



Edison Electric  
INSTITUTE

# Credit Ratings

Q2 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 regulatory and financial updates present industry trend analyses and financial data covering 45 U.S. investor-owned electric utility companies. These 45 companies include 40 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 Summary

EEI Finance Department material can be found online at: [www.eei.org/QFU](http://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](http://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](mailto:magnew@eei.org)

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

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

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

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

### Future EEI Finance Meetings

EEI Financial Conference  
November 9-11, 2020  
Virtual Meeting  
[www.eei.org](http://www.eei.org)

For more information about future EEI Finance Meetings, please contact Devin James at (202) 508-5057 or [djames@eei.org](mailto:djames@eei.org), or Aaron Cope, Jr. at (202) 508-5128 or [acope@eei.org](mailto:acope@eei.org).

# The 45 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)  
El Paso Electric Company (EE)  
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 (35 of 45)

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  
El Paso Electric Company  
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 45)

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.*

# Credit Ratings

## HIGHLIGHTS

- Electric utility industry credit remained generally strong in 2020's first half. However, there were only 16 total actions — six upgrades and 10 downgrades — affecting both parents and subsidiaries, a pace well-below the 10-year annual average of 75 actions.
- Upgrades were largely based on favorable impacts on subsidiaries from recent mergers. Four of these went to Dominion Energy subsidiaries that were acquired in January 2019 through Dominion's purchase of SCANA.
- Each of the year's downgrades point to actual or projected negative impacts on key credit metrics. Increased regulatory risk was cited as a primary underlying driver for several and one downgrade resulted from increased business risk from an acquisition.
- The average parent company credit rating during the year's first half was BBB+, a level that has held since 2014. On June 30, 80.0% of parent company ratings outlooks were "stable" and 4.4% were "positive" or "watch-positive". Only 15.6% were "negative" or "watch-negative".

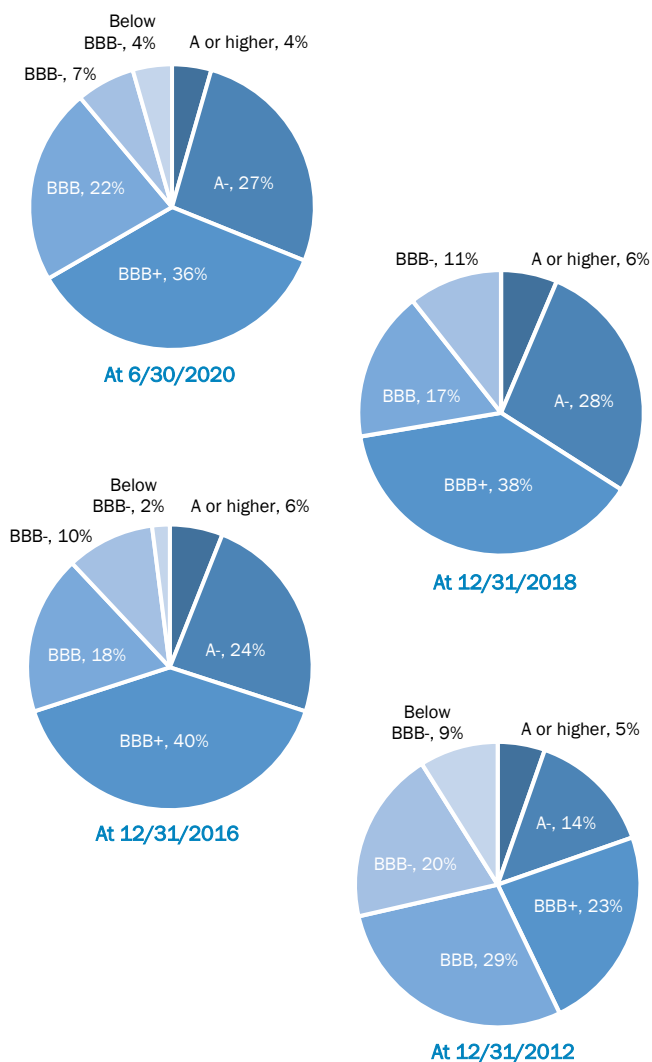
## COMMENTARY

Electric utility industry credit remained generally strong in 2020's first half. However, overall ratings activity was light. There were only 16 total actions — six upgrades and 10 downgrades — affecting both parents and subsidiaries. This pace was well below the 75-action annual average of the previous ten calendar years and was, by far, the lowest first-half total in our historical dataset (back to 2000).

