



Edison Electric
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2019 Industry Financial Highlights

February 5, 2020

This document is comprised of Q4 2019 Financial Updates for Stock Performance, Dividends, and Credit Ratings from EEI's Finance Department.

These quarterly updates and other EEI Finance Department materials can be found at: www.eei.org/QFU.

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.

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 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, or Aaron Cope, Jr. at (202) 508-5128 or 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.

Stock Performance

HIGHLIGHTS

- The EEI Index returned 25.8% in 2019, its strongest annual performance since 2014's 28.9%. But the major averages climbed higher on a wall of worry over an economic downturn that never arrived. Falling interest rates through much of the year supported utilities' strong absolute return as well as the broad market's rise.
- The multi-year stagnation in electric power demand persisted in 2019 as electric output fell 1.7% year-to-year. Analysts cited weather and slowing economic growth while some companies noted the impact of trade tariffs on industrial demand.
- Industry analysts said the long-term visibility for industry capex, rate base and earnings growth extended further in 2019. Investors' search for growth in a low-yield, slow-growing global economy may drive historically high utility share valuations even higher.
- Stable fuel costs and low interest rates have kept utility bills down as capex has surged. Pushback on rate increases needed to fund rising capex may become an issue if the economy enters recession and consumer incomes fall.

COMMENTARY

The EEI Index trailed a surging stock market throughout 2019's final quarter, returning 0.4% versus the Dow Jones Industrial Average's 6.7%, the S&P 500 Index's 9.1% and the tech-heavy Nasdaq Composite's 12.2% gain. The market's multi-year rally resumed as growth fears ebbed with improving economic data, easing trade war tensions and another U.S. Federal Reserve rate cut — the third in 2019. Some market watchers also cited the Fed's aggressive inter-

I. Index Comparison (% Return)

Index	2013	2014	2015	2016	2017	2018	2019
EEI Index	13.0	28.9	-3.9	17.4	11.7	3.7	25.8
Dow Jones Inds.	29.6	10.0	0.2	16.5	28.1	-3.5	25.3
S&P 500	32.4	13.7	1.4	12.0	21.8	-4.4	31.5
Nasdaq Comp.^	38.3	13.4	5.7	7.5	28.2	-3.9	35.2

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	2013	2014	2015	2016	2017	2018	2019
All Companies	17.3	27.6	-2.0	22.2	11.6	4.3	23.1
Regulated	17.0	28.9	-0.7	21.2	11.7	4.5	24.6
Mostly Regulated	16.0	27.5	-3.7	24.6	11.3	3.6	17.9
Diversified	47.5	6.6	-14.4	25.6	n/a*	n/a*	n/a*

Calendar year returns shown for all periods except where noted.

Returns shown here are unweighted averages of constituent company returns.

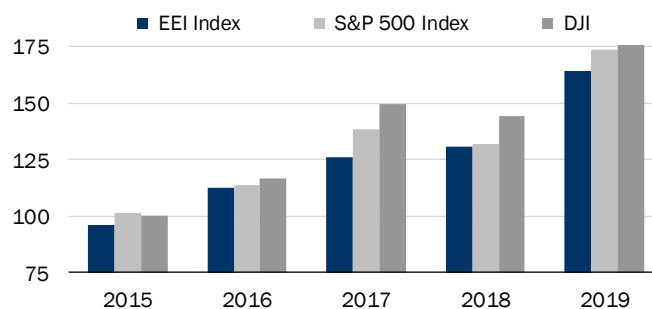
The EEI Index return shown in Table I above is cap-weighted.

