

Stock Performance

HIGHLIGHTS

- The stock market extended Q4's rally into Q1, rising throughout the quarter. The S&P 500 returned 10.6%, the Dow Jones Industrials returned 6.1% and the Nasdaq gained 9.1%. The EEI Index overcame higher-than-expected inflation readings and higher interest rates to return 2.4%.
- October 2023's real Q3 GDP report was a surprisingly strong 4.9%. Momentum continued into year-end with Q4 real GDP growth reported at 3.4% during Q1.
- Utility earnings calls that took place in Q1 showed most of the industry targets three- to five-year annual earnings growth at 5-7% or 6-8%. A 3% to 4% dividend yield and dividend growth potential makes these metrics strong for regulated utilities. However, investors for now seem more focused on stocks tied to the AI boom.
- Utility stocks have fought rising interest rates since mid-2020. Wall Street now sees utilities as cheaper than they've been in years, and set up to shine should rates not rise further and if utility growth outlooks remain steady.

COMMENTARY

Major market indices extended Q4's rally into Q1, rising steadily throughout the quarter. The S&P 500 returned 10.6%, the Dow Jones Industrials returned 6.1% and the Nasdaq gained 9.1%. The EEI Index overcame higher-than-expected inflation readings and higher interest rates to return 2.4%. The broad market has rallied strongly since Federal Reserve Chairman Jerome Powell's comments at the Fed's November 1, 2023 policy meeting — the second-straight with no rate increase — suggested the Fed's year-long rate hike campaign was at an end. That expectation was born out

I. Index Comparison (% Return)

Index	2018	2019	2020	2021	2022	2023	2024*
EEI Index	3.7	25.8	-1.2	17.1	1.2	-8.7	2.4
Dow Jones Ind.	-3.5	25.3	9.7	21.0	-7.0	16.2	6.1
S&P 500	-4.4	31.5	18.4	28.7	-18.3	26.3	10.6
Nasdaq Comp.^	-3.9	35.2	43.6	21.4	-33.5	43.3	9.1

Calendar year returns shown for all periods, except where noted.

*3 mo. through March 31.

^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	2018	2019	2020	2021	2022	2023	2024*
All Companies	4.3	23.1	-8.1	17.6	2.7	-6.3	1.8
Regulated	4.5	24.6	-9.0	16.7	3.6	-3.9	1.3
Mostly Regulated	3.6	17.9	-4.9	21.1	-1.1	-22.5	4.7

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.

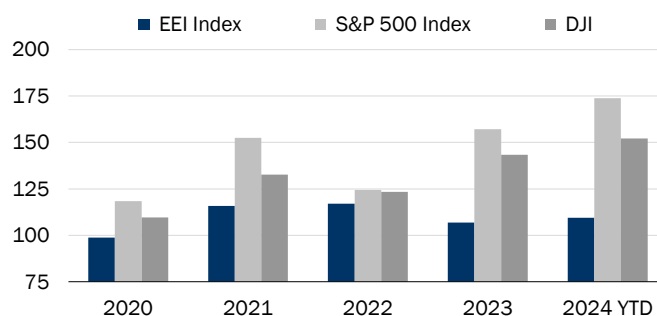
*3 mo. through March 31.

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

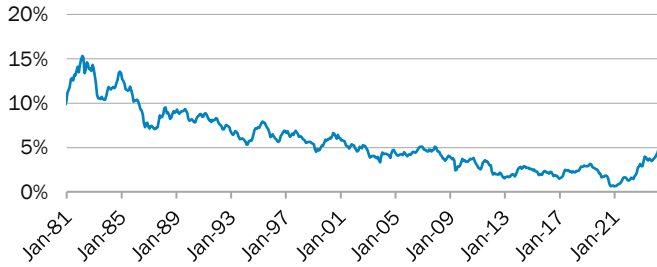
Value of \$100 invested at close on 12/31/2019



