Edison Electric INSTITUTE

Credit Ratings

Q2 2021
FINANCIAL UPDATE

QUARTERLY REPORT
OF THE U.S. INVESTOR-OWNED
ELECTRIC UTILITY INDUSTRY

About EEI

EEI is the association that represents all U.S. investor-owned electric companies. Our members provide electricity for 220 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 60 international electric companies, with operations in more than 90 countries, 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. Financial 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

EEI Financial Conference
November 7-9, 2021
Diplomat Resort & Spa
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 Energy, 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 12/31/2020)

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 financial trends and the capital markets' response to business strategies as companies depart from the traditional regulated utility model.

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 (35 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.
Duke Energy Corporation
Edison International
Entergy Corporation
Evergy, Inc.
Eversource Energy
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
Puget Energy, Inc.
Sempra Energy
Southern Company
Unitil Corporation
WEC Energy Group, Inc.
Xcel Energy Inc.

Mostly Regulated (9 of 44)

ALLETE, Inc.
AVANGRID, Inc.
Berkshire Hathaway Energy
DTE Energy Company
Exelon Corporation
Hawaiian Electric Industries, Inc.
MDU Resources Group, Inc.
NextEra Energy, Inc.
Public Service Enterprise Group Incorporated

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.

Q2 2021
Credit Ratings

HIGHLIGHTS

- The industry's average credit rating during 2021's first half remained at BBB+, a level that has held since 2014. Ratings activity extended 2020's slow pace; there were only four upgrades and 14 downgrades across all holding companies and subsidiaries during the period.
- 2019 and 2018 ranked with 2014 as the most active of the last decade for ratings actions. A relative slowdown over the last six quarters is not surprising.
- Parent-level credit strengthened and upgrades outnumbered downgrades in seven of the past ten calendar years, with an annual average upgrade percentage of 62.8%.
- Three of four upgrades during the 2021's first half were driven by positive regulatory outcomes and one by a merger. Two downgrades resulted from the impact on subsidiaries of separation from larger parent companies, the rest to a perceived weakening of credit metrics.
- On June 30, 2021, 68.2% of parent holding company ratings outlooks were "stable", 6.8% were "positive" or "watch-positive" and 25.0% were "negative" or "watch-negative".

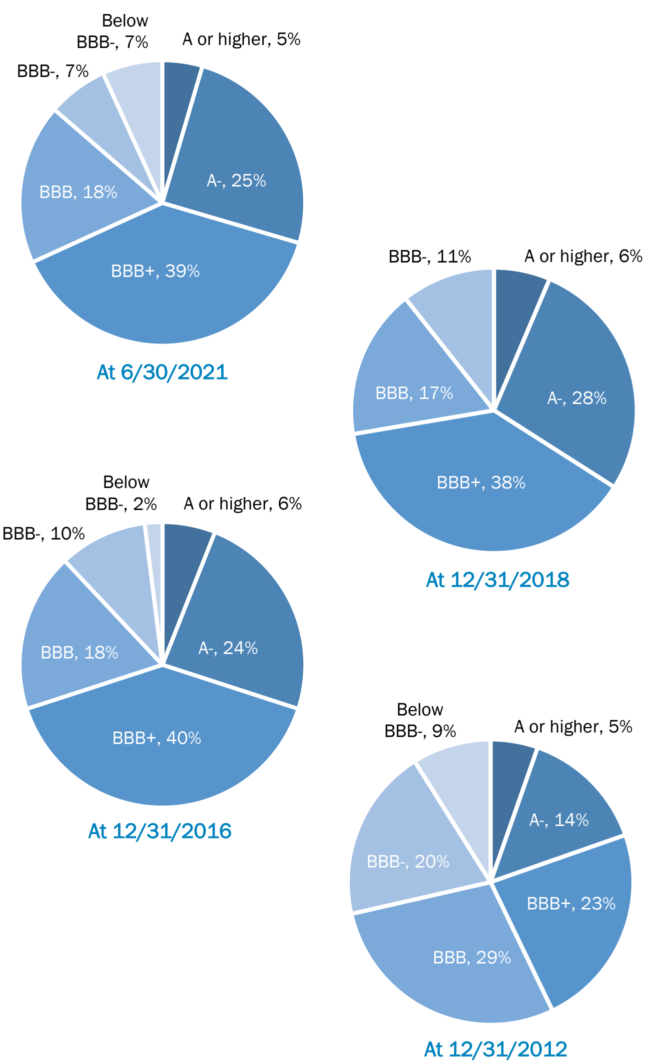
COMMENTARY

The industry's average credit rating during 2021's first half remained at BBB+, a level that has held since 2014. However, there were only 18 total actions — four upgrades and 14 downgrades — across all holding companies and subsidiaries. After a slow 2020, ratings activity remained well below the 73-action annual average of the previous ten calendar years.