*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 12/31/2014



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

IV. 10-Year Treasury Yield — Monthly

Average Monthly Yield, 1/1/1980 through 12/31/2019



Source: U.S. Federal Reserve

V. 10-Year Treasury Yield — Weekly

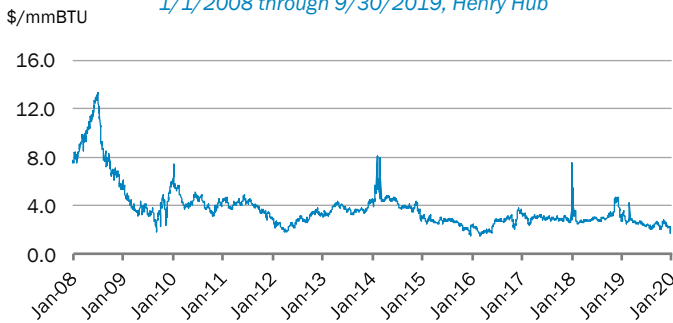
Daily Yield, 1/1/2008 through 12/31/2019



Source: U.S. Federal Reserve

VI. Natural Gas Spot Prices

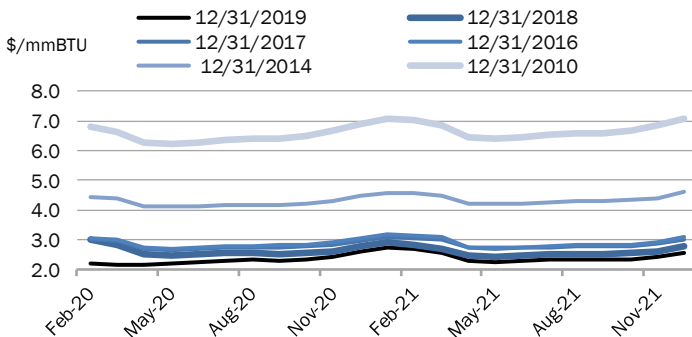
1/1/2008 through 9/30/2019, Henry Hub



Source: S&P Global Market Intelligence

VII. NYMEX Natural Gas Futures

November 2019 through December 2021, Henry Hub



Source: S&P Global Market Intelligence

VIII. Returns by Quarter

U.S. Investor-Owned Electric Utilities

Index	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4
EEl Index	6.1	2.4	2.7	0.1	-3.3	3.8	2.0	1.3	11.1	4.1	8.2	0.4
Dow Jones Industrials	5.2	4.0	5.3	11.3	-2.0	1.3	9.6	-11.3	11.8	3.2	1.8	6.7
S&P 500	6.1	3.1	4.5	6.6	-0.8	3.4	7.7	-13.5	13.7	4.3	1.7	9.1
Nasdaq Comp. [^]	9.8	3.9	5.8	6.3	2.3	6.3	7.1	-17.5	16.5	3.6	-0.1	12.2

Category*	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4
All Companies	5.2	2.5	3.2	0.2	-3.0	5.3	1.4	0.8	10.6	4.9	6.5	-0.4
Regulated	5.8	2.7	3.5	-0.7	-3.5	5.4	2.0	0.7	10.6	5.9	6.5	-0.1
Mostly Regulated	3.9	2.0	2.5	2.5	-1.9	5.0	-0.3	0.9	10.5	1.3	6.6	-1.2

[^]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 12/31/2019

Sector	Total Return
Healthcare	14.6%
Technology	14.4%
Financials	7.7%
Basic Materials	7.0%
Consumer Goods	6.2%
Industrials	6.0%
Oil & Gas	5.5%
Consumer Services	5.4%
Telecommunications	3.4%
EEl Index	0.4%
Utilities	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, Trailing 12 mo. Total Return

For the twelve-month period ending 12/31/2019

Sector	Total Return
Technology	47.5%
Industrials	32.8%
Financials	32.6%
Consumer Goods	28.7%
Telecommunications	27.9%
Consumer Services	26.9%
EEl Index	25.8%
Utilities	24.9%
Healthcare	21.3%
Basic Materials	19.8%
Oil & Gas	10.4%

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 December 31, 2019 (in \$ Millions)

