

Stock Performance

HIGHLIGHTS

- The EEI Index (+3.9%) in Q2 outperformed the Dow Jones Industrials Average (-1.3%) and nearly matched the S&P 500 Index (+4.3%). This was its strongest relative return since Q4 2022, just before artificial intelligence optimism became the market’s driving force.
- Real GDP for Q1 was reported in Q2 with a final estimate at 1.4%. Investors have become accustomed to soft quarterly reports followed by rebounds. Wall Street’s economic outlook remained strong for 2025 and 2026.
- Electric utilities are the primary source for energy that will power AI. Emerging data center demand for power was the hottest topic across earnings calls and Wall Street’s utility research published during the quarter.
- The secular lift in the outlook for demand growth comes from more than AI. 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. And the longer-term analytical bias seems to be on the upside.

COMMENTARY

The EEI Index gained 3.9% in Q2, outperforming the Dow Jones Industrials Average (-1.3%) and nearly matching the S&P 500 Index (+4.3%). The Nasdaq Composite (+8.3%) continued to be fueled by artificial intelligence (AI) related optimism. The quarter produced the strongest result for the EEI Index relative to the broad market since Q4 2022, before the AI boom (or bubble, depending on one’s analytical viewpoint) became the main equity market driver. In fact, the EEI Index along with the utilities (+4.6%) and telecommunications (+5.2%) sectors outperformed all other sectors in Q2 with the exception of technology (+13.3%).

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	6.4
Dow Jones Ind.	-3.5	25.3	9.7	21.0	-7.0	16.2	4.8
S&P 500	-4.4	31.5	18.4	28.7	-18.3	26.3	15.3
Nasdaq Comp.^	-3.9	35.2	43.6	21.4	-33.5	43.3	18.1

Calendar year returns shown for all periods, except where noted.
 *6 mo. through June 30.
 ^Price gain/loss only. Other indices show total return.
 Source: EEI Finance Department, S&P Global Market Intelligence

II. Category Comparison (% Return)

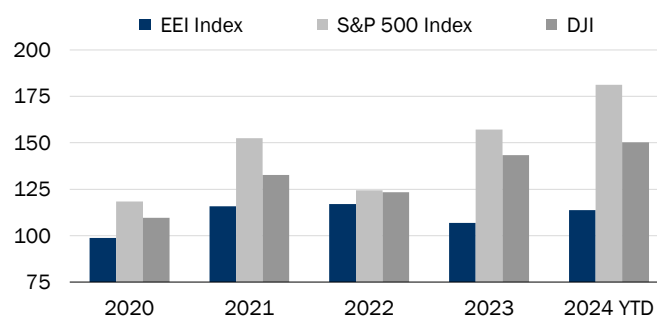
U.S. Investor-Owned Electric Utilities

Index	2018	2019	2020	2021	2022	2023	2024*
All Companies	4.3	23.1	-8.1	17.6	2.7	-6.3	3.3
Regulated	4.5	24.6	-9.0	16.7	3.6	-3.9	3.0
Mostly Regulated	3.6	17.9	-4.9	21.1	-1.1	-22.5	5.1

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.
 *6 mo. through June 30.
 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 6/30/2024



Source: U.S. Federal Reserve

V. 10-Year Treasury Yield — Weekly

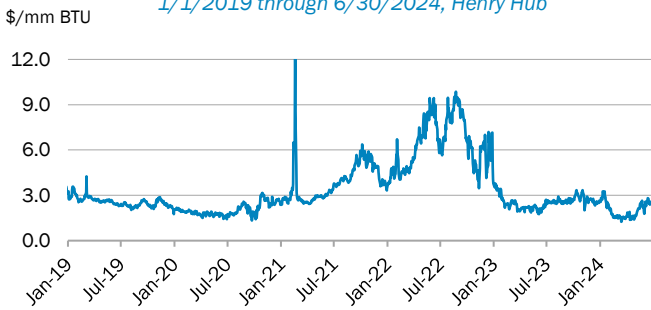
Weekly Yield, 1/1/2019 through 6/30/2024



