



Edison Electric
INSTITUTE

Stock Performance

Q4 2020
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

Edison Electric Institute
701 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2696
202-508-5000
www.eei.org

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.

Contacts

Mark Agnew
Senior Director, Financial Analysis
(202) 508-5049, magnew@eei.org

Michael Buckley
Senior Manager, Financial Analysis
(202) 508-5614, mbuckley@eei.org

Wenni Zhang
Senior Financial and Business Analyst
(202) 508-5142, wzhang@eei.org

Devin James
Senior Manager, Investor Relations & ESG
(202) 508-5057, djames@eei.org

Aaron Cope, Jr.
Investor Relations Specialist
(202) 508-5128, acope@eei.org

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 Devin James at (202) 508-5057 or djames@eei.org, or Aaron Cope, Jr. at (202) 508-5128 or acope@eei.org.

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)
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 12/31/2019)

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
Mostly Regulated

80% or more of total assets are 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 (34 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
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.
Southern Company
Unitil Corporation
WEC Energy Group, Inc.
Xcel Energy Inc.

Mostly Regulated (10 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
Sempra Energy

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.

Stock Performance

HIGHLIGHTS

■ The COVID-19 pandemic sent market indices down 35% from January 1 through late March. Emergency Fed rate cuts, massive fiscal stimulus and vaccine optimism powered a dramatic rebound over the rest of 2020. Full-year returns reached nearly 10% for the Dow Jones Industrials, over 18% for the S&P 500 and more than 40% for the Nasdaq.

■ The EEI Index's -1.2% 2020 return would have been lower without NextEra Energy's 30% gain. NextEra accounted for 17% of the EEI Index at year end. Most utility shares fell more than 5% in 2020.

■ Earnings growth outlooks for utilities under analyst coverage rose slightly in 2020, in synch with the growing size and scope of capex programs focused on achieving the nation's aggressive clean energy goals.

■ With most utility shares in the red for the year, interest rates lower and long-term growth prospects unchanged (if not improved), analysts were bullish at year-end. Many noted headroom for gains even if interest rates rise from today's unusually low levels. Regulatory pushback on rate relief for capex programs was seen as a primary risk.

COMMENTARY

Future stock market historians will likely view 2020 as one of the strangest years ever. Who could have predicted in March — when major indices were rocked by COVID-19 and down 35% from January 1 — that full-year returns would reach nearly 10% for the Dow Jones Industrials, almost 20% for the S&P 500 and more than 40% for the Nasdaq? Utilities, despite their defensive characteristics, were also off 35% at the March lows but recovered only tepidly

I. Index Comparison (% Return)

Index	2014	2015	2016	2017	2018	2019	2020
EEI Index	28.9	-3.9	17.4	11.7	3.7	25.8	-1.2
Dow Jones Inds.	10.0	0.2	16.5	28.1	-3.5	25.3	9.7
S&P 500	13.7	1.4	12.0	21.8	-4.4	31.5	18.4
Nasdaq Comp.^	13.4	5.7	7.5	28.2	-3.9	35.2	43.6

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	2014	2015	2016	2017	2018	2019	2020
All Companies	27.6	-2.0	22.2	11.6	4.3	23.1	-8.1
Regulated	28.9	-0.7	21.2	11.7	4.5	24.6	-9.0
Mostly Regulated	27.5	-3.7	24.6	11.3	3.6	17.9	-4.9
Diversified	6.6	-14.4	25.6	n/a**	n/a**	n/a**	n/a**

Calendar year returns shown for all periods except where noted.

Returns shown here are unweighted averages of constituent company returns.

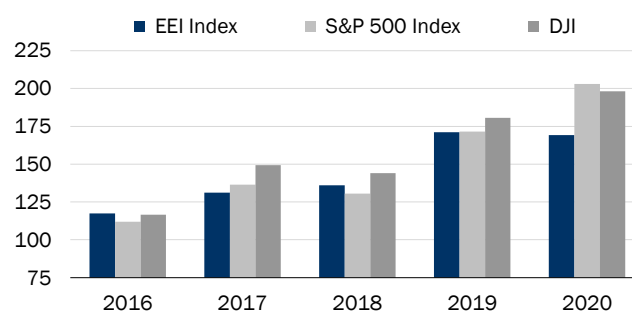
The EEI Index return shown in Table I above is cap-weighted.

