



Edison Electric
INSTITUTE

Stock Performance

Q2 2018
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 47 U.S. investor-owned electric utility companies. These 47 companies include 42 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:

Dividends	Rate Case Summary
Stock Performance	SEC Financial Statements (Holding Companies)
Credit Ratings	FERC Financial Statements (Regulated Utilities)

EEI Finance Department material can be found online at: 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 Financial Conference
November 11-14, 2018
Hilton San Francisco Union Square
San Francisco, California

For more information about future EEI Finance Meetings, please contact Debra Henry at (202) 508-5496 or dhenry@eei.org, or Devin James at (202) 508-5057 or djames@eei.org.

The 47 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.
SCANA Corporation (SCG)
Sempra Energy (SRE)
Southern Company (SO)
Unitil Corporation (UTL)
Vectren Corporation (VVC)
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 12/31/2017)

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 (34 of 47)

Alliant Energy Corporation
Ameren Corporation
American Electric Power Company, Inc.
Avista Corporation
Black Hills Corporation
Cleco Corporation
CMS Energy Corporation
Consolidated Edison, Inc.
DPL Inc.
Duke Energy Corporation
Edison International
El Paso Electric Company
Entergy Corporation
Eversource Energy
FirstEnergy Corp.
IDACORP, Inc.
IPALCO Enterprises, 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.
SCANA Corporation
Southern Company
Unitil Corporation
Vectren Corporation
WEC Energy Group, Inc.
Xcel Energy Inc.

Mostly Regulated (13 of 47)

ALLETE, Inc.
AVANGRID, Inc.
Berkshire Hathaway Energy
CenterPoint Energy, Inc.
Dominion Resources, Inc.
DTE Energy Company
Exelon Corporation
Hawaiian Electric Industries, Inc.
MDU Resources Group, Inc.
MGE Energy, 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.

Stock Performance

HIGHLIGHTS

■ Utility stocks see-sawed through a volatile first half of 2018 but ended the period with little overall change. The EEI Index returned 0.3%, very close to the Dow Jones Industrial Average's -0.7% return and the S&P 500's 2.7% return. Utility shares were buffeted by macroeconomic developments and investor's changing sentiment rather than any meaningful change in the industry's fundamental outlook.

■ The industry continues to offer investors the appealing combination of steady, mid-single-digit earnings growth from capital investment programs, a dividend yield of 3.3% (at June 30), and the prospect of dividend growth commensurate with the rate of earnings growth.

■ Utility stocks have been a reliable hedge on broad market weakness almost continuously since the 2008/2009 financial crisis. But the industry's sensitivity to rising rates was evident in early 2018 (and in similar declines tied to rate jumps in early 2015 and mid-2016). If interest rates maintain a rising trend and cause, in part anyway, a stock market correction, it's unclear how utilities will perform versus the broad market.

COMMENTARY

Utility stocks see-sawed through a volatile first half of 2018 but ended the period with little overall change. The EEI Index returned 0.3%, very close to the Dow Jones Industrial Average's -0.7% return and the S&P 500's 2.7% return. The tech-heavy Nasdaq Composite gained a stronger 8.9%. As is often the case, utility shares were buffeted by macroeconomic developments and investors' changing sentiment rather

I. Index Comparison (% Return)

Index	2012	2013	2014	2015	2016	2017	6 mo. 2018
EEI Index	2.1	13.0	28.9	-3.9	17.4	11.7	0.3
Dow Jones Inds.	10.2	29.6	10.0	0.2	16.5	28.1	-0.7
S&P 500	16.0	32.4	13.7	1.4	12.0	21.8	2.7
Nasdaq Comp.^	15.9	38.3	13.4	5.7	7.5	28.2	8.8

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	2012	2013	2014	2015	2016	2017	6 mo. 2018
All Companies	4.8	17.3	27.6	-2.0	22.2	11.6	2.1
Regulated	4.7	17.0	28.9	-0.7	21.2	11.7	1.7
Mostly Regulated	5.8	16.0	27.5	-3.7	24.6	11.3	3.0
Diversified	0.8	47.5	6.6	-14.4	25.6	n/a*	n/a*

Calendar year returns shown for all periods except where noted.

Returns shown here are unweighted averages of constituent company returns.