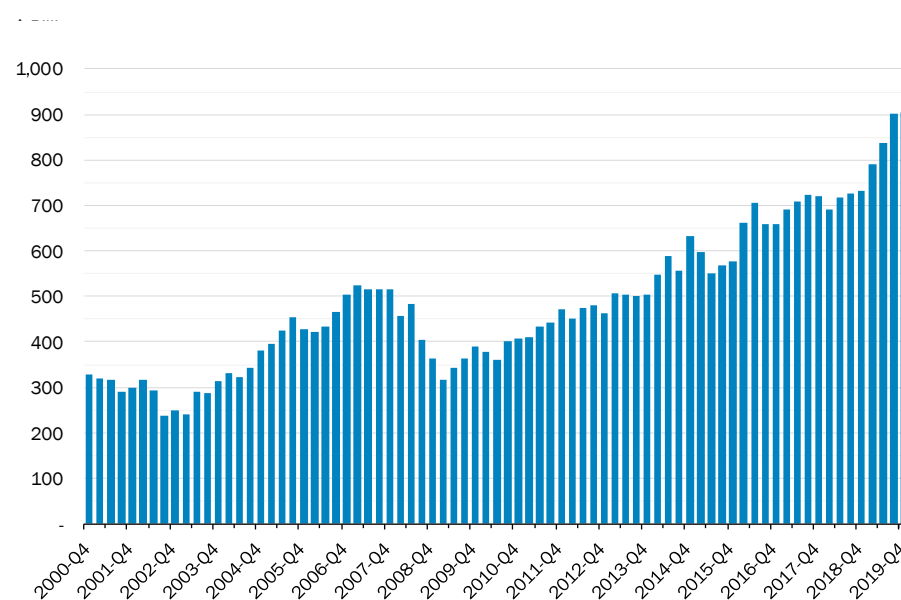
U.S. Investor-Owned Electric Utilities

Company	Stock Symbol	\$ Market Cap	% Total	Company	Stock Symbol	\$ Market Cap	% Total
NextEra Energy, Inc.	NEE	116,697	12.89%	CenterPoint Energy, Inc.	CNP	13,696	1.51%
Dominion Energy, Inc.	D	67,333	7.44%	Alliant Energy Corporation	LNT	13,084	1.45%
Southern Company	SO	66,758	7.38%	NiSource Inc.	NI	10,415	1.15%
Duke Energy Corporation	DUK	66,492	7.35%	Pinnacle West Capital Corp.	PNW	10,114	1.12%
American Electric Power Co, Inc.	AEP	46,673	5.16%	OGE Energy Corp.	OGE	8,903	0.98%
Exelon Corporation	EXC	44,359	4.90%	MDU Resources Group, Inc.	MDU	5,922	0.65%
Sempra Energy	SRE	42,014	4.64%	PG&E Corporation	PCG	5,750	0.64%
Xcel Energy Inc.	XEL	32,951	3.64%	IDACORP, Inc.	IDA	5,393	0.60%
Consolidated Edison, Inc.	ED	30,054	3.32%	Hawaiian Electric Industries, Inc.	HE	5,106	0.56%
Public Service Enter. Group Inc.	PEG	29,761	3.29%	Portland General Electric Co.	POR	4,986	0.55%
WEC Energy Group, Inc.	WEC	29,089	3.21%	Black Hills Corporation	BKH	4,789	0.53%
Eversource Energy	ES	27,566	3.05%	ALLETE, Inc.	ALE	4,196	0.46%
Edison International	EIX	26,167	2.89%	PNM Resources, Inc.	PNM	4,057	0.45%
FirstEnergy Corp.	FE	26,147	2.89%	NorthWestern Corporation	NWE	3,615	0.40%
PPL Corporation	PPL	25,915	2.86%	Avista Corporation	AVA	3,187	0.35%
Entergy Corporation	ETR	23,832	2.63%	El Paso Electric Company	EE	2,757	0.30%
DTE Energy Company	DTE	23,766	2.63%	MGE Energy, Inc.	MGEE	2,733	0.30%
Ameren Corporation	AEE	18,885	2.09%	Otter Tail Corporation	OTTR	2,037	0.23%
CMS Energy Corporation	CMS	17,784	1.97%	Unitil Corporation	UTL	921	0.10%
AVANGRID, Inc.	AGR	15,834	1.75%				
Evergy, Inc.	EVRG	15,270	1.69%				
				Total Industry		905,009	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