Source: U.S. Federal Reserve

VI. Natural Gas Spot Prices

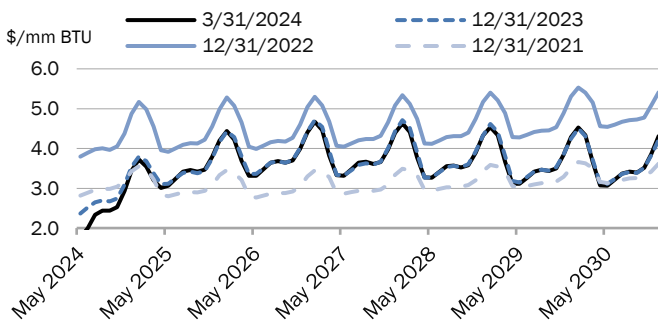
1/1/2019 through 6/30/2024, Henry Hub



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 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2
EEl Index	1.4	12.9	4.8	-4.9	-6.7	8.8	-2.9	-3.0	-10.3	8.0	2.4	3.9
Dow Jones Industrial	-1.5	7.9	-4.0	-10.9	-6.2	15.8	0.9	4.0	-2.1	13.1	6.1	-1.3
S&P 500	0.6	11.0	-4.6	-16.1	-4.9	7.3	7.5	8.7	-3.3	11.7	10.6	4.3
Nasdaq Comp. [^]	-0.4	8.3	-9.0	-23.0	-3.5	-1.6	16.8	12.8	-4.1	13.4	9.1	8.3

Category*	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2
All Companies	-0.7	11.5	5.2	-3.8	-8.3	10.7	-0.5	-2.7	-10.5	8.1	1.8	1.5
Regulated	-0.7	11.9	6.4	-3.6	-8.2	10.0	0.0	-2.5	-8.7	8.0	1.3	1.7
Mostly Regulated	-0.8	10.1	0.0	-5.0	-9.0	14.3	-3.8	-3.9	-23.3	9.2	4.7	0.4

[^]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 6/30/2024

Sector	Total Return
Technology	13.3%
Telecommunications	5.2%
Utilities	4.6%
EEl Index	3.9%
Consumer Services	0.2%
Healthcare	-1.0%
Consumer Goods	-1.1%
Financials	-1.6%
Oil & Gas	-1.9%
Industrials	-4.1%
Basic Materials	-4.2%

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

X. Sector Comparison, Trailing 12 mo. Total Return

For the twelve-month period ending 6/30/2024

Sector	Total Return
Technology	44.3%
Telecommunications	24.6%
Consumer Services	24.5%
Financials	22.5%
Oil & Gas	16.1%
Industrials	14.4%
Healthcare	10.7%
Utilities	8.5%
Basic Materials	6.0%
EEl Index	3.1%
Consumer Goods	-5.8%

