

# Stock Performance

## HIGHLIGHTS

- The EEI Index returned 8.8% in Q4 and 1.2% for the full year. Electric utilities gave investors a relative safe haven and positive return in 2022's market weakness.
- Surging inflation and higher energy costs are a global phenomenon impacting electric utilities. EIA data shows the average cost of natural gas for electricity generation rose 110% year-to-year in Q2 and 86% in Q3. The average coal cost rose 16% in Q2 and 22% in Q3. Natural gas prices eased in Q4 but the average coal cost increased 22.0% in October and 25.9% in November.
- This year's autumn investor conference season produced discussion of inflation, higher interest rates, higher fuel costs, pension costs pressures, and regulatory concern over customer bills.
- Analyst research in Q4 examined the modest cuts in 2023 earnings guidance or longer-term growth outlooks that occurred at several utilities, but research coverage also affirmed that the industry's fundamental growth picture remains robust.

## COMMENTARY

Major market indices rebounded in Q4 after three straight quarters of losses. The Dow Jones Industrial Average, a composite of 30 underlying large-capitalization companies, gained 15.8% while the more broadly diversified S&P 500 Index gained 7.3%. The tech-heavy Nasdaq, the epicenter of late 2021's market froth, edged down a modest 1.6%. Utilities were right in the middle; the EEI Index gained 8.8% for the quarter.

The full-year 2022 picture shows utilities far ahead of major indices on a relative basis. The Dow Jones Industrial

## I. Index Comparison (% Return)

Index	2016	2017	2018	2019	2020	2021	2022
EEI Index	17.4	11.7	3.7	25.8	-1.2	17.1	1.2
Dow Jones Ind.	16.5	28.1	-3.5	25.3	9.7	21.0	-7.0
S&P 500	12.0	21.8	-4.4	31.5	18.4	28.7	-18.3
Nasdaq Comp.^	7.5	28.2	-3.9	35.2	43.6	21.4	-33.5

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	2016	2017	2018	2019	2020	2021	2022
All Companies	22.2	11.6	4.3	23.1	-8.1	17.6	2.7
Regulated	21.2	11.7	4.5	24.6	-9.0	16.7	3.6
Mostly Regulated	24.6	11.3	3.6	17.9	-4.9	21.1	-1.1
Diversified	25.6	n/a**	n/a**	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.

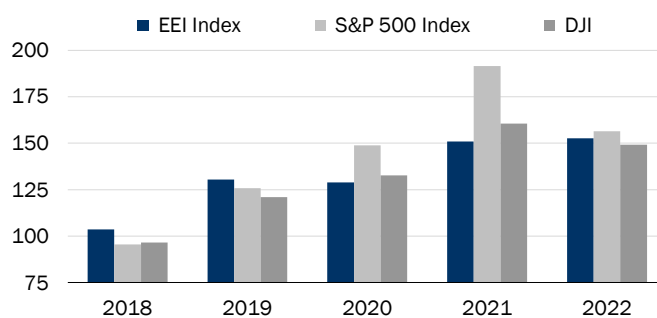
The EEI Index return shown in Table I above is cap-weighted.

\*\*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 12/31/2017



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

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

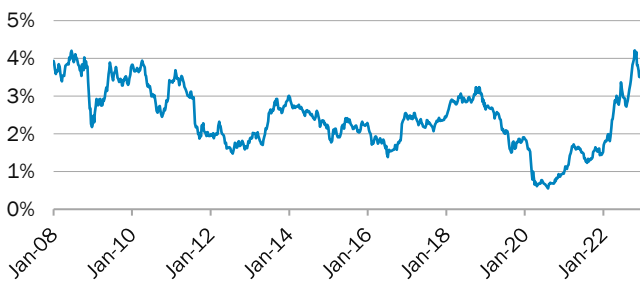
Average Monthly Yield, 1/1/1980 through 12/31/2022



Source: U.S. Federal Reserve

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

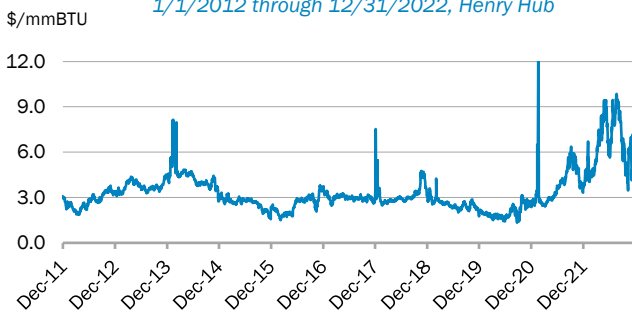
Weekly Yield, 1/1/2008 through 12/31/2022