The average parent company credit rating was BBB+, a level that has held since 2014. On June 30, 80.0% of parent

## I. S&P Utility Credit Ratings Distribution

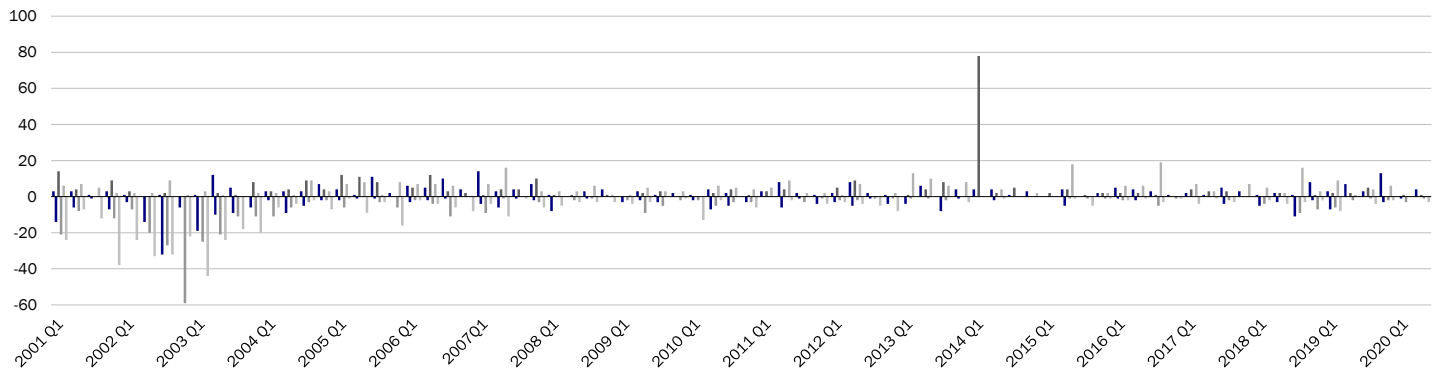
*U.S. Investor-Owned Electric Utilities (parent level only)*



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	
	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
Fitch (downgrade)	0	-5	0	0	-1	-2	0	0	0	0	-4	0	-5	-3	-11	-2	-7	0	0	-3	-1	-2
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
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
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
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

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*
Fitch	62	34	22	31	41	17	14	24	25	26	23	14	11	16	15	33	36	7
Moody's	79	42	46	39	32	6	23	20	11	20	17	85	12	13	12	23	20	6
S&P	112	34	53	40	48	27	20	36	24	30	40	7	27	38	25	37	34	3
<b>Total</b>	<b>253</b>	<b>110</b>	<b>121</b>	<b>110</b>	<b>121</b>	<b>50</b>	<b>57</b>	<b>80</b>	<b>60</b>	<b>76</b>	<b>80</b>	<b>106</b>	<b>50</b>	<b>67</b>	<b>52</b>	<b>93</b>	<b>90</b>	<b>16</b>

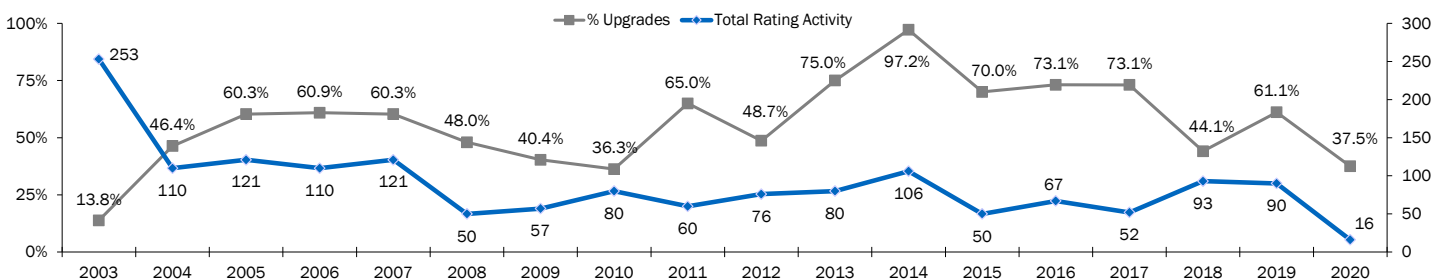
\*Through June 30

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
Upgrades	35	51	73	67	73	24	23	29	39	37	60	103	35	49	38	41	55	6
Downgrades	218	59	48	43	48	26	34	51	21	39	20	3	15	18	14	52	35	10
% 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%	37.5%
<b>Total Actions</b>	<b>253</b>	<b>110</b>	<b>121</b>	<b>110</b>	<b>121</b>	<b>50</b>	<b>57</b>	<b>80</b>	<b>60</b>	<b>76</b>	<b>80</b>	<b>106</b>	<b>50</b>	<b>67</b>	<b>52</b>	<b>93</b>	<b>90</b>	<b>16</b>