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

To Do

XI. Market Capitalization at June 30, 2024 (in \$ Millions)

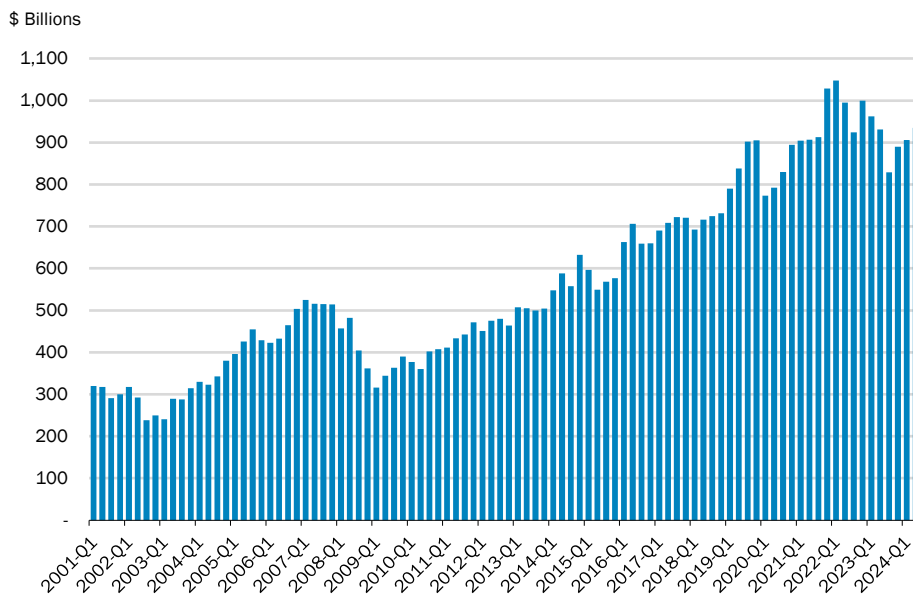
U.S. Investor-Owned Electric Utilities

Company	Stock Symbol	\$ Market Cap	% Total	Company	Stock Symbol	\$ Market Cap	% Total
NextEra Energy, Inc.	NEE	145,267	15.54%	CMS Energy Corporation	CMS	17,651	1.89%
Southern Company	SO	84,862	9.08%	AVANGRID, Inc.	AGR	13,747	1.47%
Duke Energy Corporation	DUK	77,277	8.26%	Alliant Energy Corporation	LNT	13,041	1.39%
Sempra Energy	SRE	48,132	5.15%	NiSource Inc.	NI	12,904	1.38%
American Electric Power Co. Inc.	AEP	46,200	4.94%	Eergy, Inc.	EVRG	12,194	1.30%
Dominion Energy, Inc.	D	41,042	4.39%	Pinnacle West Capital Corp.	PNW	8,678	0.93%
PG&E Corporation	PCG	37,260	3.98%	OGE Energy Corp.	OGE	7,154	0.77%
Public Service Enter. Group Inc.	PEG	36,776	3.93%	MDU Resources Group, Inc.	MDU	5,115	0.55%
Exelon Corporation	EXC	34,610	3.70%	IDACORP, Inc.	IDA	4,729	0.51%
Consolidated Edison, Inc.	ED	30,895	3.30%	Portland General Electric Co.	POR	4,380	0.47%
Xcel Energy Inc.	XEL	29,696	3.18%	Black Hills Corporation	BKH	3,709	0.40%
Edison International	EIX	27,647	2.96%	Otter Tail Corporation	OTTR	3,655	0.39%
WEC Energy Group, Inc.	WEC	24,762	2.65%	ALLETE, Inc.	ALE	3,591	0.38%
DTE Energy Company	DTE	22,868	2.45%	PNM Resources, Inc.	PNM	3,344	0.36%
Entergy Corporation	ETR	22,806	2.44%	NorthWestern Corporation	NWE	3,068	0.33%
FirstEnergy Corp.	FE	21,967	2.35%	Avista Corporation	AVA	2,705	0.29%
PPL Corporation	PPL	20,392	2.18%	MGE Energy, Inc.	MGEE	2,703	0.29%
Eversource Energy	ES	19,889	2.13%	Hawaiian Electric Industries, Inc.	HE	994	0.11%
CenterPoint Energy, Inc.	CNP	19,586	2.09%	Unitil Corporation	UTL	834	0.09%
Ameren Corporation	AEE	18,944	2.03%	Total Industry		935,074	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.

