



Edison Electric  
INSTITUTE

# Credit Ratings

Q4 2019  
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

### 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.

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### Future EEI Finance Meetings

EEI Wall Street Briefing  
February 5, 2020  
University Club  
New York, New York

EEI Financial Officers' Meeting  
June 9-10, 2020  
JW Marriott Austin  
Austin, Texas

EEI Financial Conference  
November 8-10, 2020  
JW Marriott Desert Ridge Resort and Spa  
Phoenix, Arizona

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 Resources, 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 12/31/2018)

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  
*Cleco Corporation*  
CMS Energy Corporation  
Consolidated Edison, Inc.  
Dominion Resources, 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.*  
Semptra Energy  
Southern Company  
Unitil Corporation  
WEC Energy Group, Inc.  
Xcel Energy Inc.

### Mostly Regulated (10 of 45)

ALLETE, Inc.  
AVANGRID, Inc.  
*Berkshire Hathaway Energy*  
CenterPoint Energy, Inc.  
DTE Energy Company  
Exelon Corporation  
Hawaiian Electric Industries, Inc.  
MDU Resources Group, Inc.  
NextEra Energy, Inc.  
Public Service Enterprise Group  
Incorporated

*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

- The industry’s average credit rating at the parent company level in 2019 remained at BBB+ for a sixth straight year, although five companies received downgrades compared with only one upgrade.
- Total ratings activity including both parents and subsidiaries, at 90 changes, was above the 72 average of the past ten years. Fifty-five upgrades outnumbered 35 downgrades. The 61.1% upgrade percentage rose from 45.3% in 2018, the only year since 2013 under 50%.
- Upgrades centered on favorable regulatory/rate activity, increased regulated focus and improved financial metrics. Downgrades resulted from the California wildfire crisis, M&A activity, unfavorable regulatory/rate activity, and decreased percentage of regulated operations.
- On December 31, 79.5% of holding company ratings outlooks were “stable”, 2.3% were “positive” or “watch-positive” and 18.2% were “negative” or “watch-negative”.
- Underlying parent-level credit quality has experienced a steady strengthening over the past ten years, having declined in only two calendar years (2019 and 2012).