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

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

	12/31/2013		12/31/2014		12/31/2015		12/31/2016		12/31/2017		12/31/2018		12/31/2019		06/30/2020	
<b>REGULATED</b>																
A or higher	1	3%	1	3%	1	3%	2	6%	2	6%	1	3%	1	3%	1	3%
A-	7	20%	8	21%	8	22%	10	28%	12	34%	11	32%	11	31%	11	31%
BBB+	6	17%	12	32%	12	33%	13	36%	10	29%	11	32%	11	31%	10	29%
BBB	17	49%	14	37%	12	33%	8	22%	7	20%	7	21%	8	23%	9	26%
BBB-	2	6%	1	3%	1	3%	3	8%	4	11%	4	12%	2	6%	2	6%
Below BBB-	2	6%	2	5%	2	6%	0	0%	0	0%	0	0%	2	6%	2	6%
<b>Total</b>	<b>35</b>	<b>100%</b>	<b>38</b>	<b>100%</b>	<b>36</b>	<b>100%</b>	<b>36</b>	<b>100%</b>	<b>35</b>	<b>100%</b>	<b>34</b>	<b>100%</b>	<b>35</b>	<b>100%</b>	<b>35</b>	<b>100%</b>
<b>MOSTLY REGULATED</b>																
A or higher	1	6%	1	8%	1	8%	1	8%	1	7%	2	15%	1	10%	1	10%
A-	5	29%	4	31%	5	38%	2	17%	2	14%	2	15%	1	10%	1	10%
BBB+	5	29%	4	31%	5	38%	7	58%	7	50%	7	54%	7	70%	6	60%
BBB	3	18%	2	15%	1	8%	0	0%	2	14%	1	8%	0	0%	1	10%
BBB-	3	18%	2	15%	1	8%	1	8%	1	7%	1	8%	1	10%	1	10%
Below BBB-	0	0%	0	0%	0	0%	1	8%	1	7%	0	0%	0	0%	0	0%
<b>Total</b>	<b>17</b>	<b>100%</b>	<b>13</b>	<b>100%</b>	<b>13</b>	<b>100%</b>	<b>12</b>	<b>100%</b>	<b>14</b>	<b>100%</b>	<b>13</b>	<b>100%</b>	<b>10</b>	<b>100%</b>	<b>10</b>	<b>100%</b>
<b>DIVERSIFIED</b>																
A or higher	0	0%	0	0%	0	0%	0	0%								
A-	0	0%	0	0%	0	0%	0	0%								
BBB+	1	50%	1	50%	1	50%	0	0%								
BBB	0	0%	0	0%	0	0%	1	50%								
BBB-	0	0%	1	50%	1	50%	1	50%								
Below BBB-	1	50%	0	0%	0	0%	0	0%								
<b>Total</b>	<b>2</b>	<b>100%</b>	<b>2</b>	<b>100%</b>	<b>2</b>	<b>100%</b>	<b>2</b>	<b>100%</b>								

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

company ratings outlooks were “stable” and 4.4% were “positive” or “watch-positive”. Only 15.6% were “negative” or “watch-negative”, down from 18.2% at year-end 2019 and 23.4% at year-end 2018. While the economic impact of COVID-19 caused Standard and Poor's (S&P) to revise its overall North American regulated utility industry outlook (including electric, gas and water) to negative from stable, Moody's and Fitch each maintained a stable outlook for their broad U.S. regulated utility sectors.

Electric utilities' aggregate parent-level credit quality had strengthened relatively steadily over the previous ten full calendar years, declining only in 2019 and 2012. And across EEI's larger universe of parents and subsidiaries, the five-year period 2013 through 2017 produced the five highest upgrade percentages in our historical data. Moreover, upgrades outnumbered downgrades in seven of the past ten calendar years with an annual average upgrade percentage of 64.4%.

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 Stand-

ard & Poor's (S&P) parent holding company ratings and outlooks. However, our upgrade/downgrade totals reflect all actions by the three major ratings agencies within a parent holding company, including those at subsidiaries. Our universe of 45 U.S. parent company electric utilities at June 30, 2020 included 40 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 2020 included two downgrades and one reinstatement. By comparison, there was one upgrade and five downgrades in 2019 and six upgrades and two downgrades in 2018.