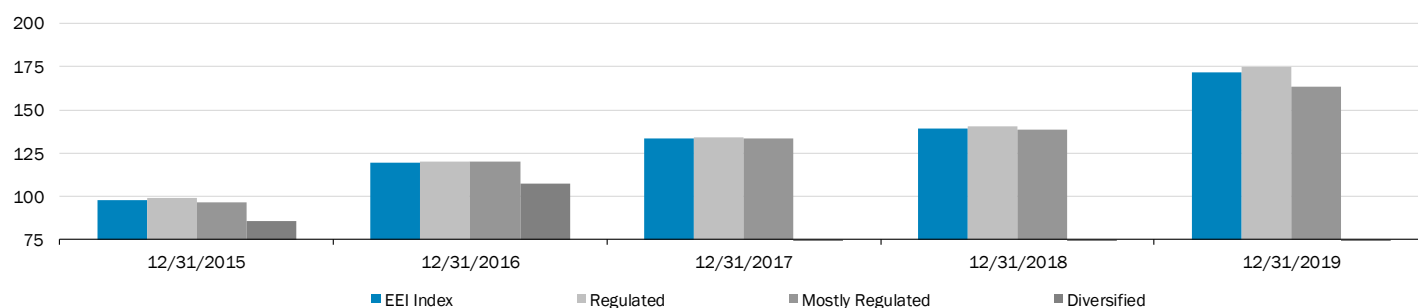
EEI Index Market Cap (in \$ Billions)			
2004-Q1	330	2012-Q1	451
2004-Q2	323	2012-Q2	475
2004-Q3	342	2012-Q3	480
2004-Q4	380	2012-Q4	464
2005-Q1	396	2013-Q1	507
2005-Q2	426	2013-Q2	505
2005-Q3	455	2013-Q3	500
2005-Q4	429	2013-Q4	504
2006-Q1	423	2014-Q1	548
2006-Q2	433	2014-Q2	588
2006-Q3	464	2014-Q3	557
2006-Q4	504	2014-Q4	632
2007-Q1	525	2015-Q1	597
2007-Q2	516	2015-Q2	549
2007-Q3	515	2015-Q3	568
2007-Q4	514	2015-Q4	577
2008-Q1	457	2016-Q1	663
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

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 12/31/2014



	2014	2015	2016	2017	2018	2019
EEI Index Annual Return (%)		(2.05)	22.21	11.56	4.28	23.06
EEI Index Cumulative Return (\$)	100.00	97.95	119.70	133.54	139.25	171.36
Regulated EEI Index Annual Return		(0.67)	21.16	11.66	4.55	24.56
Regulated EEI Index Cumulative Return	100.00	99.33	120.34	134.37	140.48	174.99
Mostly Regulated EEI Index Annual Return		(3.67)	24.57	11.32	3.62	17.87
Mostly Regulated EEI Index Cumulative Return	100.00	96.33	119.99	133.58	138.41	163.15
Diversified EEI Index Annual Return		(14.43)	25.59	-	-	-
Diversified EEI Index Cumulative Return	100.00	85.57	107.47	-	-	-

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

vention in the repo market late in the year as a trigger for liquidity-induced market gains. Otherwise, the 10-year Treasury yield pushed higher in Q4 after a year-long decline; this likely pressured utility shares relative to sectors that are more sensitive to economic conditions.

The EEI Index returned nearly 26% for full-year 2019, its strongest annual performance since 2014's 28.9%. But the major averages were even stronger. The Dow returned 25.3% for the year, the S&P 500 Index returned 31.5% and the Nasdaq climbed 35.2%. Beginning and ending dates powerfully shape relative return comparisons. The broad market's 15% fall in Q4 2018 — when utility shares were flat — created a favorable 2019 starting point. Adding 2018's Q4 to 2019 results raises utility returns for the 15-month period well above those of the major averages.

Slow Growth but No Recession

Utilities' short-term relative performance as a group typically results from shifting macroeconomic sentiment rather than changes in the industry's fundamental outlook. Indeed, Q4 2019 simply reversed Q3's pattern, when trade-war fears and worrisome economic data kept the broad averages flat while safe-haven utilities gained 8%.