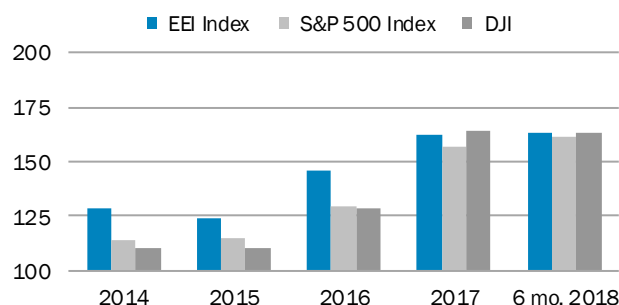
The EEI Index return shown in Table I above is cap-weighted.

*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

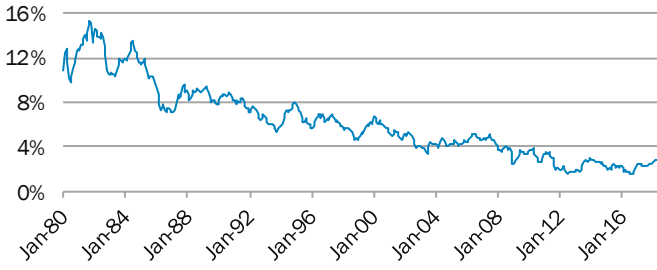
Value of \$100 invested at close on 12/31/2013



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

IV. 10-Year Treasury Yield — Monthly

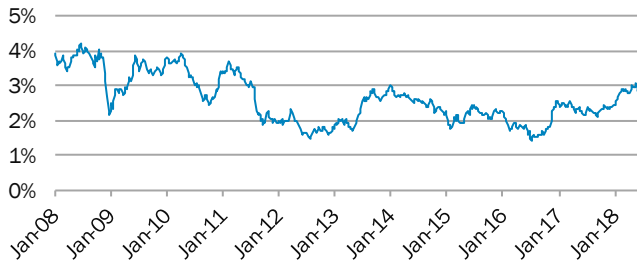
Average Monthly Yield, 1/1/1980 through 6/30/2018



Source: U.S. Federal Reserve

V. 10-Year Treasury Yield — Weekly

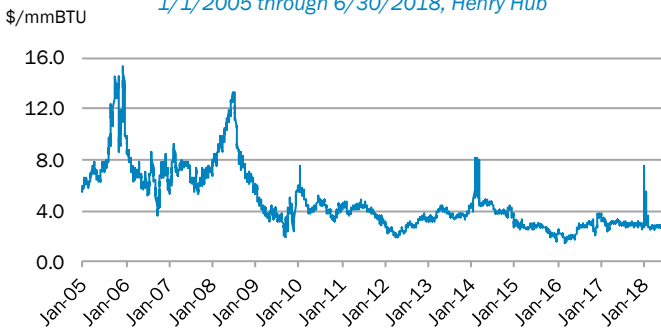
Daily Yield, 1/1/2008 through 6/30/2018



Source: U.S. Federal Reserve

VI. Natural Gas Spot Prices

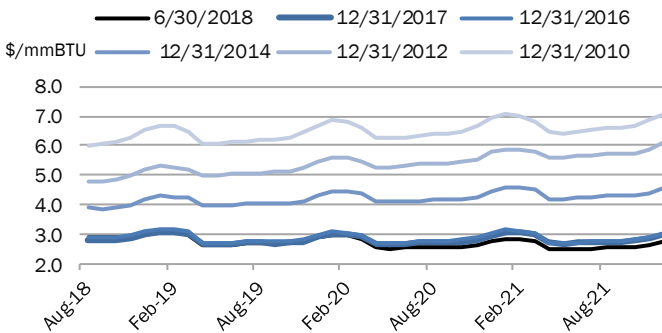
1/1/2005 through 6/30/2018, Henry Hub



Source: S&P Global Market Intelligence

VII. NYMEX Natural Gas Futures

February 2018 through December 2021, Henry Hub



Source: S&P Global Market Intelligence

VIII. Returns by Quarter

U.S. Investor-Owned Electric Utilities

Index	2015		2016		2016		2017		2017		2018	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EEl Index	6.3	1.6	15.6	6.9	-5.4	0.5	6.1	2.4	2.7	0.1	-3.3	3.8
Dow Jones Industrials	-7.0	7.7	2.2	2.1	2.8	8.7	5.2	4.0	5.3	11.3	-2.0	1.3
S&P 500	-6.4	7.0	1.4	2.5	3.9	3.8	6.1	3.1	4.5	6.6	-0.8	3.4
Nasdaq Comp. [^]	-7.4	8.4	-2.8	-0.6	9.7	1.3	9.8	3.9	5.8	6.3	2.3	6.3