Source: U.S. Federal Reserve

#### VI. Natural Gas Spot Prices

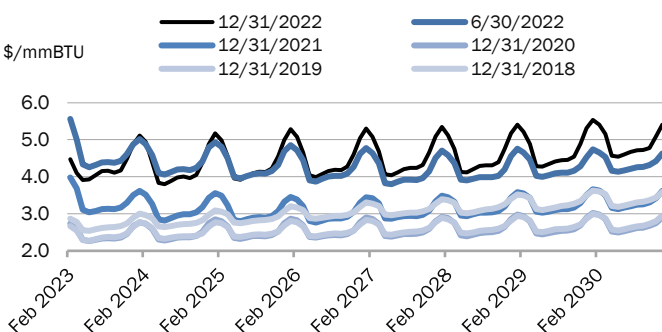
1/1/2012 through 12/31/2022, Henry Hub



Source: S&P Global Market Intelligence

#### VII. NYMEX Natural Gas Futures

2/2023 through 12/2030, Henry Hub



Source: S&P Global Market Intelligence

#### VIII. Returns by Quarter

U.S. Investor-Owned Electric Utilities

Index	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
EEl Index	-13.6	1.8	5.6	6.5	3.0	-0.7	1.4	12.9	4.8	-4.9	-6.7	8.8
Dow Jones Industrial	-22.7	18.5	8.2	10.7	8.3	5.1	-1.5	7.9	-4.0	-10.9	-6.2	15.8
S&P 500	-19.6	20.5	8.9	12.2	6.2	8.6	0.6	11.0	-4.6	-16.1	-4.9	7.3
Nasdaq Comp. <sup>A</sup>	-14.2	30.6	11.0	15.4	2.8	9.5	-0.4	8.3	-9.0	-23.0	-3.5	-1.6

Category*	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
All Companies	-15.8	-1.0	1.3	8.8	6.0	0.3	-0.7	11.5	5.2	-3.8	-8.3	10.7
Regulated	-15.0	-1.3	-0.1	8.6	4.8	0.3	-0.7	11.9	6.4	-3.6	-8.2	10.0
Mostly Regulated	-18.3	0.2	6.2	9.3	10.6	0.3	-0.8	10.1	0.0	-5.0	-9.0	14.3

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

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

For the three-month period ending 12/31/2022

Sector	Total Return
Oil & Gas	18.9%
Basic Materials	16.7%
Industrials	13.3%
Financials	11.4%
Healthcare	10.9%
Telecommunications	8.9%
EEl Index	8.8%
Utilities	7.9%
Technology	-0.6%
Consumer Services	-0.8%
Consumer Goods	-3.0%

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 12/31/2022

Sector	Total Return
Oil & Gas	61.5%
Utilities	2.9%
EEl Index	1.2%
Healthcare	-4.7%
Telecommunications	-6.5%
Basic Materials	-6.9%
Financials	-13.3%
Industrials	-13.5%
Consumer Goods	-23.2%
Consumer Services	-30.6%
Technology	-34.9%

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, 2022 (in \$ Millions)