On June 30, 2021, 68.2% of holding company ratings outlooks were "stable" and 6.8% were "positive" or "watch-

I. S&P Utility Credit Ratings Distribution

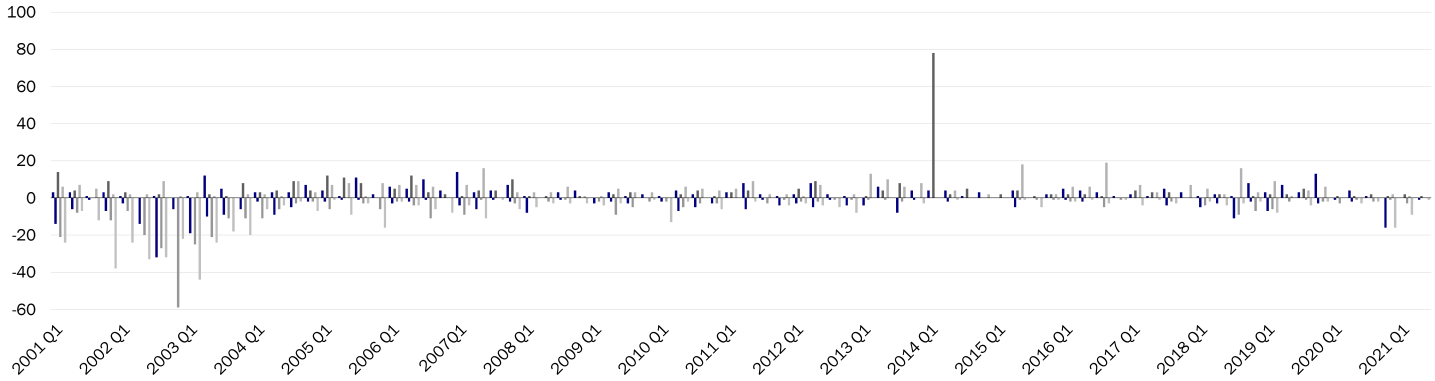
U.S. Investor-Owned Electric Utilities (parent level only)



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)



	2015				2016				2017				2018				2019				2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Fitch (upgrade)	0	4	0	2	5	4	3	1	2	1	5	3	1	2	1	8	3	7	3	13	0	4	1	0	0	0
Fitch (downgrade)	0	-5	0	0	-1	-2	0	0	0	0	-4	0	-5	-3	-11	-2	-7	0	0	-3	-1	-2	0	-16	0	-1
Moody's (upgrade)	2	4	1	2	2	2	1	0	4	3	3	0	0	2	0	1	2	2	5	0	1	1	2	1	2	1
Moody's (downgrade)	0	-1	-1	-1	-2	0	-5	-1	0	0	-2	0	-4	0	-9	-7	-6	-2	-1	-2	-3	-1	-2	-1	-3	0
S&P (upgrade)	0	18	0	2	6	6	19	0	7	3	0	7	5	2	16	3	9	1	4	6	0	0	0	2	1	0
S&P (downgrade)	0	-1	-5	-1	-2	-1	-3	-1	-4	-1	-3	0	-2	-4	-3	-2	-8	0	-4	-2	0	-3	-2	-16	-9	-1

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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
Fitch	62	34	22	31	41	17	14	24	25	26	23	14	11	16	15	33	36	24	1
Moody’s	79	42	46	39	32	6	23	20	11	20	17	85	12	13	12	23	20	12	6
S&P	112	34	53	40	48	27	20	36	24	30	40	7	27	38	25	37	34	23	11
Total	253	110	121	110	121	50	57	80	60	76	80	106	50	67	52	93	90	59	18