Category*	2015		2016		2016		2017		2017		2018	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
All Companies	7.5	2.8	15.5	7.7	-4.3	2.7	5.2	2.5	3.2	0.2	-3.0	5.3
Regulated	9.4	2.8	15.9	7.2	-4.3	1.9	5.8	2.7	3.5	-0.7	-3.5	5.4
Mostly Regulated	4.5	2.6	13.2	10.1	-3.7	3.8	3.9	2.0	2.5	2.5	-1.9	5.0
Diversified	-6.5	4.6	21.6	2.2	-7.8	9.5	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**

[^]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.
 ** Diversified category eliminated in 2017 due to lack of constituent companies.
 Source: EEl Finance Department, S&P Global Market Intelligence

IX. Sector Comparison, Trailing 12 mo. Total Return

For the twelve-month period ending 6/30/2018

Sector	Total Return
Technology	29.4%
Oil & Gas	22.2%
Consumer Services	19.6%
Basic Materials	12.7%
Financials	11.2%
Industrials	11.1%
Healthcare	8.9%
Utilities	4.6%
EEl Index	3.4%
Telecommunications	0.7%
Consumer Goods	-0.3%

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, 6 mo. 2018 Total Return

For the six-month period ending 6/30/2018

Sector	Total Return
Technology	10.4%
Consumer Services	8.7%
Oil & Gas	7.4%
Healthcare	3.1%
Utilities	1.0%
EEl Index	0.3%
Financials	-0.9%
Industrials	-1.7%
Basic Materials	-2.2%
Consumer Goods	-5.3%
Telecommunications	-9.2%

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

XI. Market Capitalization at June 30, 2018 (in \$ Mil.)

U.S. Investor-Owned Electric Utilities

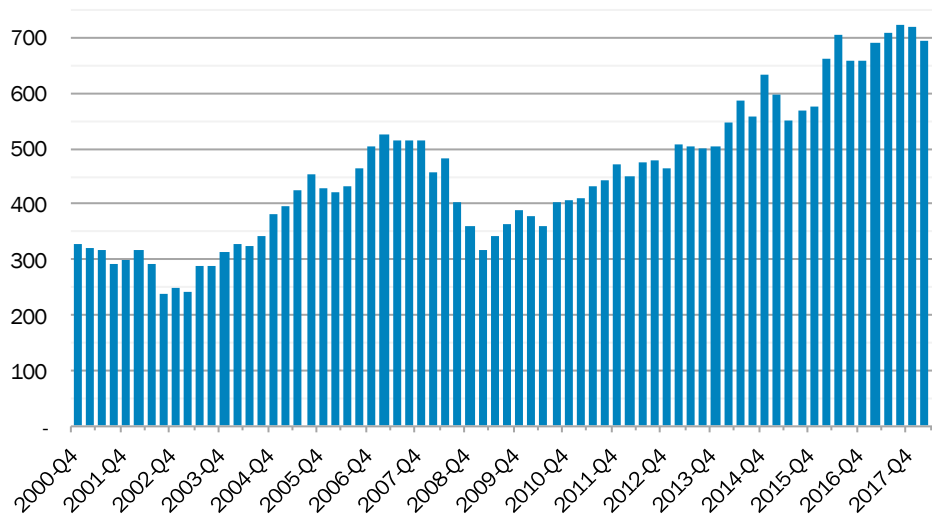
Company	Stock Symbol	\$ Market Cap	% Total	Company	Stock Symbol	\$ Market Cap	% Total
NextEra Energy, Inc.	NEE	78,621	10.98%	CenterPoint Energy, Inc.	CNP	11,949	1.67%
Duke Energy Corporation	DUK	55,435	7.74%	Alliant Energy Corporation	LNT	9,793	1.37%
Southern Company	SO	46,819	6.54%	Pinnacle West Capital Corp.	PNW	9,024	1.26%
Dominion Energy, Inc.	D	44,351	6.19%	NiSource Inc.	NI	8,883	1.24%
Exelon Corporation	EXC	41,152	5.74%	OGE Energy Corp.	OGE	7,031	0.98%
Ame. Electric Power Co., Inc.	AEP	34,090	4.76%	Vectren Corporation	VVC	5,937	0.83%
Sempra Energy	SRE	29,948	4.18%	MDU Resources Group, Inc.	MDU	5,601	0.78%
Public Svc. Enter. Group Inc.	PEG	27,287	3.81%	SCANA Corporation	SCG	5,508	0.77%
Consolidated Edison, Inc.	ED	24,205	3.38%	IDACORP, Inc.	IDA	4,635	0.65%
Xcel Energy Inc.	XEL	23,251	3.25%	ALLETE, Inc.	ALE	3,963	0.55%
PG&E Corporation	PCG	21,918	3.06%	Portland General Electric Co.	POR	3,812	0.53%
Edison International	EIX	20,626	2.88%	Hawaiian Electric Indus., Inc.	HE	3,732	0.52%
WEC Energy Group, Inc.	WEC	20,397	2.85%	Avista Corporation	AVA	3,457	0.48%
PPL Corporation	PPL	19,828	2.77%	Black Hills Corporation	BKH	3,264	0.46%
DTE Energy Company	DTE	18,653	2.60%	PNM Resources, Inc.	PNM	3,107	0.43%
Eversource Energy	ES	18,603	2.60%	NorthWestern Corporation	NWE	2,829	0.39%
FirstEnergy Corp.	FE	17,093	2.39%	El Paso Electric Company	EE	2,393	0.33%
AVANGRID, Inc.	AGR	16,383	2.29%	MGE Energy, Inc.	MGEE	2,186	0.31%
Eergy, Inc.	EVRG	15,257	2.13%	Otter Tail Corporation	OTTR	1,883	0.26%
Ameren Corporation	AEE	14,780	2.06%	Unitil Corporation	UTL	756	0.11%
Entergy Corporation	ETR	14,599	2.04%	Total Industry		716,350	100.00%
CMS Energy Corporation	CMS	13,309	1.86%				