**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

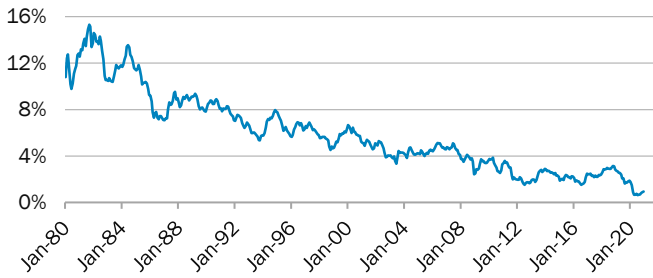
Value of \$100 invested at close on 12/31/2015



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

IV. 10-Year Treasury Yield — Monthly

Average Monthly Yield, 1/1/1980 through 12/31/2020



Source: U.S. Federal Reserve

V. 10-Year Treasury Yield — Weekly

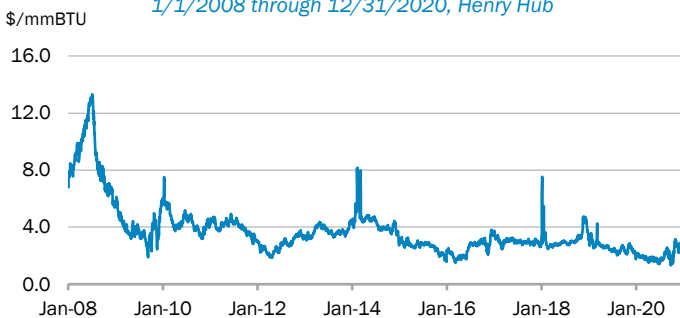
Daily Yield, 1/1/2008 through 12/31/2020



Source: U.S. Federal Reserve

VI. Natural Gas Spot Prices

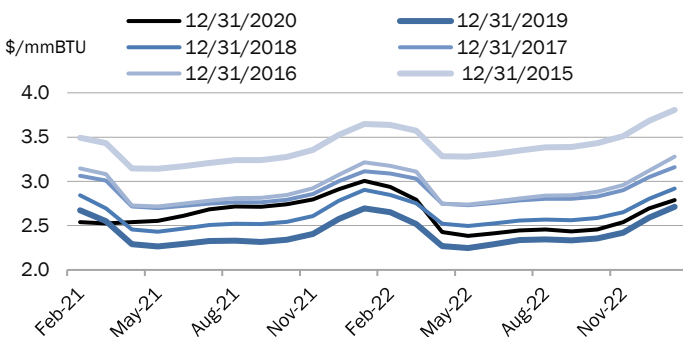
1/1/2008 through 12/31/2020, Henry Hub



Source: S&P Global Market Intelligence

VII. NYMEX Natural Gas Futures

February 2021 through January 2023, Henry Hub



Source: S&P Global Market Intelligence

VIII. Returns by Quarter

U.S. Investor-Owned Electric Utilities

Index	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
EEl Index	-3.3	3.8	2.0	1.3	11.1	4.1	8.2	0.4	-13.6	1.8	5.6	6.5
Dow Jones Industrials	-2.0	1.3	9.6	-11.3	11.8	3.2	1.8	6.7	-22.7	18.5	8.2	10.7
S&P 500	-0.8	3.4	7.7	-13.5	13.7	4.3	1.7	9.1	-19.6	20.5	8.9	12.2
Nasdaq Comp. [^]	2.3	6.3	7.1	-17.5	16.5	3.6	-0.1	12.2	-14.2	30.6	11.0	15.4

Category*	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
All Companies	-3.0	5.3	1.4	0.8	10.6	4.9	6.5	-0.4	-15.8	-1.0	1.3	8.8
Regulated	-3.5	5.4	2.0	0.7	10.6	5.9	6.5	-0.1	-15.0	-1.3	-0.1	8.6
Mostly Regulated	-1.9	5.0	-0.3	0.9	10.5	1.3	6.6	-1.2	-18.3	0.2	6.2	9.3

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

IX. Sector Comparison, Trailing 3 mo. Total Return

For the three-month period ending 12/31/2020

Sector	Total Return
Oil & Gas	28.3%
Financials	18.1%
Industrials	16.8%
Consumer Goods	16.7%
Basic Materials	15.6%
Technology	13.2%
Consumer Services	11.4%
Healthcare	8.5%
Utilities	7.4%
EEl Index	6.5%
Telecommunications	3.3%

Note: Sector Comparison page based on the Dow Jones U.S. Indexes, which are market-capitalization-weighted indices.