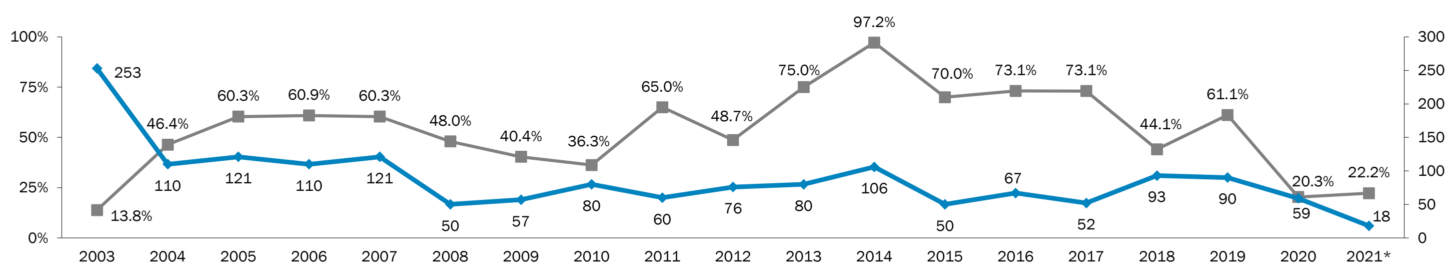
*through June 30, 2021
Source: S&P Global Market Intelligence and EEI Finance Dept.

IV. Direction of Ratings Actions

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
Upgrades	35	51	73	67	73	24	23	29	39	37	60	103	35	49	38	41	55	12	4
Downgrades	218	59	48	43	48	26	34	51	21	39	20	3	15	18	14	52	35	47	14
% Upgrades	13.8%	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%	22.2%
Total Actions	253	110	121	110	121	50	57	80	60	76	80	106	50	67	52	93	90	59	18

*through June 30, 2021



Source: Fitch Ratings, Moody's, Standard & Poor's

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

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

	12/31/2014		12/31/2015		12/31/2016		12/31/2017		12/31/2018		12/31/2019		12/31/2020		6/30/2021	
REGULATED																
A or higher	1	3%	1	3%	2	6%	2	6%	1	3%	1	3%	1	3%	1	3%
A-	8	21%	8	22%	10	28%	12	34%	11	32%	11	31%	11	32%	10	29%
BBB+	12	32%	12	33%	13	36%	10	29%	11	32%	11	31%	10	29%	12	34%
BBB	14	37%	12	33%	8	22%	7	20%	7	21%	8	23%	7	21%	7	20%
BBB-	1	3%	1	3%	3	8%	4	11%	4	12%	2	6%	2	6%	2	6%
Below BBB-	2	5%	2	6%	0	0%	0	0%	0	0%	2	6%	3	9%	3	9%
Total	38	100%	36	100%	36	100%	35	100%	34	100%	35	100%	34	100%	35	100%
MOSTLY REGULATED																
A or higher	1	8%	1	8%	1	8%	1	7%	2	15%	1	10%	1	10%	1	11%
A-	4	31%	5	38%	2	17%	2	14%	2	15%	1	10%	1	10%	1	11%
BBB+	4	31%	5	38%	7	58%	7	50%	7	54%	7	70%	6	60%	5	56%
BBB	2	15%	1	8%	0	0%	2	14%	1	8%	0	0%	1	10%	1	11%
BBB-	2	15%	1	8%	1	8%	1	7%	1	8%	1	10%	1	10%	1	11%
Below BBB-	0	0%	0	0%	1	8%	1	7%	0	0%	0	0%	0	0%	0	0%
Total	13	100%	13	100%	12	100%	14	100%	13	100%	10	100%	10	100%	9	100%
DIVERSIFIED																
A or higher	0	0%	0	0%	0	0%										
A-	0	0%	0	0%	0	0%										
BBB+	1	50%	1	50%	0	0%										
BBB	0	0%	0	0%	1	50%										
BBB-	1	50%	1	50%	1	50%										
Below BBB-	0	0%	0	0%	0	0%										
Total	2	100%	2	100%	2	100%										

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

positive". The 25.0% share that was "negative" or "watch-negative" fell from a relatively high 31.8% at year-end 2020 but held above year-end 2019's 18.2% and 23.4% at year-end 2018.

EEI captures upgrades and downgrades at both the parent and subsidiary levels. All actions within a parent holding company, including those at subsidiaries, are included in the upgrade/downgrade totals. However, the industry's average credit rating and outlook are based on the unweighted average of all Standard & Poor's (S&P) parent holding company ratings and outlooks. Our universe of 44 U.S. parent company electric utilities at June 30, 2021 includes 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

Parent-level ratings actions in the first half of 2021 included one downgrade and no upgrades. By comparison, there were three downgrades, one upgrade and one reinstatement in the full calendar year 2020, five downgrades and one upgrade in 2019, and six upgrades and two downgrades in 2018. The industry's aggregate parent-level credit quality experienced a steady strengthening during the last ten calendar years, declining only in 2020, 2019 and 2012.