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

IV. 10-Year Treasury Yield — Monthly

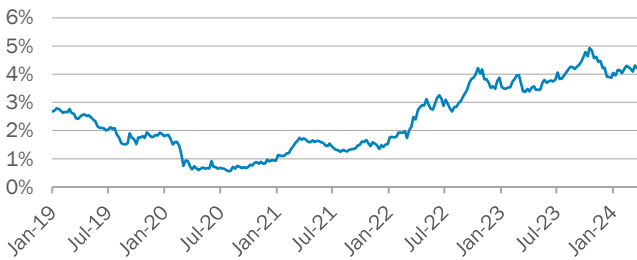
Average Monthly Yield, 1/1/1981 through 3/31/2024



Source: U.S. Federal Reserve

V. 10-Year Treasury Yield — Weekly

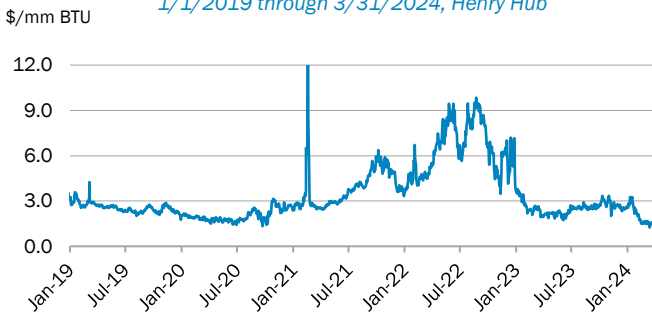
Weekly Yield, 1/1/2019 through 3/31/2024



Source: U.S. Federal Reserve

VI. Natural Gas Spot Prices

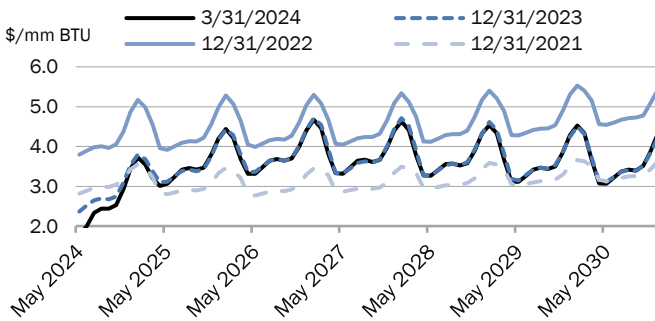
1/1/2019 through 3/31/2024, Henry Hub



Source: S&P Global Market Intelligence

VII. NYMEX Natural Gas Futures

5/2024 through 12/2030, Henry Hub



Source: S&P Global Market Intelligence

VIII. Returns by Quarter

U.S. Investor-Owned Electric Utilities

Index	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
EEl Index	-0.7	1.4	12.9	4.8	-4.9	-6.7	8.8	-2.9	-3.0	-10.3	8.0	2.4
Dow Jones Industrial	5.1	-1.5	7.9	-4.0	-10.9	-6.2	15.8	0.9	4.0	-2.1	13.1	6.1
S&P 500	8.6	0.6	11.0	-4.6	-16.1	-4.9	7.3	7.5	8.7	-3.3	11.7	10.6
Nasdaq Comp. [^]	9.5	-0.4	8.3	-9.0	-23.0	-3.5	-1.6	16.8	12.8	-4.1	13.4	9.1

Category*	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
All Companies	0.3	-0.7	11.5	5.2	-3.8	-8.3	10.7	-0.5	-2.7	-10.5	8.1	1.8
Regulated	0.3	-0.7	11.9	6.4	-3.6	-8.2	10.0	0.0	-2.5	-8.7	8.0	1.3
Mostly Regulated	0.3	-0.8	10.1	0.0	-5.0	-9.0	14.3	-3.8	-3.9	-23.3	9.2	4.7

[^]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 3/31/2024

Sector	Total Return
Technology	13.5%
Consumer Services	13.2%
Oil & Gas	13.1%
Industrials	10.4%
Financials	10.0%
Healthcare	8.5%
Telecommunications	8.3%
Basic Materials	6.7%
Utilities	5.2%
EEl Index	2.4%
Consumer Goods	-2.8%