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

XII. EEI Index Market Capitalization (at Period End)

U.S. Investor-Owned Electric Utilities

\$ Billions



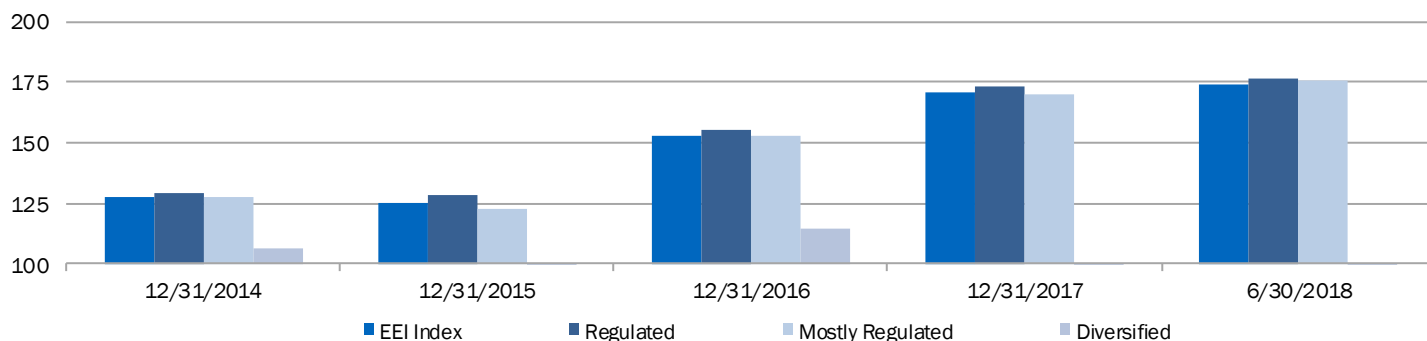
EEI Index Market Cap (in \$Millions)			
Q1-03	240,598	Q4-10	407,275
Q2-03	289,454	Q1-11	411,164
Q3-03	288,073	Q2-11	433,236
Q4-03	314,324	Q3-11	442,352
Q1-04	329,601	Q4-11	471,635
Q2-04	323,193	Q1-12	450,597
Q3-04	342,460	Q2-12	475,083
Q4-04	380,305	Q3-12	479,540
Q1-05	395,663	Q4-12	463,916
Q2-05	425,989	Q1-13	507,163
Q3-05	454,727	Q2-13	505,091
Q4-05	428,825	Q3-13	499,776
Q1-06	422,899	Q4-13	504,365
Q2-06	432,848	Q1-14	548,006
Q3-06	464,281	Q2-14	587,735
Q4-06	503,858	Q3-14	557,472
Q1-07	525,088	Q4-14	632,185
Q2-07	515,565	Q1-15	596,851
Q3-07	514,946	Q2-15	549,164
Q4-07	514,486	Q3-15	568,250
Q1-08	456,711	Q4-15	576,819
Q2-08	482,024	Q1-16	662,574
Q3-08	404,472	Q2-16	706,366
Q4-08	361,921	Q3-16	658,728
Q1-09	316,070	Q4-16	659,845
Q2-09	343,844	Q1-17	690,205
Q3-09	363,185	Q2-17	708,329
Q4-09	389,672	Q3-17	722,423
Q1-10	377,281	Q4-17	720,427
Q2-10	360,044	Q1-18	692,282
Q3-10	402,014	Q2-18	716,350

