in Maui to highlight the heightened physical risks faced by electric utilities as a result of climate change. The agency explained that California provides a roadmap for other states to follow regarding the development of comprehensive plans to prevent, mitigate and respond to wildfires. Some other states have begun to address this issue, and Fitch believes that progress on these initiatives could improve utility credit risk.

The report also noted positive tailwinds for the industry. Several electric utilities have begun to see sales growth from data centers, expansion of manufacturing facilities, and electrification trends in oil and gas drilling. Fitch expects weather-normalized total retail sales to be 0.5%–1.0% higher in 2024 compared with 2023. Fitch also expects authorized ROEs to start trending up with the increase in interest rates, although with a lag that could be longer than in previous cycles. Fitch stated that the gap between authorized and earned ROEs continues to narrow. Fitch also views the Inflation Reduction Act as a positive for credit quality since its tax incentives for clean generation will help offset inflationary bill pressures.■