Duke Energy

On January 26, S&P downgraded Duke Energy to BBB+ from A- after Duke's North Carolina utilities (Duke Energy Carolinas and Duke Energy Progress) reached a rate settlement agreement where they would forgo roughly $1.1 billion in coal ash management costs.

Ratings Activity Remains Quiet

The 18 rating changes in 2021's first half mark the second-slowest pace of activity seen in any year back to our dataset's inception on January 1, 2000; the pandemic-impaired 2020's first half had 16 rating changes. And the total of three rating changes in Q2 2021 ties the second-lowest amount for any quarter in our dataset's history (there were two in Q1 2015 and three in Q4 2016). By comparison, there were 59 actions in calendar year 2020 and an annual average of 73 over the last ten calendar years. The prior two calendar years (2019 and 2018) were very active, ranking with 2014 as the most active of the last decade. As a result, a relative slowdown over the last six quarters is not surprising.

The industry's four upgrades in 2021's first half were outnumbered by 14 downgrades, for an upgrade percentage of 22.2%. In full calendar year 2020, the industry's 47 downgrades outnumbered 12 upgrades for a 20.3% upgrade percentage. This followed results of 61.1% in 2019 and 44.1% in 2018, with 2020 and 2018 being the only full years since 2013 when downgrades outnumbered upgrades. The five-year period 2013 through 2017 produced the five-highest upgrade percentages in our historical data. Upgrades outnumbered downgrades in seven of the past ten calendar years, with an annual average upgrade percentage of 62.8%. In 2019, FirstEnergy (23 upgrades) and Exelon (14 upgrades) accounted for 37, or two-thirds, of the industry's upgrades; these were spread across the three ratings agencies and throughout all four quarters.

Table III, Total Ratings Actions, shows a comparison of activity by all three ratings agencies, with the following additional detail for the first six months of 2021:

- Fitch (0 upgrades, 1 downgrade)
- Moody's (3 upgrades, 3 downgrades)
- Standard & Poor's (1 upgrade, 10 downgrades)

Regulatory Outcomes Support Upgrades

Three of the four upgrades during the first half of 2021 were driven by positive regulatory outcomes and one resulted from a merger.

On January 4, Moody's upgraded Gulf Power, a NextEra Energy subsidiary, to A1 from A2, reflecting Gulf Power's January 1, 2021 merger with affiliate Florida Power & Light Company (FPL), which has an A1 rating and stable outlook. With the merger, FPL assumed all of Gulf Power's outstanding debt obligations. Gulf Power was initially acquired by NextEra Energy in January 2019.

On March 23, S&P upgraded Hawaiian Electric Company (HECO), the utility operating company of Hawaiian Electric Industries (HEI), to BBB from BBB-. S&P cited the strength of HECO's financial measures and regulatory protections. On April 20, Moody's also upgraded HECO to Baa1 from Baa2, reflecting the company's considerable progress adding renewable resources to its energy supply mix and its improving regulatory relationship with the Hawaii Public Utilities Commission. Parent company HEI derives about 80% of its cash flow from operations and 75% of its operating income from HECO. HEI relies to a lesser extent on its banking subsidiary, American Savings Bank, which S&P also views as having an investment-grade credit profile.

On March 30, Moody's upgraded Sempra Energy subsidiary San Diego Gas & Electric (SDG&E) to A3 from Baa1, reflecting the agency's expectation that SDG&E will continue to generate robust credit metrics. The upgrade also considers SDG&E's track record of effective wildfire risk mitigation and credit support provided by wildfire fund legislation enacted by the state of California in July 2019. Moody's said the combination of these factors has reduced SDG&E's exposure to wildfire risk, a key ESG risk consideration and an important driver of the organization's improved credit quality.

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

Divestiture, Deteriorating Metrics Drive Downgrades

Two of the 14 downgrades during the first half of 2021 related to the announced sale or divestiture of subsidiaries. On February 25, Exelon Generation was downgraded by S&P to BBB- from BBB due to its planned spinoff by parent Exelon. The rating agency now considers Exelon Generation as nonstrategic to Exelon with resulting heightened business risk. S&P also noted that Exelon Generation's business risk profile has weakened due to declining costs for renewable power along with the advancement of energy storage technologies.