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 12/31/2013



	2013	2013	2014	2015	2016	2017	6 mo. 2018
EEI Index Annual Return (%)		17.27	27.63	(2.05)	22.21	11.56	2.09
EEI Index Cumulative Return (\$)	100.00	117.27	149.67	146.59	179.15	199.86	174.00
Regulated EEI Index Annual Return		16.97	28.92	(0.67)	21.16	11.66	1.75
Regulated EEI Index Cumulative Return	100.00	116.97	150.80	149.79	181.48	202.64	176.26
Mostly Regulated EEI Index Annual Return		15.97	27.46	(3.67)	24.57	11.32	2.96
Mostly Regulated EEI Index Cumulative Return	100.00	115.97	147.81	142.38	177.36	197.45	175.31
Diversified EEI Index Annual Return		47.54	6.61	(14.43)	25.59	n/a*	n/a*
Diversified EEI Index Cumulative Return	100.00	147.54	157.29	134.60	169.04	n/a*	n/a*

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.

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

than any meaningful change in the industry's fundamental outlook.

Rate Moves Drive Turbulence

Utilities started the year on a weak note, declining about 10% through early February on the prospect of rising short- and long-term interest rates. Markets anticipated the Federal Reserve's 25 basis point rate hike in March and the three-month Treasury bill yield climbed from 1.4% in January to 1.8% by late March. The 10-year Treasury yield also rose, from 2.5% in early January to 2.9% by mid-February, as the Trump administration's tax reform legislation sparked expectations for bigger budget deficits and stronger U.S. economic growth. But longer-term yields fell back as the quarter progressed and utilities recovered some of their early weakness. The EEI Index returned -3.3% for the quarter, only slightly below the Dow Jones' -2.0% and S&P 500's -0.8% returns.

Short-term yields continued to climb in Q2 in anticipation of the Fed's June rate hike and the 10-year Treasury yield broke above 3.0% to its highest level since 2011, and utility shares weakened. But the pattern reversed in June as fears of trade wars dampened investors' bullish economic sentiments. Yields declined, and utility shares gained nearly 10% from

XIV. EEI Index Top Ten Performers

For the 6-month period ending 6/30/2018

Company	% Return	Category
FirstEnergy Corp.	19.7	R
Unitil Corporation	13.6	R
Vectren Corporation	11.4	R
Sempra Energy	10.3	MR
Exelon Corporation	9.9	MR
OGE Energy Corp.	9.1	R
Otter Tail Corporation	8.7	R
NextEra Energy, Inc.	8.4	MR
MDU Resources Group, Inc.	8.2	MR
EI Paso Electric Company	8.1	R

Note: Return figures include capital gains and dividends.

R = Regulated, MR = Mostly Regulated

Source: EEI Finance Department

early June to quarter end. The EEI Index gained 3.8% in Q2 overall, producing a flat first half despite the interest rate-induced gyrations. In contrast, industry fundamentals were steady. Electricity demand rose about 3% in Q2 on favorable weather, and analysts seemed confident that Q2 earnings for the industry would meet or exceed expectations.

Bull Market Gains Eclipse Defensive Sectors

Despite jumpy investor sentiment, economic data confirmed investors' hopes for strength as 2018 progressed. Real GDP grew at a 4.1% sequential quarter-to-quarter rate in Q2, its highest reading since 4.9% in Q3 2014. The long-lived U.S. economic expansion has now produced 17 consecutive quarters of positive real GDP gains since the -1.0% reading in Q1 2014.