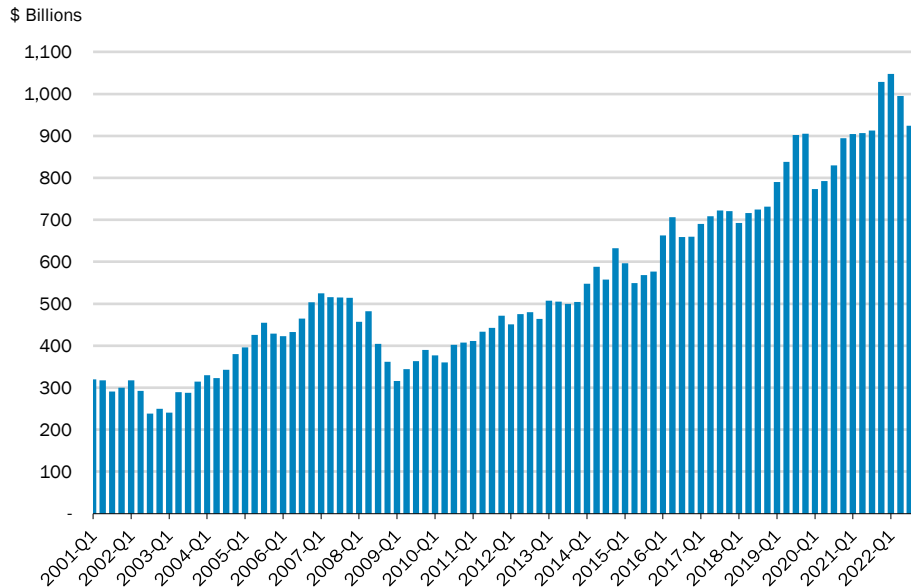
U.S. Investor-Owned Electric Utilities

Company	Stock Symbol	\$ Market Cap	% Total	Company	Stock Symbol	\$ Market Cap	% Total
NextEra Energy, Inc.	NEE	164,901	16.49%	CMS Energy Corporation	CMS	18,340	1.83%
Duke Energy Corporation	DUK	79,302	7.93%	AVANGRID, Inc.	AGR	16,622	1.66%
Southern Company	SO	77,266	7.73%	Eergy, Inc.	EVRG	14,468	1.45%
Dominion Energy, Inc.	D	51,055	5.11%	Alliant Energy Corporation	LNT	13,858	1.39%
American Electric Power Co., Inc.	AEP	48,779	4.88%	NiSource Inc.	NI	11,146	1.11%
Sempra Energy	SRE	48,637	4.86%	Pinnacle West Capital Corp.	PNW	8,609	0.86%
Exelon Corporation	EXC	42,711	4.27%	OGE Energy Corp.	OGE	7,918	0.79%
Xcel Energy Inc.	XEL	38,420	3.84%	MDU Resources Group, Inc.	MDU	6,170	0.62%
Consolidated Edison, Inc.	ED	33,797	3.38%	IDACORP, Inc.	IDA	5,465	0.55%
PG&E Corporation	PCG	32,309	3.23%	Hawaiian Electric Industries, Inc.	HE	4,581	0.46%
Public Service Enter. Group Inc.	PEG	30,451	3.05%	Black Hills Corporation	BKH	4,563	0.46%
WEC Energy Group, Inc.	WEC	29,572	2.96%	Portland General Electric Co.	POR	4,374	0.44%
Eversource Energy	ES	29,117	2.91%	PNM Resources, Inc.	PNM	4,201	0.42%
Edison International	EIX	24,303	2.43%	ALLETE, Inc.	ALE	3,684	0.37%
FirstEnergy Corp.	FE	23,948	2.40%	NorthWestern Corporation	NWE	3,341	0.33%
Ameren Corporation	AEE	22,977	2.30%	Avista Corporation	AVA	3,247	0.32%
Entergy Corporation	ETR	22,888	2.29%	MGE Energy, Inc.	MGEE	2,546	0.25%
DTE Energy Company	DTE	22,683	2.27%	Otter Tail Corporation	OTTR	2,442	0.24%
PPL Corporation	PPL	21,513	2.15%	Unitil Corporation	UTL	822	0.08%
CenterPoint Energy, Inc.	CNP	18,879	1.89%	<b>Total Industry</b>		<b>999,904</b>	<b>100.00%</b>