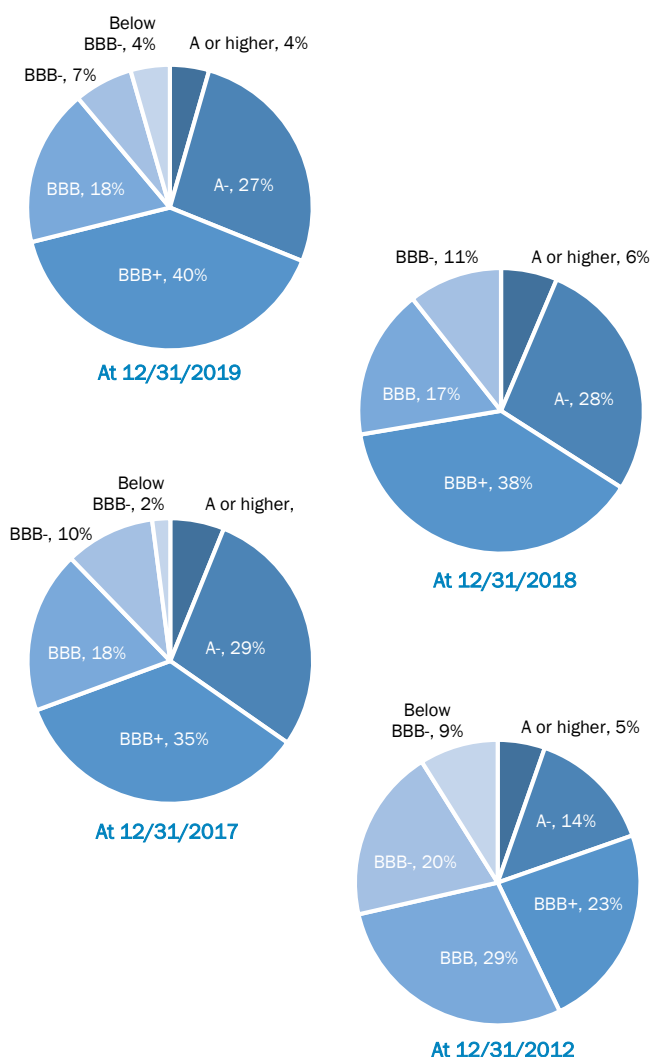
## COMMENTARY

The industry’s average credit rating remained at BBB+ for a sixth straight year in 2019, although five parent-level downgrades versus one upgrade produced a slight weakening in holding-company credit quality after years of steady gains.

There were 90 total actions across all holding companies and underlying subsidiaries, above the 72 average of the previous ten years. Upgrades were 61.1% of the total. The five-year period 2013 through 2017 produced the five-highest

## I. S&P Utility Credit Ratings Distribution

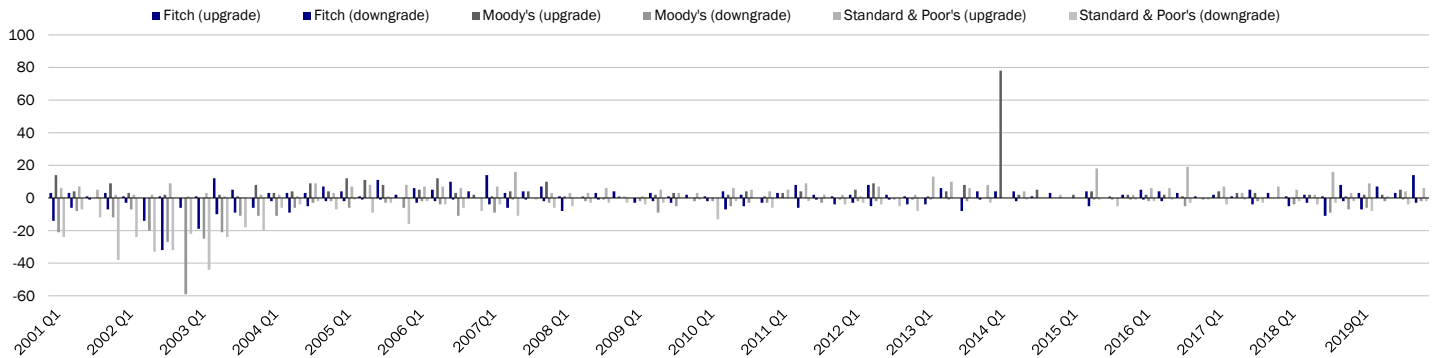
U.S. Investor-Owned Electric Utilities (parent level only)



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			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Fitch (upgrade)	0	4	0	2	5	4	3	1	2	1	5	3	1	2	1	8	3	7	3	13
Fitch (downgrade)	0	-5	0	0	-1	-2	0	0	0	0	-4	0	-5	-3	-11	-2	-7	0	0	-3
Moody's (upgrade)	2	4	1	2	2	2	1	0	4	3	3	0	0	2	0	1	2	2	5	0
Moody's (downgrade)	0	-1	-1	-1	-2	0	-5	-1	0	0	-2	0	-4	0	-9	-7	-6	-2	-1	-2
S&P (upgrade)	0	18	0	2	6	6	19	0	7	3	0	7	5	2	16	3	9	1	4	6
S&P (downgrade)	0	-1	-5	-1	-2	-1	-3	-1	-4	-1	-3	0	-2	-4	-3	-2	-8	0	-4	-2

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)