### ALLETE

On April 22, S&P downgraded ALLETE to BBB from BBB+ on deteriorating credit metrics that have pushed funds from operations to debt below 20%. The company's credit metrics are expected to continue to be pressured by

weaker economic conditions related to uncertainties around COVID-19 and an elevated capital spending plan. S&P's stable outlook reflects ALLETE's focus on regulated utility operations and a belief it can maintain funds from operations to debt at 18% to 20% for the next one to two years.

#### *PNM Resources*

On April 6, S&P lowered PNM Resources' parent-level rating to BBB from BBB+ due to weaker financial metrics. The agency noted PNM's funds from operations to debt ratio was 15.8% in 2018 and 15.5% in 2019 and said the pandemic's revenue impact may further pressure the company's financials. S&P's stable outlook is based in part on a belief that PNM can securitize costs related to closing its San Juan coal-fired power plant.

#### *PG&E*

S&P assigned a BB- rating to PG&E on June 15 as the company prepared to emerge from Chapter 11 bankruptcy. S&P's previous rating was D, which last appeared in our quarter-ending tracking on December 31, 2019. S&P did not have a rating assigned to PG&E at quarter-end March 31, 2020. On July 1, PG&E Corporation and subsidiary Pacific Gas & Electric Company emerged from Chapter 11, successfully completing a restructuring process.

### Ratings Activity Slows in 2020

The 16 rating changes in 2020's first half (upgrades plus downgrades) mark the slowest pace of activity seen in any year back to our dataset's inception on January 1, 2000. And the slow pace continued into the first half of Q3. By comparison, there were 90 actions in 2019 and an annual average of 75 over the last ten calendar years. The last two calendar years were very active, ranking with 2014 as the most active of the last decade. As a result, this year's slowdown is not surprising. Although COVID-19 was referenced in many of 2020's downgrades, it was cited only as a factor that could exacerbate existing trends. Moreover, the impact of COVID-19 began only after much of the first quarter had occurred.

The industry's six upgrades in 2020's first half were outnumbered by 10 downgrades, for an upgrade percentage of 37.5% (see Table IV). In full calendar year 2019, the industry's 55 upgrades outnumbered 35 downgrades; the resulting 61.1% upgrade percentage rose from 45.3% in 2018, the only full year 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 64.4%. In 2019, FirstEnergy (23 upgrades) and Exelon (14 upgrades) accounted for 37, or two-thirds, of the

## 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

industry's upgrades; these were spread across the three ratings agencies and throughout all four quarters.

A comparison of activity by all three ratings agencies is shown in Table III, Total Ratings Actions, with the following additional detail for the first six months of 2020:

- Fitch (4 upgrades, 3 downgrades)
- Moody's (2 upgrades, 4 downgrades)
- Standard & Poor's (0 upgrades, 3 downgrades)

### Merger Benefits Support Upgrades

The upgrades were largely based on favorable impacts on subsidiaries from recently completed mergers. Four of these went to Dominion Energy subsidiaries that were acquired in January 2019 through Dominion's purchase of SCANA. On



January 30, 2020, Moody's upgraded Dominion Energy South Carolina (DESC) to Baa2 from Baa3, citing an \$875 million equity infusion received from its parent company, the retirement of approximately \$1.0 billion of debt and a pending rate case proceeding. On May 29, Fitch upgraded DESC to BBB+ from BBB, Public Service Company of North Carolina (PSNC) to BBB+ from BBB, and SCANA to BBB from BBB-. Cited reasons for DESC's upgrade included resolution of legal and regulatory issues, an approved regulatory plan, an upcoming base rate case, the merger with Dominion Energy, improved credit metrics and a favorable service territory. Reasons cited for PSNC's upgrade included Dominion's ownership upon merger approval, a supportive regulatory environment, improving credit metrics, demand and capex growth, and limited commodity risk.

On April 13, Fitch upgraded NextEra Energy subsidiary Gulf Power to A from A-, reflecting better than expected financial performance driven by a reduction in operating expenses. In addition, NextEra injected \$400 million of equity into Gulf Power in the first two months of 2020, which strengthened Gulf Power's capital structure. Specific key drivers that Fitch cited for the upgrade included Gulf Power's transformation (which includes the modernization of its generation fleet, lower operating costs and the creation of a transmission interconnection with FPL), an upside from integration with FPL, a limited impact from the coronavirus, a material jump in capex, constructive regulation and a general expectation that credit metrics will strengthen.