XIV. EEI Index Top Ten Performers

For the six-month period ending 12/31/2019

Company	% Return	Category
Southern Company	51.3	R
Entergy Corporation	44.0	R
Sempra Energy	43.9	R
NextEra Energy, Inc.	42.6	MR
El Paso Electric Company	38.6	R
Edison International	37.6	R
WEC Energy Group, Inc.	36.8	R
Eversource Energy	34.4	R
MGE Energy, Inc.	33.9	R
FirstEnergy Corp.	33.9	R

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

Major averages climbed a wall of worry in 2019 over an economic downturn that threatened but never arrived. U.S. real gross domestic product (GDP) growth slowed to a 2.0% rate in Q2 and 2.1% in Q3 from 3.1% in Q1. S&P 500 company profits (aggregate rather than per share) were about flat year-to-year in Q2 and Q3 with revenue up 4% each quarter, according to Zack's Investment Research data. Zack's pegs Q4 revenue up 3.5% and income down 2%.

The Trump Administration's economic stimulus and tax cuts made 2018 corporate after-tax profits soar, somewhat distorting 2019's year-to-year comparison. And analysts see revenue and profit growth strengthening again in 2020. That bullish outlook contributed to Q4's market rally.

Falling interest rates through much of 2019 supported utilities' strong absolute return as well as the broad market's rise. The U.S. Federal Reserve cut short-term rates twice during Q3 citing continued low inflation and the spillover effect from slowing growth overseas, and again in late October. The Fed Funds target fell from a 2.25% to 2.50% range in early July to a 1.50% to 1.75% range after the October rate cut. The 10-year Treasury bond yield fell from a recent peak of 3.2% in late 2018 to 1.5% in early September before edging up to 1.9% as the year ended.

U.S. Electric Output Declines

The multi-year stagnation in electric power demand persisted in 2019. Full-year demand fell 1.7% from 2018's level and annual nationwide generation is largely unchanged from its level in 2007. U.S. electric output declined 0.6% year-to-year in Q3 and 4.4% in Q2. Part of the shortfall in both quarters was weather-related. Cooling degree days fell 11% year-to-year nationwide in Q2 and 2% in Q3. Cooling degree days were off 5% for the year as a whole while heating degree days were flat. Analysts cited the impact of trade tariffs on U.S. industrial demand as well as years of energy efficiency initiatives nationwide as other reasons for the demand weakness.

Growth Outlook Remains Healthy

Despite the lackluster demand trend, there was little change in the industry's stable business fundamentals in 2019. Most stakeholders across the political spectrum support investments that advance renewable energy goals, decarbonization, reliability, job creation and the enlarged tax base that comes with it. Utility investment programs include new renewables generation, new gas-fired generation, transmission and distribution modernization and expansion, smart-grid deployment, and reliability-related network hardening among other projects.

Analysts seem to view state regulatory relations as generally fair, balancing the interests of ratepayers, utilities and other stakeholders. Some utilities have successfully advocated for changes to rate design — such as forward test years, rate mechanisms and adjustment clauses — that allow timely recovery of costs associated with big-ticket capital investment programs and offer some protection from lethargic demand.

The prospect of electric vehicle (EV) adoption gained some analytical traction in 2019 as a potential longer-term source of demand growth that also supports decarboniza-

tion when powered by emission-free generation. While technological evolution is notoriously difficult to accurately predict, some estimates suggested widespread EV adoption could boost load by 1% annually over the next few decades.

Favorable Cost Trends

Another favorable trend for regulated utilities is low fuel costs. Coal prices have declined steadily since 2011, natural gas prices have changed little in recent years and the growing amounts of wind and solar generation added to the grid have zero fuel cost. The low level of interest rates is also beneficial. Since regulated utilities pass fuel and interest expense through to customers (and fuel can account for 40% or more of the customer's bill), cost stability in these key areas helps keep bill inflation down and makes it easier to gain regulatory approval for large investment programs. Despite years of capex growth, the average nationwide cost of electricity for residential customers has risen from \$0.1151/kilowatt hour (kWh) in 2009 to \$0.1289/kWh in 2018, which was unchanged from 2017 and only marginally higher than 2014's \$0.1252, according to EIA data.