On April 28, S&P downgraded Kentucky Power Co. (KPCo), a subsidiary of American Electric Power, to BBB+ from A-, following the parent company's announcement that it has launched a process to sell KPCo. AEP views a sale as a means to finance robust renewable energy investment over the next decade.

On January 26, Moody's downgraded Orange & Rockland Utilities (O&R), a subsidiary of Consolidated Edison, to Baa2 from Baa1 due to a weakened financial profile and higher political and regulatory risk in New York, its primary service territory. Moody's said O&R's weakening financial profile comes at the same time that political intervention and regulatory risk is rising. With rising business risk and projected cash flow to debt ratios expected to be around 15% for a sustained period of time, Moody's noted O&R's credit profile is better aligned with Baa2-rated peers.

On January 26, S&P lowered the rating for seven Duke Energy subsidiaries in a move related to the coal ash settlement, all falling to BBB+ from A-. S&P's outlook for Duke Energy and its subsidiaries is stable. On March 26, Moody's lowered its ratings for Duke Energy (to Baa2 from Baa1) and Duke Energy Carolinas (to A2 from A1), citing weaker financial metrics and the coal ash settlement agreements.

On April 8, Fitch lowered its rating for AEP Texas (AEPTX), a subsidiary of American Electric Power, to BBB from BBB+. AEPTX's downgrade reflects weaker credit measures from a lower equity capitalization, lower than expected parent capital contributions and high capex and regulatory lag associated with a fast-growing service territory.

Ratings by Company Category

Table V, S&P Utility Credit Rating Distribution by Company Category, 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. At June 30, 2021, the average rating for both the Regulated and Mostly Regulated categories was BBB+.

Ratings Agency Credit Outlooks

In January 2021, S&P confirmed its negative outlook for North American Regulated Utilities citing a weakening of credit quality in 2020 with more downgrades than upgrades. On this point, the EEI dataset of electric utilities had 21 downgrades and two upgrades from S&P during 2020, however the group of U.S. electric utilities that EEI tracks is not identical to S&P's group of North American Regulated Utilities. Among the reasons for its 2020 downgrades, S&P cited the industry's practice of continuing to manage its financial measures with little or no financial cushion relative to downgrade thresholds. Regarding the impact of COVID-19, S&P said the industry generally performed well through the pandemic and expects it will continue to manage remaining COVID-19-related risks. At the time of the January report, the agency also said there was potential for marginal improvement in industry credit quality during 2021, in part due to its expectation that Congress would enact the higher corporate income tax rate proposed by the Biden administration. This would result in an improvement in the industry's funds from operations to debt ratio and likely enhance utilities' financial cushions relative to S&P's downgrade thresholds.

Moody's maintained its stable outlook for regulated utilities. In its 2021 Outlook for the U.S. regulated electric and gas utilities industry (released November 2020), Moody's stated its expectations for continued strong regulatory support, robust residential demand and a recovering economy in 2021, noting that the regulated utilities sector has remained relatively resilient in the face of economic uncertainty caused by the COVID-19 pandemic. Otherwise, after passage of the Tax Cuts & Jobs Act in 2017, which reduced the corporate income tax rate from 34% to 21%, Moody's instituted 31 downgrades and 12 upgrades during 2018 and 2019. The downgrades were anticipated due to the lower tax rate's impact on utility cash flow. Following this period, credit metrics and ratings have stabilized (even with the backdrop of the pandemic).

Fitch Ratings maintained its stable outlook for the North American Utilities, Power and Gas sector. In its 2021 Outlook (released December 2020), Fitch based the stable outlook on its expectation that the pandemic's impact on the sector would continue to be benign and that the regulatory environment would remain supportive. Fitch said its Stable Outlook for this capital-intensive sector is further supported by low interest rates, low commodity costs and modest secular sales growth. Utilities aggressive management of operations and maintenance (O&M) costs in 2020, in combination with higher residential sales, more than offset the pandemic's impact on commercial and industrial demand. Fitch's key ratings concerns included a likely delay in rate filings until economic growth strengthens independent of pandemic-related government support. Any delay may exacerbate regulatory lag amidst a backdrop of elevated capex and probable increased future rate requests. Renewed pressure on authorized returns on equity in the current low interest rate environment and heightened scrutiny of rate design were added concerns.■