Source: EEl Finance Dept., Dow Jones & Company, Google Finance, Y Charts

X. Sector Comparison, Trailing 12 mo. Total Return

For the twelve-month period ending 12/31/2020

Sector	Total Return
Technology	47.3%
Consumer Goods	33.2%
Consumer Services	29.8%
Basic Materials	18.3%
Industrials	17.9%
Healthcare	16.0%
Financials	-0.5%
Utilities	-0.6%
EEl Index	-1.2%
Telecommunications	-5.9%
Oil & Gas	-33.2%

Note: Sector Comparison page based on the Dow Jones U.S. Indexes, which are market-capitalization-weighted indices.

Source: EEl Finance Dept., Dow Jones & Company, Google Finance, Y Charts

XI. Market Capitalization at December 31, 2020 (in \$ Millions)

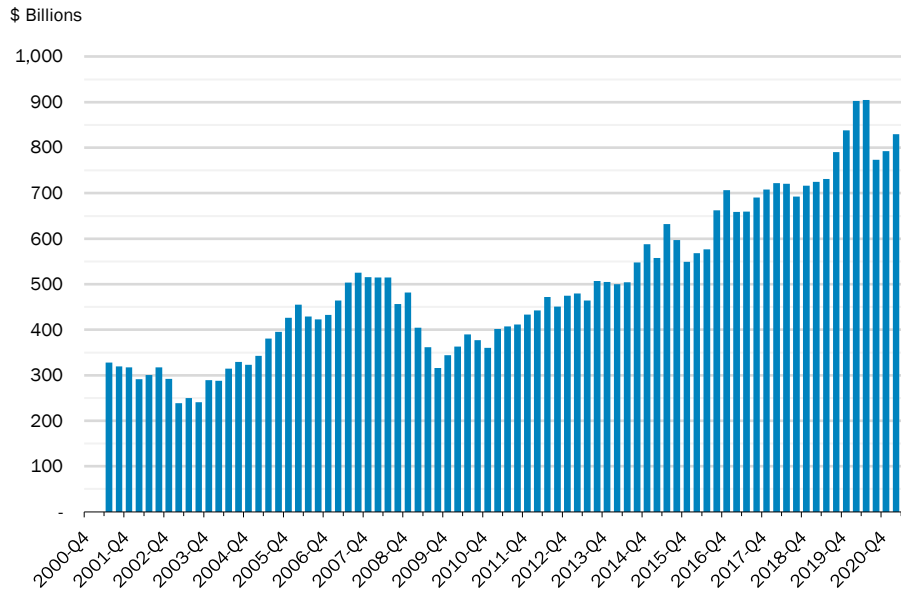
U.S. Investor-Owned Electric Utilities

Company	Stock Symbol	\$ Market Cap	% Total	Company	Stock Symbol	\$ Market Cap	% Total
NextEra Energy, Inc.	NEE	151,183	16.90%	AVANGRID, Inc.	AGR	14,066	1.57%
Duke Energy Corporation	DUK	67,297	7.52%	Alliant Energy Corporation	LNT	12,867	1.44%
Southern Company	SO	64,993	7.27%	Evergy, Inc.	EVRG	12,617	1.41%
Dominion Energy, Inc.	D	62,702	7.01%	CenterPoint Energy, Inc.	CNP	11,790	1.32%
American Electric Power Co., Inc.	AEP	41,317	4.62%	Pinnacle West Capital Corp.	PNW	9,009	1.01%
Exelon Corporation	EXC	41,207	4.61%	NiSource Inc.	NI	8,804	0.98%
Sempra Energy	SRE	36,884	4.12%	OGE Energy Corp.	OGE	6,375	0.71%
Xcel Energy Inc.	XEL	35,068	3.92%	MDU Resources Group, Inc.	MDU	5,282	0.59%
Eversource Energy	ES	29,680	3.32%	IDACORP, Inc.	IDA	4,853	0.54%
Public Service Enter. Group Inc.	PEG	29,383	3.28%	PNM Resources, Inc.	PNM	3,876	0.43%
WEC Energy Group, Inc.	WEC	29,026	3.25%	Hawaiian Electric Industries, Inc.	HE	3,864	0.43%
PG&E Corporation	PCG	24,509	2.74%	Black Hills Corporation	BKH	3,845	0.43%
Consolidated Edison, Inc.	ED	24,174	2.70%	Portland General Electric Co.	POR	3,828	0.43%
Edison International	EIX	23,746	2.65%	ALLETE, Inc.	ALE	3,215	0.36%
DTE Energy Company	DTE	23,432	2.62%	NorthWestern Corporation	NWE	2,949	0.33%
PPL Corporation	PPL	21,680	2.42%	Avista Corporation	AVA	2,737	0.31%
Entergy Corporation	ETR	19,990	2.23%	MGE Energy, Inc.	MGEE	2,532	0.28%
Ameren Corporation	AEE	19,289	2.16%	Otter Tail Corporation	OTTR	1,743	0.19%
CMS Energy Corporation	CMS	17,424	1.95%	Unitil Corporation	UTL	662	0.07%
FirstEnergy Corp.	FE	16,591	1.85%	Total Industry		894,490	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