Top EEI Index Gainers

Several utilities gained 30% to 40% in 2019, in some cases rebounding from previous weakness. Southern Company (+51.3%) was the EEI Index top performer as investors gained confidence in the outlook for completion and commercial operation of its new Vogtle nuclear units and it completed a Georgia rate case near year-end. Entergy (+44.0%) gained on its reduced exposure to wholesale operations and transition back to a regulated utility with several regulatory outcomes that support its investment plans. FirstEnergy (+33.9%) exited its formerly large competitive generation operations and is focused on earnings growth from regulated transmission and distribution investments. Sempra (+43.9%) has also divested non-core assets and is focused on high-growth U.S. regions; in addition, it was impacted less than other California utilities by the devastating wildfires in 2017 and 2018. NextEra (+42.6%) continues to produce strong earnings and dividend growth from its large renewables portfolio and regulated electric/gas pipeline operations in the southeastern U.S.

Elevated Valuations

At year-end, Wall Street analysts generally viewed utility stock valuations as high when measured by price/earnings (PE) ratios relative to the S&P 500 and to history. One reason for high PEs is the very low level of interest rates both in the U.S. and overseas. The U.S. 10-year Treasury yield was about 6% in the late 1990s, more than triple today's level, while bond markets in Europe and Japan sport widespread negative yields that drive global investors into relatively safe

positive-yielding investments like utilities. Another reason is the strong fundamentals that underpin prospects for total returns in excess of 8% (5% from earnings growth and 3% from the dividend). While PEs seem high, utilities may offer enough value to lift multiples higher still if global economic growth turns down and interest rates fall to new lows.

Other Risks

A sharp rise in interest rates is widely seen as the biggest macro threat facing utility investors. Although that has been said for years and interest rates just seem to fall. Inflation held near 2% throughout 2018 even as the economy roared

and didn't move in 2019 either. The main risk to the very long-lived economic expansion seems to be weakness rather than red-hot growth.

A second, less discussed risk is pushback on rate increases needed to fund capex programs. Stable fuel costs and low interest rates have kept bill pressures muted. Industry analysts expect that trend will continue. But if the economy enters recession and consumer incomes fall, managing regulatory risk and financing needed capex through customer rates may become more challenging than it has been in recent years. ■

Q4 2019 Dividends

HIGHLIGHTS

- The investor-owned electric utility industry continued its long-term trend of widespread dividend increases in 2019; 37 companies increased or reinstated their dividend compared to 39 in 2018, 38 in 2017, and 40 in 2016.
- The percentage of companies that raised or reinstated their dividend in 2019 was 93%, matching 2018's record high. This exceeded 2017's 88% and the previous record of 91% in 2016.
- The average dividend increase in 2019 was 5.1%, with a range of 0.6% to 12.6% and a median increase of 4.9%.
- The industry's dividend payout ratio was 67.0% for the twelve months ended September 30, 2019, trailing only the Energy sector's 80.0% among U.S. business sectors.
- The industry's average dividend yield was 3.0% on December 31, 2019, trailing only the Energy sector's 3.8% and the broader Utilities sector's 3.1%. The industry's average yield was 3.4% on December 31, 2018. The EEI Index gained more than 25% in 2019, offsetting the widespread dividend growth and resulting in a slightly lower year-end yield.

COMMENTARY

The investor-owned electric utility industry continued its long-term trend of widespread dividend increases in 2019. A total of 37 companies increased or reinstated their dividend compared to 39 in 2018, 38 in 2017, 40 in 2016 and 36 to 40 companies annually from 2012 through 2015.

The percentage of companies that raised or reinstated their dividend in 2019 was 93%, matching 2018's record high. This exceeded 2017's 88% and the previous record of 91% in 2016, the next two highest historical results. These followed results of 85% in 2015 and a range of 73% to 79%

I. Sector Comparison, Dividend Payout Ratio

Last Twelve Months

Sector	Payout Ratio (%)
EEI Index Companies*	67.0%
Energy	80.0%
Utilities	63.6%
Consumer Staples	55.9%
Materials	42.1%
Industrial	36.1%
Consumer Discretionary	32.7%
Technology	29.9%
Health Care	28.6%
Financial	28.0%

*For this table, EEI (1) sums dividends and (2) sums earnings of all index companies and then (3) divides to determine the comparable dividend payout ratio (DPR).