On May 27, Moody's upgraded Jersey Central Power & Light (JCP&L) to A3 from Baa1, projecting that JCP&L's improved financial profile will remain stable for the next two to three years as New Jersey's state regulatory environment remains supportive. Moody's expects JCP&L, a FirstEnergy subsidiary, to maintain its ratio of cash flow to debt in the low 20% range for a sustained period of time.

### Deteriorating Metrics, Regulatory Risk Drive Downgrades

Each of the year's downgrades point to actual or projected negative impacts on key credit metrics. Increased regulatory risk was cited as a primary underlying driver for several and one downgrade resulted from increased business risk from an acquisition. Although the impact of COVID-19 was frequently referenced in individual company downgrades, it was mentioned only as an additional factor that could exacerbate an existing negative trend.

On February 19, Fitch downgraded CenterPoint Energy Houston Electric (CEHE) to BBB+ from A- following CEHE's rate case settlement with the Public Utilities Commission of Texas. Fitch believes the settlement signals a more challenging regulatory environment in Texas for CEHE. On March 4, Moody's downgraded CEHE to Baa1 from A3 noting that financial measures will imminently

weaken more than originally projected following 2017's tax reform (as unprotected deferred taxes are refunded to customers) along with an anticipated lower return in its pending final rate order. Although Moody's views the Texas regulatory environment as supportive of credit quality, they note that CEHE's ratio of cash flow pre-working capital to debt is falling to the 15% to 16% range, down from around 19% historically.

On March 17, Moody's downgraded Consolidated Edison (ConEd) to Baa2 from Baa1 and subsidiary Consolidated Edison Company of New York (CECONY) to Baa1 from A3. Moody's noted that despite \$1.7 billion of planned equity through 2022, ConEd's key credit ratios will decline as a result of up to \$3.8 billion of new debt planned through 2022 and weaker cash flow at CECONY. Following the approval of a recent rate order, CECONY is expected to generate a ratio of cash flow to debt between 14% and 16% over the next three years, in-line with Moody's Baa1 peer ratios. ConEd's roughly \$2.0 billion of debt is structurally subordinate to that of its operating companies, with approximately 85% of consolidated revenue represented by CECONY. As a result, Moody's downgraded ConEd's rating in-step with CECONY's, despite ConEd's relatively strong and stable financial profile for a utility holding company focused mostly on transmission and distribution.

On April 6, Fitch downgraded DPL to BB from BB+ citing a potential weakening of credit metrics relating to regulatory challenges in Ohio. On April 15, Fitch downgraded DTE Energy to BBB from BBB+ referencing the increased leverage and business risk associated with a recent midstream acquisition.

On June 9, Moody's downgraded Sempra Energy to Baa2 from Baa1 citing consolidated financial metrics that have remained below Moody's Baa1 downgrade threshold for the past few years and that are expected to remain below the threshold through 2022. The agency said it expects Sempra's cash flow to debt ratio will remain in the 16% range, which is more appropriate for a Baa2 rating given Sempra's consolidated risk profile.

### Ratings by Company Category

The table 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, 2020, the average rating for both the Regulated and Mostly Regulated categories was BBB+.

### Credit Impact of COVID-19

In April 2020, S&P revised its ratings outlook for the North America regulated utility industry to negative from stable with the possibility of a one-notch decline in the industry's median credit rating, but also said it expects the industry to remain a high credit quality, investment-grade industry. Prior to the coronavirus outbreak in North America, about 25% of utilities had either a negative outlook or were on Credit-Watch with negative implications. S&P views the economic impact of COVID-19 as a source of incremental pressure that may lead to an increasing number of downgrades and negative outlooks. This is partly because many utilities have a thin financial cushion in their credit metrics at their current rating level. S&P's universe of North American utilities consists of about 250 water, gas and electric utilities.

Moody's and Fitch each maintained their stable outlook for electric utilities. In March, Moody's reported that the U.S. regulated utility sector (electric, gas and water) is better positioned than many industries to withstand the economic fallout from COVID-19. In addition to benefiting from relatively stable residential customer demand, utilities can rely on a variety of cost recovery tools provided by state regulators. Moody's stated that market volatility is the biggest risk for utilities because the sector requires external capital to meet sizeable liquidity needs. While Moody's expects utilities to generally retain unfettered access to the capital markets, it noted that the continued spread of the coronavirus and mounting pressures on commercial and industrial customers could ultimately weigh on utility credit quality. ■