

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

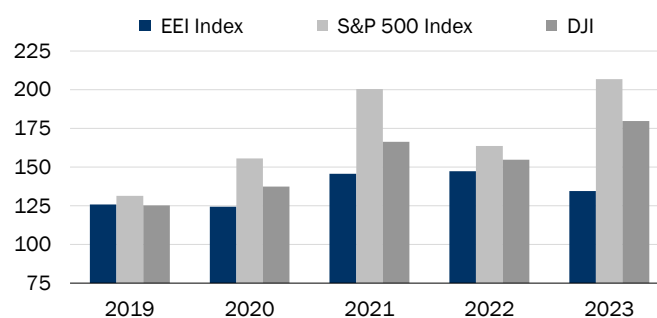
Calendar year returns shown for all periods except where noted.
Returns shown here are unweighted averages of constituent company returns.
The EEI Index return shown in Table I above is cap-weighted.

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

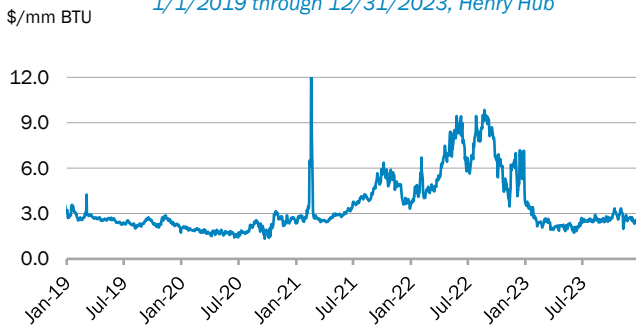
Weekly Yield, 1/1/2019 through 12/31/2023



Source: U.S. Federal Reserve

VI. Natural Gas Spot Prices

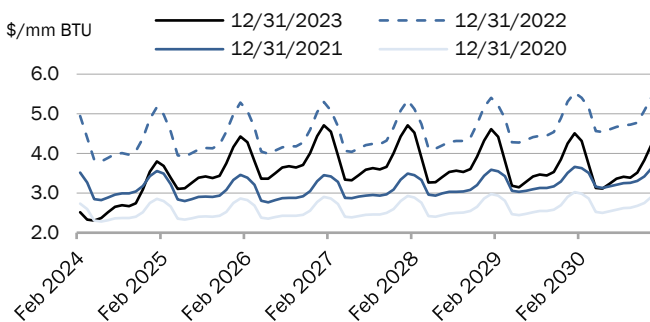
1/1/2019 through 12/31/2023, Henry Hub



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
EEl 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 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 12/31/2023

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

X. Sector Comparison, Trailing 12 mo. Total Return

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

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%
EEl Index	-8.7%

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, 2023 (in \$ Millions)

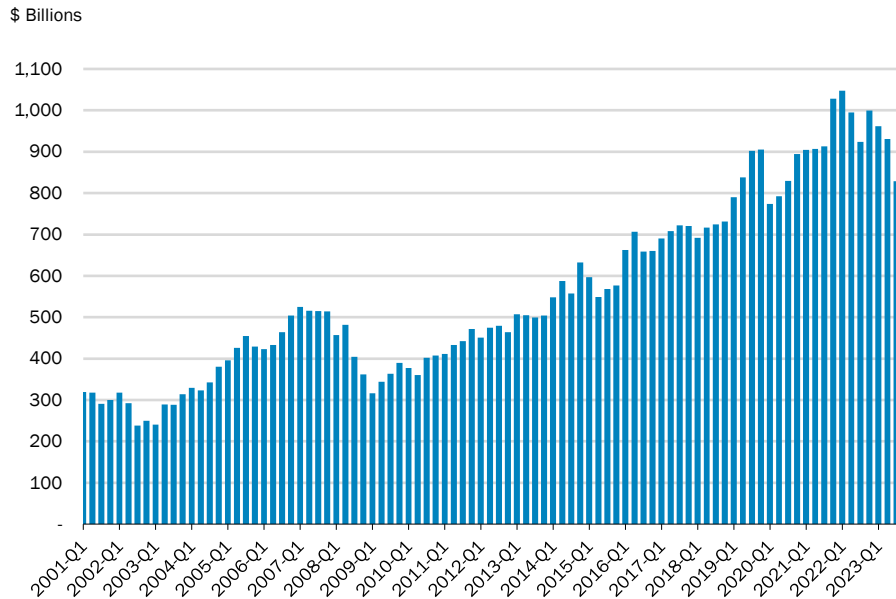
U.S. Investor-Owned Electric Utilities

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%	Eergy, 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



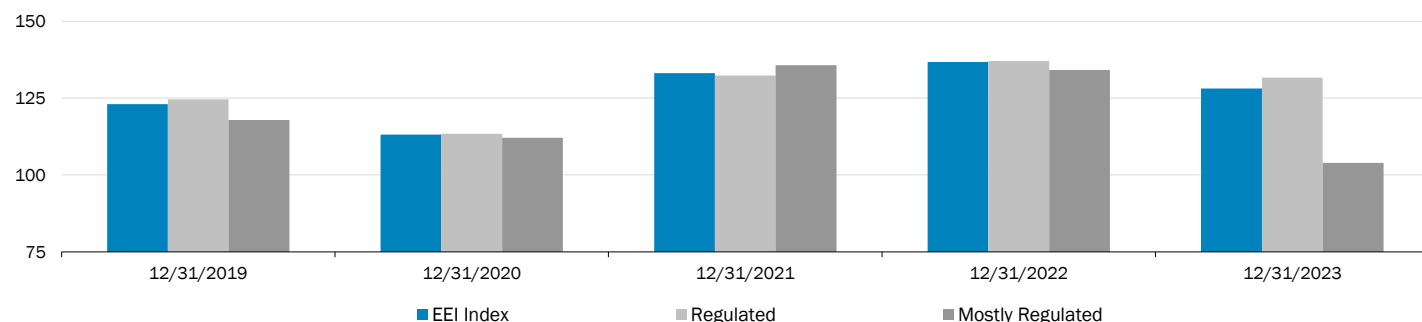
EEI Index Market Cap (in \$ Billions)			
2008-Q1	457	2016-Q1	663
2008-Q2	482	2016-Q2	706
2008-Q3	404	2016-Q3	659
2008-Q4	362	2016-Q4	660
2009-Q1	316	2017-Q1	690
2009-Q2	344	2017-Q2	708
2009-Q3	363	2017-Q3	722
2009-Q4	390	2017-Q4	720
2010-Q1	377	2018-Q1	692
2010-Q2	360	2018-Q2	716
2010-Q3	402	2018-Q3	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	1,000
2015-Q1	597	2023-Q1	962
2015-Q2	549	2023-Q2	931
2015-Q3	568	2023-Q3	829
2015-Q4	577	2023-Q4	890

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 12/31/2018



	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 opti-

mistic 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. ■