EEI Index Companies payout ratio based on LTM common dividends paid and income before nonrecurring and extraordinary items (actuals as of 9/30/2019).

S&P sector payout ratios based on 2019E dividends and earnings per share (estimates as of 12/31/2019).

For more information on constituents of each S&P sector see www.sectorspdr.com.

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

II. Sector Comparison, Dividend Yield

at 12/31/2019

Sector	Yield (%)
EEI Index Companies	3.0%
Energy	3.8%
Utilities	3.1%
Consumer Staples	2.6%
Financial	2.0%
Materials	2.0%
Industrial	1.9%
Health Care	1.6%
Consumer Discretionary	1.4%
Technology	1.3%

*EEI Index Companies' yield based on last announced, annualized dividend rates (as of 12/31/2019); S&P sector yields based on 2019E cash dividends (estimates as of 12/31/2019).

For more information on constituents of each S&P sector see www.sectorspdr.com.

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

III. Dividend Patterns 1996–2019

U.S. Investor-Owned Electric Utilities

	Raised	No Change	Lowered	Omitted	Reinstated	Not Paying	Total	Dividend Payout Ratio*								
1996	48	44	2	1	1	2	98	70.7%								
1997	40	45	6	2	0	3	96	84.2%								
1998	40	37	7	0	0	5	89	82.1%								
1999	29	45	4	0	3	2	83	74.9%								
2000	26	39	3	1	0	2	71	63.9%								
2001	21	40	3	2	0	3	69	64.1%								
2002	26	27	6	3	0	3	65	67.5%								
2003	26	24	7	2	1	5	65	63.7%								
2004	35	22	1	0	0	7	65	67.9%								
2005	34	22	1	1	2	5	65	66.5%								
2006	41	17	0	0	0	6	64	63.5%								
2007	40	15	0	0	3	3	61	62.1%								
2008	36	20	1	0	1	1	59	66.8%								
2009	31	23	3	0	0	1	58	69.6%								
2010	34	22	0	0	0	1	57	62.0%								
2011	31	22	0	1	1	0	55	62.8%								
2012	36	14	0	0	1	0	51	64.2%								
2013	36	12	1	0	0	0	49	61.5%								
2014	38	9	1	0	0	0	48	60.4%								
2015	39	7	0	0	0	0	46	67.0%								
2016	40	4	0	0	0	0	44	62.9%								
2017	38	4	0	1	0	0	43	64.0%								
2018	39	1	1	0	0	1	42	63.9%								
2019 Q1	19	20	0	0	0	1	40	65.6%								
2019 Q2	3	36	0	0	0	1	40	68.8%								
2019 Q3	3	36	0	0	0	1	40	68.7%								
2019 Q4	12	27	0	0	0	1	40	64.8%								
2019	37	2	0	0	0	1	40	64.8%								
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Avg. Increase	18.7%	8.4%	9.2%	7.4%	9.4%	7.2%	8.2%	6.8%	7.2%	5.3%	5.7%	5.8%	5.6%	5.6%	5.7%	5.1%
Avg. Decrease	47.4%	40.0%	NA	NA	45.7%	46.4%	NA	100%	NA	41.0%	34.5%	NA	NA	NA	79.8%	NA

Note: Prior to 2000: Total industry dividends/total industry earnings. Starting in 2000: Average of all companies paying dividend. Only one action per company per year is counted. If a company raised its dividend twice, this counts as one in the Raised column. / * Current year figures reflect dividend changes (raised, lowered, etc.) through 12/31/2019 and earnings and dividends through 9/30/2019 (payout ratio). / Source: AltaVista Research, S&P Global Market Intelligence, EEI Finance Department.