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 3/31/2024

Sector	Total Return
Technology	50.2%
Consumer Services	37.5%
Financials	30.6%
Industrials	27.0%
Oil & Gas	17.3%
Healthcare	14.9%
Basic Materials	11.9%
Telecommunications	9.1%
Utilities	0.8%
Consumer Goods	0.7%
EEl Index	-3.7%

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 March 31, 2024 (in \$ Millions)

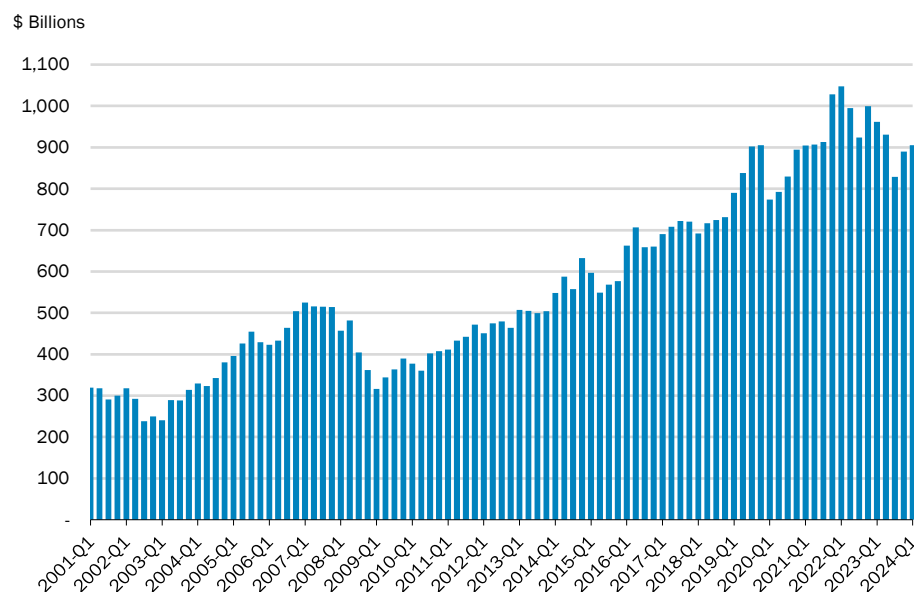
U.S. Investor-Owned Electric Utilities

Company	Stock Symbol	\$ Market Cap	% Total	Company	Stock Symbol	\$ Market Cap	% Total
NextEra Energy, Inc.	NEE	131,079	14.47%	CMS Energy Corporation	CMS	17,625	1.95%
Southern Company	SO	78,340	8.65%	AVANGRID, Inc.	AGR	14,099	1.56%
Duke Energy Corporation	DUK	74,563	8.23%	Alliant Energy Corporation	LNT	12,882	1.42%
Sempra Energy	SRE	45,345	5.01%	Evergy, Inc.	EVRG	12,283	1.36%
American Electric Power Co., Inc.	AEP	45,291	5.00%	NiSource Inc.	NI	11,750	1.30%
Dominion Energy, Inc.	D	41,202	4.55%	Pinnacle West Capital Corp.	PNW	8,484	0.94%
Exelon Corporation	EXC	37,420	4.13%	OGE Energy Corp.	OGE	6,870	0.76%
PG&E Corporation	PCG	35,749	3.95%	MDU Resources Group, Inc.	MDU	5,133	0.57%
Public Service Enter. Group Inc.	PEG	33,256	3.67%	IDACORP, Inc.	IDA	4,712	0.52%
Consolidated Edison, Inc.	ED	31,357	3.46%	Portland General Electric Co.	POR	4,249	0.47%
Xcel Energy Inc.	XEL	29,778	3.29%	Black Hills Corporation	BKH	3,707	0.41%
Edison International	EIX	27,090	2.99%	Otter Tail Corporation	OTTR	3,601	0.40%
WEC Energy Group, Inc.	WEC	25,901	2.86%	ALLETE, Inc.	ALE	3,429	0.38%
DTE Energy Company	DTE	23,101	2.55%	PNM Resources, Inc.	PNM	3,271	0.36%
Entergy Corporation	ETR	22,406	2.47%	NorthWestern Corporation	NWE	3,120	0.34%
FirstEnergy Corp.	FE	22,168	2.45%	MGE Energy, Inc.	MGEE	2,847	0.31%
Eversource Energy	ES	20,916	2.31%	Avista Corporation	AVA	2,721	0.30%
PPL Corporation	PPL	20,293	2.24%	Hawaiian Electric Industries, Inc.	HE	1,241	0.14%
Ameren Corporation	AEE	19,488	2.15%	Unitil Corporation	UTL	847	0.09%
CenterPoint Energy, Inc.	CNP	17,984	1.99%	Total Industry		905,598	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.