Strengthening economic growth, rising corporate profits and interest rates that remain very low by historical standards have combined to drive economically sensitive market sectors higher over the past two years. Technology, consumer services, and the oil and gas sector (lifted by higher oil prices) have been market leaders. Utility shares — which income-oriented investors favor as a bond substitute — generally lag economically sensitive sectors during strong market advances. However, the EEI Index fared better than the telecom and consumer goods sectors (two-other income producing sectors) in both the first half of 2018 and the trailing 12-months at June 30. Wall Street analysts noted that telecom has suffered from competitive pressures and rising debt loads while consumer staples have also been weighted down by cost pressures and pricing weakness.

Utilities, in fact, have done well to keep pace with the broad market in recent years. This is a testament to investors' confidence in the industry's steady growth, strong dividends and support from very low interest rates over the period. As shown in Chart III, the EEI Index has matched the return produced by the Dow Jones Industrials and S&P 500 since 2013; a strong performance for this notably "defensive" sector considering the period's 60% bull market gain.

Industry Fundamentals Remain Healthy

The industry continues to offer investors the appealing combination of steady mid-single-digit earnings growth from capital investment programs, a dividend yield of 3.3% (at June 30), and the prospect of dividend growth commensurate with the rate of earnings growth.

Even though natural gas prices and competitive power prices continue to languish, Wall Street analysts note that

integrated utilities have shrunk their competitive power operations considerably in recent years. Federal energy market reforms set for 2018 offer support for baseload coal and nuclear plants and court rulings and state decisions have supported zero emission credits for nuclear plants, which could improve cash flow and ease concern about decommissioning liabilities. Such regulatory and policy moves help the industry manage an environment where power demand is virtually flat. Competitive power producers have strengthened their balance sheets, boosted cash flows and are rewarding investors with stock buybacks.

Low natural gas prices and low-cost renewable power (mostly wind) have helped fuel costs remain low and have reduced pressure on customer bills that might otherwise be required to fund capex programs. Regulation in general remains constructive. Many utilities now have rate mechanisms in place that allow for more timely recovery of capital expenditures and address the impact of very slow to flat sales growth, bad debts and pension costs. Analysts have also noted that more states are implementing multi-year rate plans with fewer rate cases and better opportunities for utilities to earn their allowed return on equity.

Transforming the Nation's Grid

EEI's most recent capital spending survey (conducted in July 2018) shows the industry has grown capex from \$74.3 billion in 2010 to a projected \$124.3 billion in 2018. The survey indicates a pullback to about \$104 billion in 2020, but out-year estimates are usually conservative due to the uncertainties surrounding longer-term planning and are generally understated. Yet broad longer-term opportunities seem robust for transforming the nation's power infrastructure into a truly 21st century network. Grid modernization, support for electric vehicle charging, transmission investment, and generation of the clean energy demanded by state renewable portfolio standards and by long-term contracts for renewable power continue to offer rate base growth prospects.

Of course, this optimism is reliant on continued support from state regulators for utility investment (and the jobs thereby produced); this trend that could be threatened if fuel prices rise and pressure rates upward rather than down. The Trump Administration's tax reform provides an additional benefit for regulated utilities; savings passed to customers are one more measure that can limit bill increases in a time of rising capex. According to EIA data, the average cost of electricity in late 2017 was about 10.58 cents/kilowatt-hour, not too far above the 9.74 cent level ten years ago in 2008.

Utilities' Macro Hedge: Different This Time?

Utilities have been a reliable hedge on broad market weakness almost continuously since the 2008/2009 financial crisis. When stocks have declined so have interest rates, and utilities shares have shined on a relative basis versus the broad market, outperforming anywhere from 8% to 15% in market corrections (credit to J.P. Morgan's December 2017 utility industry equity research for mapping this trend). Only the May 2013 "taper tantrum", when the 10-year Treasury yield jumped in response to then-Fed Chief Ben Bernanke's hints at a reduction in Fed support for markets, did utilities lag on a relative basis, but only by about 3%.

Utilities' sensitivity to rising rates was evident in early 2018 (and in similar declines tied to rate jumps in early 2015 and mid-2016). If rates do finally begin a rising trend and

cause, in part anyway, a stock market correction, it's unclear how utilities will perform versus the broad market. The industry has no control over such macro forces, only its own business strategies and to some extent its fundamentals. At mid-year 2018, those look fairly strong and utilities seem poised to offer investors slow and steady earnings growth and rising dividends. Analysts generally placed utility PE ratios slightly above their average over the past 10-years. But that period has also been characterized by very low interest rates, and analysts note the industry's dividends and predictable earnings growth may help support stock prices in the event of a rate rise to historically more normal levels. What value the market places on that only time will tell and it can't be predicted with any consistency. ■