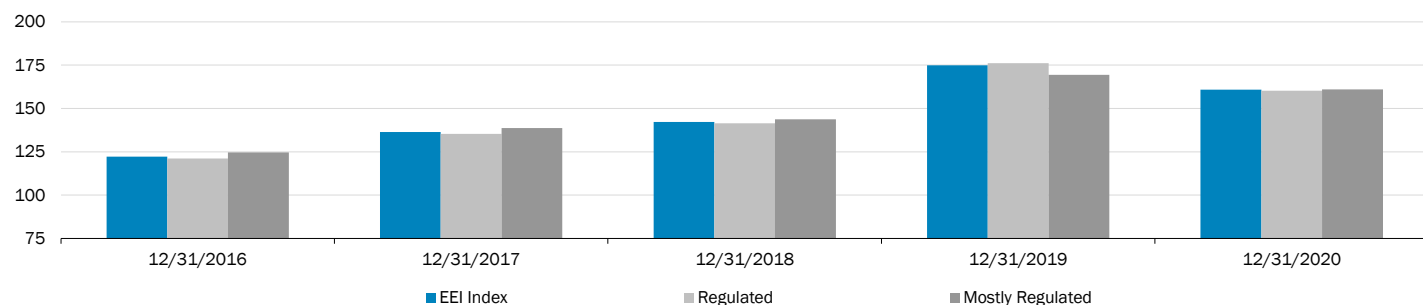
Note: Change in EEI Index market capitalization reflects the impact of buyout and spin-off activity in addition to stock market performance.
Source: EEI Finance Dept., S&P Global Market Intelligence

EEI Index Market Cap (in \$ Billions)

2005-Q1	396	2013-Q1	507
2005-Q2	426	2013-Q2	505
2005-Q3	455	2013-Q3	500
2005-Q4	429	2013-Q4	504
2006-Q1	423	2014-Q1	548
2006-Q2	433	2014-Q2	588
2006-Q3	464	2014-Q3	557
2006-Q4	504	2014-Q4	632
2007-Q1	525	2015-Q1	597
2007-Q2	516	2015-Q2	549
2007-Q3	515	2015-Q3	568
2007-Q4	514	2015-Q4	577
2008-Q1	457	2016-Q1	663
2008-Q2	482	2016-Q2	706
2008-Q3	404	2016-Q3	659
2008-Q4	362	2016-Q4	660
2009-Q1	316	2017-Q1	690
2009-Q2	344	2017-Q2	708
2009-Q3	363	2017-Q3	722
2009-Q4	390	2017-Q4	720
2010-Q1	377	2018-Q1	692
2010-Q2	360	2018-Q2	716
2010-Q3	402	2018-Q3	725
2010-Q4	407	2018-Q4	731
2011-Q1	411	2019-Q1	790
2011-Q2	433	2019-Q2	838
2011-Q3	442	2019-Q3	902
2011-Q4	472	2019-Q4	905
2012-Q1	451	2020-Q1	773
2012-Q2	475	2020-Q2	792
2012-Q3	480	2020-Q3	830
2012-Q4	464	2020-Q4	894

XIII. Comparative Category Total Annual Returns

U.S. Investor-Owned Electric Utilities, Value of \$100 invested at close on 12/31/2020