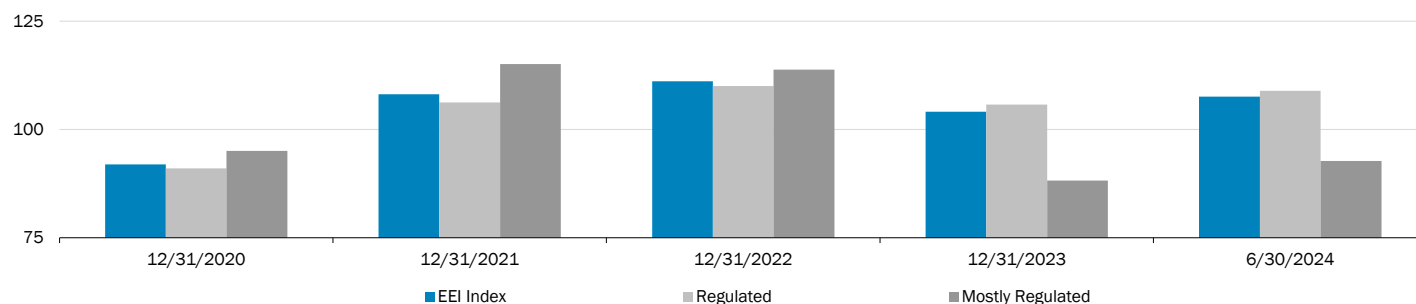
Source: EEI Finance Dept., S&P Global Market Intelligence

EEI Index Market Cap (in \$ Billions)

2008-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
2016-Q2	706	2024-Q2	935

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	6/30/2024
EEI Index Annual Return (%)		(8.07)	17.62	2.74	(6.30)	3.33
EEI Index Cumulative Return (\$)	100.00	91.93	108.12	111.08	104.08	107.55
Regulated EEI Index Annual Return		(9.01)	16.72	3.59	(3.92)	3.01
Regulated EEI Index Cumulative Return	100.00	90.99	106.20	110.01	105.70	108.88
Mostly Regulated EEI Index Annual Return		(4.95)	21.09	(1.15)	(22.50)	5.13
Mostly Regulated EEI Index Cumulative Return	100.00	95.05	115.10	113.78	88.18	92.71

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.

The broad market has rallied strongly since the Federal Reserve signaled in late 2023 that its aggressive rate hike campaign to tame inflation may be over. Since then, the Fed has held short-term rates steady in a 5.00-5.25% range. Investor spirits were buoyed in Q2 by Wall Street forecasts that Fed rate cuts are likely to start sometime this year. That outlook was partly responsible for the quarter's firm market tone as equity volatility (measured by the VIX index) fell to its quietest readings since before the Covid pandemic, while credit spreads (the additional yield corporate bond investors demand above risk-free Treasuries) declined slightly from Q1's already narrow range.

Economic Outlook Stays Optimistic

Recession fears that colored early 2023 outlooks were smashed by strong economic data as the year progressed. October 2023's surprising Q3 GDP report showed a 4.9% expansion. Evidence of a strong U.S. economy continued in Q1 2024 with real GDP growth for Q4 2023 reported at 3.4%. Real GDP for Q1 2024 was reported during Q2 with a final estimate at 1.4%. Investors have become accustomed to soft quarterly reports followed by rebounds and the Q1 reading was strong enough for markets to take in stride.

Wall Street's already optimistic corporate profit outlook became more so during Q2. According to data sourced from Wall Street analysts and compiled by Zacks Investment Research, when Q2 began full-year 2024 earnings for S&P 500 companies were pegged to grow 8.2% year-to-year on a

XIV. EEI Index Top Ten Performers

For the six-month period ending 6/30/2024

Company	% Return	Category
MDU Resources Group, Inc.	28.0	MR
Public Service Enterprise Group Inc.	22.6	R
NextEra Energy, Inc.	18.4	MR
Southern Company	12.7	R
AVANGRID, Inc.	12.3	MR
NiSource Inc.	10.6	R
American Electric Power Company, Inc.	10.2	R
CenterPoint Energy, Inc.	9.9	R
Pinnacle West Capital Corporation	8.8	R
Entergy Corporation	8.0	R

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

revenue gain of 1.7%. By quarter-end, the profit outlook climbed slightly to 8.3% on a stronger 4.6% revenue gain. And there was no recession in sight. Wall Street saw profit growth of 13.9% in 2025 and another 12.1% in 2026, with each estimate moving marginally higher during Q2.