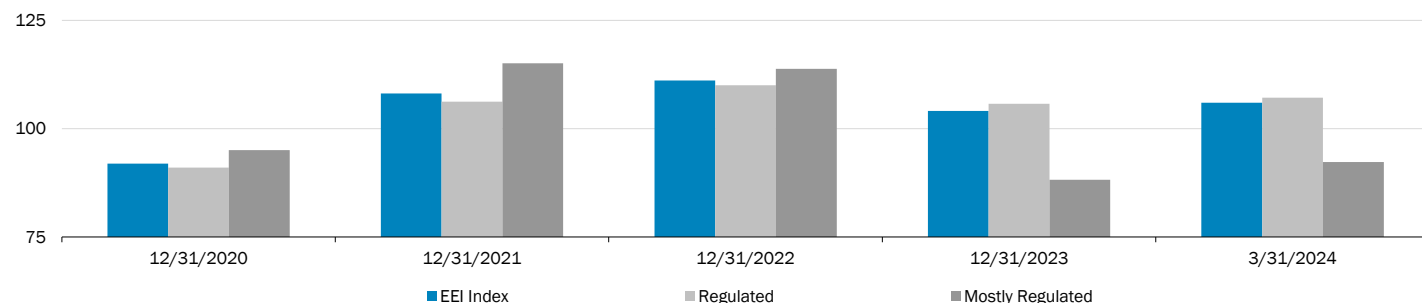
Source: EEI Finance Dept., S&P Global Market Intelligence

EEI Index Market Cap (in \$ Billions)

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
2016-Q1	663	2024-Q1	906

XIII. Comparative Category Total Annual Returns

U.S. Investor-Owned Electric Utilities, Value of \$100 invested at close on 12/31/2019



	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	3/31/2024
EEI Index Annual Return (%)		(8.07)	17.62	2.74	(6.30)	1.84
EEI Index Cumulative Return (\$)	100.00	91.93	108.12	111.08	104.08	106.00
Regulated EEI Index Annual Return		(9.01)	16.72	3.59	(3.92)	1.33
Regulated EEI Index Cumulative Return	100.00	90.99	106.20	110.01	105.70	107.11
Mostly Regulated EEI Index Annual Return		(4.95)	21.09	(1.15)	(22.50)	4.68
Mostly Regulated EEI Index Cumulative Return	100.00	95.05	115.10	113.78	88.18	92.31

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.

over the three following Fed meetings in December, late January and late March; none produced a rate increase. Fixed-income markets also showcased investors' bullish sentiment. Investment-grade credit spreads (the excess yield investors demand over risk-free Treasuries) compressed further in Q1 to the tightest levels since the mid-2000s. High-yield spreads tightened to just over 3% in Q1, well below the recent 5.4% peak in late 2022.

Economic Outlook Remains Strong

Late October 2023's Q3 GDP report, that showed a 4.9% expansion, fueled bullish spirits spurred by Chairman Powell's perceived pivot away from rate hikes. Evidence of a strong U.S. economy continued in Q1 2024 with real GDP growth for Q4 2023 reported at 3.4%.