	2015	2016	2017	2018	2019	2020
EEI Index Annual Return (%)		22.21	11.56	4.28	23.06	-8.07
EEI Index Cumulative Return (\$)	100.00	122.21	136.34	142.17	174.95	160.83
Regulated EEI Index Annual Return		21.16	11.66	4.55	24.56	-9.01
Regulated EEI Index Cumulative Return	100.00	121.16	135.29	141.44	176.18	160.30
Mostly Regulated EEI Index Annual Return		24.57	11.32	3.62	17.87	-4.95
Mostly Regulated EEI Index Cumulative Return	100.00	124.57	138.67	143.69	169.37	160.99

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

compared to broad market ebullience. The EEI Index finished 2020 with a -1.2% return including dividends. And this would have been lower without NextEra Energy's 30% gain. NextEra is the biggest utility by market cap, accounting for 17% of the EEI Index at year end. Most EEI Index constituents finished the year with share prices down 5% or more.

The market's gyrations seemed to anticipate the trajectory of economic data, which showed spectacular volatility. The Bureau of Economic Analysis (BEA) reported U.S. gross domestic product (GDP) fell 5.1% in Q1 2020 from the preceding quarter before crashing to a -31.4% decline in Q2. Aggressive support from the Federal Reserve and the late March CARES act — which injected \$2.3 trillion of stimulus (11% of GDP) through direct payments to individuals, unemployment support and \$483 billion of forgivable loans to small businesses — powered a 33.4% GDP recovery in Q3 from Q2. Stocks were also lifted late in the year's second half by optimism over COVID-19 vaccine progress, which seemed to offer welcome hope that life in 2021 may slowly return to normal.

Investor sentiment always colors macroeconomic news with confirmation bias. Measured on a year-over-year basis (rather than quarter-to-quarter), U.S. GDP fell 9.0% in Q2 and 2.8% in Q3, hardly a picture of strength. But investors had their minds set on "recovery" and sequential data gave them the numbers they were looking for.

XIV. EEI Index Top Ten Performers

For the 12-month period ending 12/31/2020

Company	% Return	Category
NextEra Energy, Inc.	30.2	MR
PG&E Corporation	14.6	R
Xcel Energy Inc.	7.8	R
Duke Energy Corporation	5.0	R
Eversource Energy	4.5	R
Ameren Corporation	4.4	R
WEC Energy Group, Inc.	2.6	R
Public Service Enterprise Group Inc.	2.6	MR
Southern Company	1.0	R
CMS Energy Corporation	-0.2	R

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

Interest Rates Fall to Record Lows

Wall Street analysts scratched their heads a bit over utility shares' 2020 performance since utilities are classically seen as safe-havens in times of market stress. Some cited as potential causes utilities rich valuations as the year began, concerns over load strength, and dysfunctional credit markets when pandemic news worsened by the day (given the industry's capital raising needs). But 2020 was so atypical that his-

torical patterns may simply be poor guides. Analysts viewed utilities' sluggish second half as a function of market technicals and the strength of money flows into technology and consumer goods and services companies that benefit from both stay-at-home lifestyles and a cyclical economic rebound.

Interest rate moves certainly favored utilities, whose steady dividends make them a bond substitute for income-oriented investors. The Federal Reserve cut its overnight Fed Funds rate from 1.5% in February to near 0% by late March, where it remained through year-end. The 10-year Treasury yield fell from 1.8% in January to under 0.6% in August before drifting back to just over 1% at year-end. The 30-year Treasury yield likewise fell from 2.3% to a range of 1.3% to 1.6% through August before rising to 1.6% at year-end. These rate moves somewhat contradict the stock market's expectation for a fast rebound to pre-COVID-19 economic strength.

Pandemic Hits Electricity Demand

Widespread energy efficiency programs and economic deindustrialization have put a stop to secular electricity demand growth, which has been flat for a decade. COVID-19 shutdowns depressed demand further in 2020. U.S. electric output fell 4.7% year-to-year in Q2 and 1.6% in Q3 with a full-year decline of 2.9%. However, analysts noted that weakness was focused on commercial and industrial load, which fell more than 10% year-to-year from Q2 on. After falling 6% in Q1 on mild winter temps, residential demand actually jumped 7.5% in Q2 and roughly 3% to 4% in 2020's second half as people were stuck at home. The rise in higher-margin residential demand helped soften the pandemic's impact on utility earnings.

Industry Outlook Remains Upbeat

Wall Street research published late in the year showed remarkable thematic stability relative to pre-pandemic thinking. Industry growth stories remained intact. Capex projections ratcheted slightly higher. Earnings visibility extended out to the decade's back half as companies embraced growth largely through regulated investments.