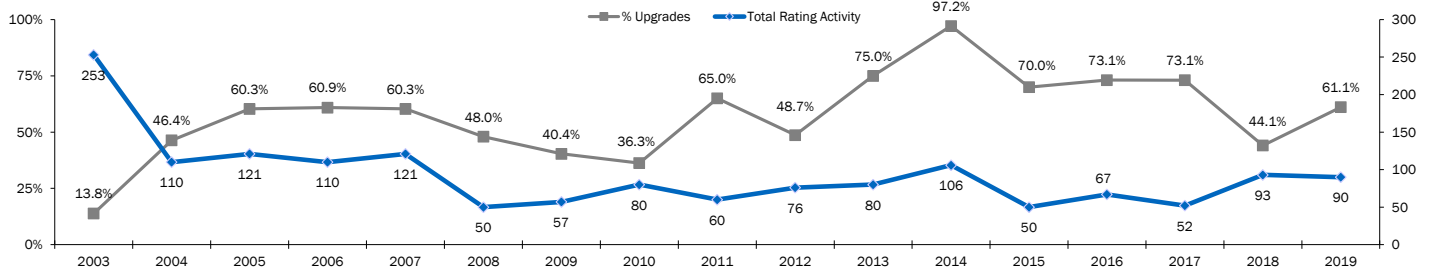
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fitch	57	62	34	22	31	41	17	14	24	25	26	23	14	11	16	15	33	36
Moody's	118	79	42	46	39	32	6	23	20	11	20	17	85	12	13	12	23	20
S&P	125	112	34	53	40	48	27	20	36	24	30	40	7	27	38	25	37	34
<b>Total</b>	<b>300</b>	<b>253</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>

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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Upgrades	21	35	51	73	67	73	24	23	29	39	37	60	103	35	49	38	41	55
Downgrades	279	218	59	48	43	48	26	34	51	21	39	20	3	15	18	14	52	35
% Upgrades	7.0%	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%
<b>Total Actions</b>	<b>300</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>



Source: Fitch Ratings, Moody's, Standard & Poor's

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

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

	12/31/2012		12/31/2013		12/31/2014		12/31/2015		12/31/2016		12/31/2017		12/31/2018		12/31/2019	
<b>REGULATED</b>																
A or higher	2	6%	1	3%	1	3%	1	3%	2	6%	2	6%	1	3%	1	3%
A-	6	17%	7	20%	8	21%	8	22%	10	28%	12	34%	11	32%	11	31%
BBB+	5	14%	6	17%	12	32%	12	33%	13	36%	10	29%	11	32%	11	31%
BBB	13	36%	17	49%	14	37%	12	33%	8	22%	7	20%	7	21%	8	23%
BBB-	6	17%	2	6%	1	3%	1	3%	3	8%	4	11%	4	12%	2	6%
Below BBB-	4	11%	2	6%	2	5%	2	6%	0	0%	0	0%	0	0%	2	6%
<b>Total</b>	<b>36</b>	<b>100%</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>MOSTLY REGULATED</b>																
A or higher	1	6%	1	6%	1	8%	1	8%	1	8%	1	7%	2	15%	1	10%
A-	2	12%	5	29%	4	31%	5	38%	2	17%	2	14%	2	15%	1	10%
BBB+	7	41%	5	29%	4	31%	5	38%	7	58%	7	50%	7	54%	7	70%
BBB	3	18%	3	18%	2	15%	1	8%	0	0%	2	14%	1	8%	0	0%
BBB-	4	24%	3	18%	2	15%	1	8%	1	8%	1	7%	1	8%	1	10%
Below BBB-	0	0%	0	0%	0	0%	0	0%	1	8%	1	7%	0	0%	0	0%
<b>Total</b>	<b>17</b>	<b>100%</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>DIVERSIFIED</b>																
A or higher	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
A-	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
BBB+	1	33%	1	50%	1	50%	1	50%	0	0%	0	0%	0	0%	0	0%
BBB	0	0%	0	0%	0	0%	0	0%	1	50%	0	0%	0	0%	0	0%
BBB-	1	33%	0	0%	1	50%	1	50%	1	50%	1	50%	0	0%	0	0%
Below BBB-	1	33%	1	50%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
<b>Total</b>	<b>3</b>	<b>100%</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>	<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.

upgrade percentages in our historical data. Over the past ten years, upgrades outnumbered downgrades in seven years with an annual average upgrade percentage of 64.4%.