Inflation Trends Lower

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. With inflation fading and the Fed offering hints of future rate cuts, that headwind has abated. Monthly CPI inflation eased steadily lower in Q2 following a bump upward in Q1. June CPI inflation (released in early July) edged down to just below 3% from 3.3% in May and 3.4% in April. Interest rates had moved higher in Q1 as inflation data surprised on the upside. But yields drifted lower through most of Q2; the 10-year Treasury yield peaked in April at 4.7% and finished June just below 4.4%.

Industry Fundamentals Steady in Q2

Utilities' Q1 earnings calls held in April and May along with Wall Street industry research published in Q2 broadly affirmed an optimistic long-term fundamental picture for the industry. While mild weather impacted Q1 earnings reports for some utilities, it's early in the year and full-year earnings guidance was generally unchanged at most. And investors are concerned with long-term earnings growth far more than weather's impact on any particular quarter. The industry's capex outlooks — and related earnings growth outlooks — remained steady while several utilities noted opportunities to boost capex above current plans if regulators support it.

Utility earnings calls also emphasized bill affordability as a strategic focus. Managements want to ensure the nation's clean energy buildout doesn't burden lower-income ratepayers or result in bill inflation that erodes regulatory support for capex. Many companies also noted the related challenge of protecting utility equipment from natural disasters; fire risk in recent years has grown from a California issue to one that impacts a number of primarily western states. Hurricanes and floods impact equipment inland from coasts depending on storm tracks.

Demand & Data Centers in Spotlight

Electric utilities are the primary source for energy that will power AI, and emerging data center demand for power was the hottest topic across earnings calls and Wall Street's industry research published during the quarter. In a slow-changing industry, the speedy emergence of a potentially much stronger long-term load growth picture has taken many industry players by surprise over the past year. Wall Street research teams in Q2 sought to quantify this impact with estimates of 2% or higher load growth through 2030 compared to relatively flat load over the past 10 years. But the load growth story is far more than AI. Wall Street noted

cloud computing (independent of AI) is perhaps a larger component. Reshoring of previously foreign-sourced manufacturing, domestic energy production, and general electrification trends such as electric vehicles are key components too.

While higher demand is a challenge any business would wish to have, industry discussions in Q2 also focused on just how profitable this business can be and on rate designs that avoid subsidizing large tech buyers at the expense of other customer classes. Analysts also noted strong secular load growth may pose challenges to the electric grid at time when grid hardening and reliability are prominent topics at many utilities. So far, Wall Street observes utilities have been reluctant to pencil in higher earnings growth forecasts in the back half of this decade. If and when they do, that may be a spark for broadened investor interest in the sector.

A Good Story

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 calendar years. Yet all the while the industry's growth picture has not only held up, but improved; broad public support, state regulation, and federal legislative measures have ramped up renewables buildouts, boosted capex plans and notched utility earnings growth rates slightly higher. And all this occurred in an era of nearly flat electric demand.

Investment bubbles that accompany tech evolution are regular features of markets. From 19th century railroads and early 20th century radio to the first tech bubble 20+ years ago, the change was real and lasting yet reality emerged more slowly and perhaps differently than imagination first envisioned. Will AI be any different? Utilities' reticence to raise growth rate guidance until the future is more certain seems prudent.

What appears more certain now is that utilities' investment case is a good one. The secular lift in the outlook for demand growth comes from more than AI. 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. And the longer-term analytical bias seems to be on the upside. Investors' bullishness over the past year has been focused on beneficiaries of the AI boom. Utilities may eventually be seen as one too. And if that boom fails to materialize, utilities will suffer far less than the past year's market leaders. ■