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

XII. EEI Index Market Capitalization (at Period End)

U.S. Investor-Owned Electric Utilities



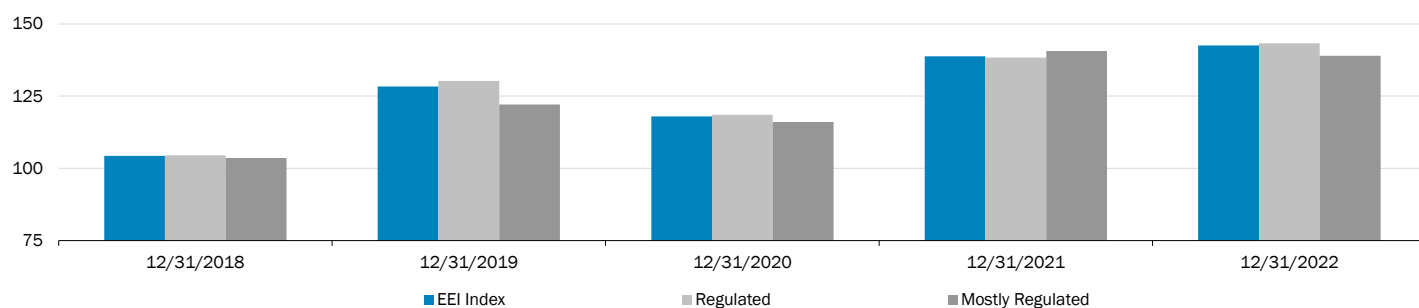
EEI Index Market Cap (in \$ Billions)			
2007-Q1	525	2015-Q1	597
2007-Q2	516	2015-Q2	549
2007-Q3	515	2015-Q3	568
2007-Q4	514	2015-Q4	577
2008-Q1	457	2016-Q1	663
2008-Q2	482	2016-Q2	706
2008-Q3	404	2016-Q3	659
2008-Q4	362	2016-Q4	660
2009-Q1	316	2017-Q1	690
2009-Q2	344	2017-Q2	708
2009-Q3	363	2017-Q3	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
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

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

### XIII. Comparative Category Total Annual Returns

U.S. Investor-Owned Electric Utilities, Value of \$100 invested at close on 12/31/2017



	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
EEI Index Annual Return (%)		4.28	23.06	(8.07)	17.62	2.74
EEI Index Cumulative Return (\$)	100.00	104.28	128.32	117.96	138.74	142.55
Regulated EEI Index Annual Return		4.55	24.56	(9.01)	16.72	3.59
Regulated EEI Index Cumulative Return	100.00	104.55	130.22	118.49	138.30	143.26
Mostly Regulated EEI Index Annual Return		3.62	17.87	(4.95)	21.09	(1.15)
Mostly Regulated EEI Index Cumulative Return	100.00	103.62	122.14	116.09	140.58	138.97

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.

Average returned -7.0% in 2022, the S&P 500 returned -18.3% and the Nasdaq fell deep into a bear market with a 33.5% decline.

#### Economic Growth Rebounds After Weak First Half

Markets in Q4 were powered higher in part by evidence that economic strength rebounded from weakness in 2022's first half. In late October, the Bureau of Economic Analysis (BEA) released its first estimate of Q3 2022 real GDP at positive 2.6%; this compared to -1.6% in Q1 and -0.6% for Q2. The Q3 figure was revised upward to 2.9% in the late November release and higher again to 3.2% in the BEA's third estimate, released on December 22.

#### Headline Inflation Moderates in Q4

Investor sentiment was also lifted by hints that inflation may be moderating. Inflation measured by the headline consumer price index (CPI) for urban consumers peaked in June at 8.9% and held above 8% in July, August and September. Data released in Q4 showed a steady decline to 7.8% in October, 7.1% in November and 6.4% in December. The CPI excluding volatile food and energy (which economists often cite as a more meaningful inflation metric) hovered near 6% all year and peaked in September at 6.6%, yet it too eased in Q4 to a December reading of 5.7%.

#### Fed Hikes but Bond Yields Ease

Persistently sticky inflation data was enough to cause the U.S. Federal Reserve to extend its 2022 rate hike campaign

EEI Q4 2022 Financial Update

### XIV. EEI Index Top Ten Performers

For the twelve-month period ending 12/31/2022

Company	% Return	Category
PG&E Corporation	33.9	R
Sempra Energy	20.3	R
Consolidated Edison, Inc.	15.6	R
Unitil Corporation	15.1	R
Pinnacle West Capital Corporation	12.9	R
American Electric Power Company, Inc.	10.4	R
PNM Resources, Inc.	10.2	R
CenterPoint Energy, Inc.	10.1	R
Avista Corporation	8.8	R
NorthWestern Corporation	8.5	R

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

into Q4, hiking the overnight federal funds rate by 75 basis points on November 2 and 50 basis points on December 14. The Fed's seven rate hikes in 2022 took the fed funds rate from near 0% in March to 4.3% in late December, making for one of the steepest rate-hike campaigns in modern history.