EEI captures upgrades and downgrades at both the parent and subsidiary levels. Multiple actions within a parent holding company are included in the upgrade/downgrade totals. However, the industry's average credit rating and outlook are based on the unweighted average of all Standard & Poor's (S&P) parent holding company ratings and outlooks.

On December 31, 2019, 79.5% of holding company ratings outlooks were "stable" and 2.3% were "positive" or "watch-positive". Only 18.2% were "negative" or "watch-negative", down from 23.4% at year-end 2018.

### Credit Actions at Parent Level

Total ratings actions at the parent holding company level in 2019 included one upgrade and five downgrades compared to six upgrades and two downgrades in 2018. Over the past ten years, aggregate parent-level credit quality has experienced a steady strengthening, having declined in only two

calendar years (2019 and 2012). Our universe of 45 U.S. parent company electric utilities at December 31, 2019 included 40 publicly-traded utilities and five that are either a subsidiary of an independent power producer, a subsidiary of a foreign-owned company, or that have been acquired by an investment firm.

### CenterPoint Energy

On February 1, S&P downgraded CenterPoint Energy, citing its recently completed merger with Vectren, lowering the combined company CenterPoint's rating to BBB+ from A-. S&P said Vectren's construction business increased the risk profile of CenterPoint's non-utility operations; in particular, the acquisition debt would increase leverage and weaken financial measures over the next several years. S&P also lowered the ratings of subsidiaries CenterPoint Energy Houston Electric and CenterPoint Energy Resources to BBB+ from A-. Likewise, S&P downgraded Vectren and its subsidiaries Vectren Utility Holdings, Indiana Gas, and Southern Indiana Gas and Electric to BB+ from A- to align the rat-

ings of Vectren and its subsidiaries with CenterPoint's group credit profile.

#### *DPL Inc.*

On November 26, S&P downgraded DPL Inc. and subsidiary Dayton Power and Light (DP&L) to BB from BBB-, a two-notch decrease, after Ohio regulators ordered DP&L to terminate its distribution modernization rider. The Public Utilities Commission of Ohio's (PUCO) decision was in response to a June 19 decision by the Supreme Court of Ohio that found PUCO's approval of an annual distribution charge by FirstEnergy's Ohio utilities was "unlawful and unreasonable" and must be removed for their electric security plans.

#### *Eversource Energy*

On July 25, S&P lowered Eversource Energy's rating to A- from A+, a two-notch decrease, due to the company's decision to pursue growth through riskier contracted renewable assets. The action followed a win in New York's offshore wind solicitation by Sunrise Wind, Eversource's 880-MW offshore wind venture with Danish power company Orsted. S&P views contracted offshore wind as considerably riskier than the rest of Eversource's low-risk transmission and distribution portfolio. Even with the downgrade, Eversource remains among the top-rated parent companies in the industry at A-; only Berkshire Energy Holdings had a higher A rating at year-end 2019. S&P also lowered the ratings of subsidiaries Yankee Gas Services, NSTAR Gas, and Aquarian by two notches, to A- from A+, while subsidiaries NSTAR Electric, Connecticut Power & Light and Public Service Co. of New Hampshire received one-notch downgrades, to A from A+.

#### *Exelon*

On March 1, S&P upgraded Exelon's issuer credit rating to BBB+ from BBB, citing the successful execution of its utility-focused growth strategy. S&P noted that Exelon has reduced its business risk by implementing zero-emission credits (ZECs) in New York and Illinois and said it expects Exelon will implement ZECs in New Jersey later in 2019. S&P also cited the continuous growth of Exelon's lower-risk regulated businesses, relative to other segments, as a reason for the upgrade. S&P expects Exelon's utility operations and ZECs will consistently account for about 75% of its consolidated EBITDA. S&P also upgraded subsidiaries Exelon Generation, Commonwealth Edison and PECO Energy to BBB+ from BBB; Pepco Holdings, Atlantic City Electric, Delmarva Power & Light and Potomac Electric Power to A- from BBB+; and Baltimore Gas and Electric to A from A-.