Wall Street was decidedly optimistic on the outlook for corporate profits as Q1 ended. According to data sourced from Wall Street analysts and compiled by Zacks Investment Research, full-year 2024 earnings for S&P 500 companies were pegged to grow 8.2% year-to-year on a revenue gain of 1.7%. And there was no recession in sight. Wall Street saw profit growth of 13.5% in 2025 driven by a 6.0% revenue gain and another 11.6% profit jump in 2026 on 5.6% revenue growth.

Interest Rates Rise on Sticky Inflation

Utility shares have faced the headwind of rising interest rates since 2020, when the 10-year Treasury yield reached a

XIV. EEI Index Top Ten Performers

For the three-month period ending 3/31/2024

Company	% Return	Category
MDU Resources Group, Inc.	27.9	MR
AVANGRID, Inc.	13.8	MR
Public Service Enterprise Group Inc.	10.2	R
MGE Energy, Inc.	9.5	R
American Electric Power Company, Inc.	7.1	R
FirstEnergy Corp.	6.5	R
Dominion Energy, Inc.	6.1	R
NextEra Energy, Inc.	6.1	MR
Exelon Corporation	5.7	R
Entergy Corporation	5.6	R

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

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. Wall Street pundits in 2023 attributed rising yields in part 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 2023 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. Investors broadly expected inflation to ease in Q1, but it held steady instead, at over 3% in both January and February. As a result, interest rates drifted higher; the 10-year Treasury yield began Q1 at 3.8% and rose to 4.2% by quarter end, offering more interest-rate headwinds to utility share prices.

Fundamental Concerns Color Thinking

The strong economic outlook spurred in part by optimism surrounding artificial intelligence (AI) has dominated market sentiment since late 2023. This has drawn investors' attention away from slower-growing utilities. Wall Street's utility research in 2023 and early 2024 also grappled with other factors that have weighed on utility stocks over the past year.

Cost of Capital. Analyst research noted some utilities face the prospect of refinancing maturing debt over the next few years at what may be higher interest costs. Depressed share prices also raise the equity cost of capital for utilities.

Wildfires. Wildfire risk was typically associated with California. But Hawaii's August 2023 fires made headlines and Wall Street noted investors' worry over risks from wildfires and other environmental threats facing other U.S. utilities.

Inflation. Sticky inflation may drive interest rates higher. If inflation raises renewable build-out costs and threatens long-term capex planning, utility growth plans may suffer.

Regulation. Analysts have noted a few recent regulatory outcomes that disappointed investors. With electric bills rising due to higher capex, Wall Street is watching rate reviews for signs of waning support for utility investment.

National politics. A second Trump administration may weaken policy support for clean energy.

Q4 Earnings Calls Convey Steady Outlooks

Utilities release Q4 earnings in January and February each year and hold conference calls with investors to review out-

looks. Utilities' conference call presentations during Q1 presented a generally optimistic picture. Capex outlooks remained steady. Several utilities noted opportunities to boost capex above current plans if regulators support it. Demand is getting a boost from onshoring of manufacturing and data centers. A number of utilities cited strong economies in their service territories. In general, the outlook for secular load growth seems better than it has been in decades. Regulation is generally constructive and supportive of the nation's clean energy policy goals, while utility capex also funds local employment and economic development in service territories.

Based on slide decks associated with Q1's investor presentations, most of the industry has set a three- to five-year annual earnings growth target range at 5-7% or 6-8% while offering a 3% to 4% dividend yield and dividend growth potential as well. While these metrics are strong for state regulated utilities, investors' bullishness (at least for now) seems focused on beneficiaries of the AI boom.

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 growth outlooks steady the answer likely depends on interest rates, although company-specific regulatory outcomes can override macro forces and shape stock moves too. Wall Street broadly sees utilities as cheaper than they've been in years and set up to shine should interest rate pressures slack off while growth 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. ■