Investors and analysts sharpened their focus on environmental, social and governance (ESG) metrics in 2020 leading to a perceived lift in share price performance for companies that rank well. As leaders of the nation's transition to clean energy, EEI members have a very positive ESG story to tell. Working with member companies, analysts and investors, EEI created the first industry-wide ESG/sustainability reporting template, which is now utilized by virtually all EEI member companies. An enhanced template with additional focus on social topics will be released this year for 2020 reporting.

Earnings growth outlooks for many utilities under analyst coverage rose slightly, in synch with the size and scope of growing capex programs. Industry long-term earnings growth targets cluster around 5% to 6% (as a rough generality), with individual utilities higher or lower depending on specific circumstances. Utilities also contributed to improved outlooks through aggressive operations and maintenance cost management as smart-grid investments pay off. And analysts generally observed that most utilities under their research coverage saw little earnings impact from the COVID-19 shock.

Ongoing capex programs run the gamut and include new renewable generation, new gas-fired generation, gas pipeline upgrades, electric transmission and distribution modernization and expansion, smart-grid deployment, and reliability-related network hardening. Analysts continued to view state regulatory relations as generally fair, balancing the interests of ratepayers, utilities and other stakeholders. Some utilities have successfully advocated for changes to rate design — such as forward test years, rate mechanisms and adjustment clauses — that allow timely recovery of costs associated with big-ticket capital investment programs and offer some protection from lethargic demand.

Biden Win Boosts Green Themes

Biden campaign messaging included \$2 trillion in clean energy investments, a 100% clean power economy and net-zero U.S. carbon emissions by 2050. Given political uncertainty over that long a horizon and the challenge of predicting technical innovation, revising long-term industry outlooks to reflect what “might” happen if these plans become policy is impossible with any precision. But the broad contours seem positive for renewable generation of all kinds, for electrification of transportation and potentially for utility capex and demand growth.

The prospect of electric vehicle (EV) adoption gained some analytical traction in 2020 as the first potential secular spur to power demand since air conditioning. Some estimates suggested widespread EV adoption could boost load by 1% annually over the next few decades. Industry chatter late in the year included hydrogen power and renewable natural gas as long-term substitutes for the conventional and more carbon-intensive natural gas used today. Natural gas-focused utility shares were relatively weak in 2020 over concern that terminal values of pipeline investments may be challenged in a post-carbon world. But analysts noted these hypotheticals are beyond the visible horizon and won't effect predictable earnings outlooks. And gas remains the most economical heating fuel in many colder regions, with broad public and regulatory support.

A Biden administration may roll back the Trump tax cuts; this could mean slightly higher customer bills for some

utilities since taxes are passed through in rates and may compete with capex in rate hike requests. But given the difficulty of predicting legislative outcomes, it's impossible to be precise.

Attractive Valuations

At year-end 2019, Wall Street viewed utility stock valuations as high. Price weakness in 2020 turned that on its head. With most utility shares in the red for the year, interest rates lower and long-term growth prospects unchanged (if not improved), analysts became broadly bullish. As 2021 began, most saw the group as extraordinarily undervalued with headroom for gains even if interest rates were to rise from today's unusually low levels. Investment programs underpin prospects for aggregate total returns in excess of 8% (5% or more from earnings growth and 3%+ from the dividend). And whether measured by relative PE ratios or dividend yields versus Treasuries or investment-grade bonds, several analysts said utility stocks as 2021 began offered the best value in years.

Other Risks

Wall Street's ebullient recovery from March lows rests on a premise yet to be fully tested — that pre-crisis economic strength will return and persist, and along with it corporate earnings gains. Utilities face a related risk: that sluggish wage growth in a COVID-impaired economy provokes regulatory pushback on rate relief needed to fund aggressive capex programs, which in turn cools outlooks for dividend and earnings growth. The public's demand for cleaner energy along with good local jobs created throughout the utility capex supply chain offer some protection against punitive treatment by regulators, but no guarantee. Stable fuel costs and low interest rates have kept bill pressures muted in recent years, but neither trend can continue indefinitely. Even interest rates, which have confounded rate-rise prophets for 40 years, can't go down forever. And if the V-shaped recovery thesis fails, managing regulatory risk and financing needed capex through customer rates may become more challenging than it has been in recent years. ■