## 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

#### *PG&E*

In January 2019, S&P lowered the issuer credit rating for PG&E Corporation and subsidiary Pacific Gas and Electric in three actions related to the devastating California wildfires in 2017 and 2018. On January 7, S&P cited an eroding political and regulatory environment in its downgrade to B from BBB-. On January 14, the ratings were lowered to CC from B after PG&E announced plans to seek Chapter 11 bankruptcy protection related to billions of dollars of potential liabilities. On January 29, S&P lowered ratings for PG&E and Pacific Gas and Electric to D from CC when PG&E made its voluntary Chapter 11 bankruptcy filing.



### *Other California Utilities*

On January 21, S&P downgraded Edison International and its subsidiary Southern California Edison (along with Sempra Energy subsidiary San Diego Gas & Electric), stating the companies remain at high risk from catastrophic wildfires due to climate change and lack sufficient regulatory protection because of California's common law application of the legal doctrine of inverse condemnation. Edison International and Southern California Edison's ratings were lowered to BBB from BBB+, while San Diego Gas & Electric's rating was downgraded to BBB+ from A-.

### *FirstEnergy*

Although FirstEnergy's parent-level rating with S&P remained at BBB throughout the year, 23 total actions (all upgrades) at the operating utility level were the industry's most, by far, for any single holding company.

On March 21, Moody's upgraded subsidiaries American Transmission Systems and Mid-Atlantic Interstate Transmission to A3 from Baa1, citing robust capital investment programs supported by the Federal Energy Regulatory Commission (FERC) regulatory framework. On July 23, Moody's upgraded subsidiaries Ohio Edison and Pennsylvania Power to A3 from Baa1, Toledo Edison to Baa1 from Baa3, and Cleveland Electric Illuminating to Baa2 from Baa3, stating that FirstEnergy's Ohio utilities benefit from a constructive regulatory environment for rate base growth over the next several years. On April 18, Fitch upgraded FirstEnergy subsidiaries Monongahela Power, Allegheny Generating, Potomac Edison and Jersey Central Power & Light to BBB from BBB- stating that First Energy's core utility and transmission operations benefit from relatively low business risk and predictable earnings and cash flows. On November 8, Fitch upgraded parent company FirstEnergy to BBB from BBB-, along with upgrades for 12 of its subsidiaries; these included its Ohio, Pennsylvania and New Jersey operating utility distribution subsidiaries and FirstEnergy Transmission, along with its operating transmission utility subsidiaries.

### Upgrades Outnumber Downgrades

The industry's 55 upgrades outnumbered its 35 downgrades in 2019. The 61.1% upgrade percentage is up from 45.3% in 2018, the only year since 2013 that upgrades did not outnumber downgrades. The five-year period 2013 through 2017 produced the five-highest upgrade percentages in our historical data.

Over the past ten years, upgrades outnumbered downgrades in seven 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 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 II, with the following breakdown in 2019:

- Fitch (26 upgrades, 10 downgrades)
- Moody's (9 upgrades, 11 downgrades)
- Standard & Poor's (20 upgrades, 14 downgrades)

Primary reasons for upgrades were favorable regulatory/rate activity, increased regulated focus across business models, and improved financial metrics. Primary reasons for downgrades were the California wildfire crisis, M&A activity, unfavorable regulatory/rate activity, and decreased percentage of regulated operations.

### Ratings by Company Category

The table S&P Utility Credit Rating Distribution by Company Category (Table V) 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 December 31, 2019, the average rating for both the Regulated and Mostly Regulated categories was BBB+. ■