Bond markets spent Q4 wondering how to react to Fed hikes and cooler inflation data. The U.S. 10-year Treasury yield rose in October, reaching 4.2%, but then fell steadily to 3.4% by early December before climbing back to 3.8% at year-end, and corporate bond yields were steady for the

quarter. Falling inflation numbers and steady bond yields gave investors enough confidence to push markets up after three quarters of losses.

### Fuel Cost Inflation Drives up Power Prices

While surging inflation and higher energy costs are a global phenomenon, the trend is impacting U.S. electricity costs. Natural gas powers about 38% of generation nationwide and coal about 22%. Natural gas prices have been rising since the middle of 2020 and jumped in 2022 to their highest levels since 2013. Regulated utilities pass fuel costs through to rates under state regulation and have little near-term control over the fuel element of the utility bill. EIA data shows the average cost of natural gas for electricity generation rose 110% year-to-year in Q2 and 86% in Q3. EIA data shows that comparable coal costs rose 11% year-to-year in Q1, 16% in Q2 and 22% in Q3.

Natural gas comparisons eased in tandem with CPI inflation in Q4, echoed by the decline in spot gas prices seen in Chart VI. The average cost of natural gas for electric generation rose only 5.0% in October and was unchanged year-to-year in November. However, inflation in the average cost of coal for electricity generation remained high, at 22.0% in October and 25.9% in November.

While electricity rates in aggregate nationwide were mostly flat from 2008 through 2019, the average retail price of electricity nationwide according to EIA data rose 7% year-to-year in 2022's Q1, more than 12% in Q2 and almost 17% in Q3. Cost pressures continued in Q4 with year-to-year increases at 14.0% in October at 11.8% in November.

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

### Conference Season and "Non-Linearities"

Each Q4 Wall Street analysts produce considerable reporting on utility management presentations at the investment conferences that populate the fall season. EEI's Financial Conference in November is one of these. In recent years, Wall Street's take has been consistently upbeat, focusing on the virtuous cycle that enabled low natural gas prices, stable customer bills, growing public support for clean energy and for CO<sub>2</sub> emissions cuts, federal clean renewable energy tax incentives, and operations and maintenance (O&M) cost savings from smart-grid investments to fund the growing capital spending that translates into earnings growth. Projected secular earnings growth rates analysts cited for utilities steadily edged higher over the past decade from 4%-5% up to 5%-7% and 6%-8% in some cases.

This year's conference season produced widespread discussion of inflation, higher interest rates, higher fuel costs, pension costs pressures, regulatory concern over the impacts of aggressive capex on customer bills, and the stability of long-term earnings growth rates across the industry. Several analyst reports used the phrase "non-linearities" to reference the modest cuts in 2023 earnings guidance or longer-term growth outlooks that came out of Q3 earnings calls and conference presentations by a handful of utilities. The phrase was also a buzzword for investors' new scrutiny of company outlooks for risks of earnings speed bumps or downshifts to expected growth rates.

### Secular Tailwinds

Yet despite scattered earnings outlook cuts, Q4's Wall Street research coverage also affirmed the industry's fundamental growth picture remains robust.

The Inflation Reduction Act of 2022 (IRA) offers broad support to the nation's clean energy agenda and may add to pre-existing rate base growth opportunities for electric utilities. In EEI's view, the IRA places the United States at the forefront of global efforts to drive down carbon emissions, especially when paired with the historic funding included in the bipartisan infrastructure law. It also provides much-needed certainty to electric utilities over the next decade, as they work to deploy clean energy and carbon-free technologies.

Analysts noted that, despite regulatory scrutiny of customer bill pressures in some regions, there is little evidence that commissions are generally any less supportive of the nation's clean energy agenda and the economic stimulus that clean energy and reliability-related capex brings to service territories. The potential boost to secular load growth from widespread adoption of electric vehicles also remains a possibly strong tailwind. Several utilities have cited the onshoring of U.S. manufacturing and economic development as drivers of strong load growth in their service territories. A few cited electricity demand from large data centers.

Long-term growth rarely occurs without occasional setbacks and challenges. And utilities offered investors a relative safe haven and a positive total return in 2022's market weakness — that's more or less what they're expected to do. It's impossible to predict what inflation and interest rates will do in 2023, but as the year begins it seems reasonable to believe the nation's clean energy revolution is still in the early innings with investor-owned utilities as key players in the game. ■