IV. Category Comparison, Dividend Payout Ratio

Last Twelve Months

Category	2011	2012	2013	2014	2015	2016	2017	2018	2019*
EEI Index	62.8	64.2	61.5	60.4	67.0	62.9	64.0	63.9	64.8
Regulated	63.4	62.1	60.5	59.4	68.7	61.1	68.7	60.1	64.2
Mostly Reg.	63.1	69.7	64.7	63.8	62.6	68.0	53.3	72.8	66.9
Diversified	54.7	53.4	44.7	56.4	64.9	64.6	--	--	--

Regulated: 80% or more of total assets are regulated

Mostly Regulated: Less than 80% of total assets are regulated

Diversified: Prior to 2017, less than 50% of total assets are regulated

*2019 figures reflect earnings and dividends through 9/30/2019.

Source: EEI Finance Department, S&P Global Market Intelligence and company reports.

V. Category Comparison, Dividend Yield

at 12/31/2019

Category	Dividend Yield (%)
EEI Index	3.0
Regulated	3.0
Mostly Regulated	3.1

Regulated: 80% or more of total assets are regulated

Mostly Regulated: Less than 80% of total assets are regulated

Source: EEI Finance Department, S&P Global Market Intelligence and company reports.

back to 2012. Only 27 of the 65 utilities tracked by EEI increased their dividend in 2003, just prior to the passage of legislation that reduced dividend tax rates. The record high of 93% in both 2018 and 2019 is based on data beginning in 1988. (Note: M&A activity reduced the number of utilities tracked by EEI from 65 in 2003 to 40 at year-end 2019).

As shown on Table III – Dividend Patterns, 39 of the

40 publicly traded utilities in the EEI Index were paying a common stock dividend as of December 31, 2019. Each company is limited to one action per year in the table. For example, if a company raised its dividend twice during a year, that counts as one in the Raised column. Companies generally use the same quarter each year for dividend changes, with the first being the most common for electric utilities.

VI. Dividend Summary

U.S. Investor-Owned Electric Utilities (at 12/31/2019)

Company (Stock Symbol)	Company Category	Annualized Dividend	Payout Ratio (%)	Yield (%)	Last Action	To	From	Date Announced
ALLETE, Inc. (ALE)	MR	\$2.35	67.9%	2.9%	Raised	\$2.35	\$2.24	2019 Q1
Alliant Energy Corporation (LNT)	R	\$1.42	61.2%	2.6%	Raised	\$1.42	\$1.34	2019 Q1
Ameren Corporation (AEE)	R	\$1.98	57.8%	2.6%	Raised	\$1.98	\$1.90	2019 Q4
American Electric Power Co., Inc. (AEP)	R	\$2.80	60.6%	3.0%	Raised	\$2.80	\$2.68	2019 Q4
AVANGRID, Inc. (AGR)	MR	\$1.76	93.6%	3.4%	Raised	\$1.76	\$1.73	2018 Q3
Avista Corporation (AVA)	R	\$1.55	92.4%	3.2%	Raised	\$1.55	\$1.49	2019 Q1
Black Hills Corporation (BKH)	R	\$2.14	48.5%	2.7%	Raised	\$2.14	\$2.02	2019 Q4
CenterPoint Energy, Inc (CNP)	MR	\$1.15	61.6%	4.2%	Raised	\$1.15	\$1.11	2018 Q4
CMS Energy Corporation (CMS)	R	\$1.53	67.0%	2.4%	Raised	\$1.53	\$1.43	2019 Q1
Consolidated Edison, Inc. (ED)	R	\$2.96	67.9%	3.3%	Raised	\$2.96	\$2.86	2019 Q1
Dominion Energy, Inc. (D)	R	\$3.67	116.0%	4.4%	Raised	\$3.67	\$3.34	2019 Q1
DTE Energy Company (DTE)	MR	\$4.05	59.9%	3.1%	Raised	\$4.05	\$3.78	2019 Q4
Duke Energy Corporation (DUK)	R	\$3.78	65.0%	4.1%	Raised	\$3.78	\$3.71	2019 Q3
Edison International (EIX)	R	\$2.55	29.8%	3.4%	Raised	\$2.55	\$2.45	2019 Q4
El Paso Electric Company (EE)	R	\$1.54	58.2%	2.3%	Raised	\$1.54	\$1.44	2019 Q2
Entergy Corporation (ETR)	R	\$3.72	52.0%	3.1%	Raised	\$3.72	\$3.64	2019 Q4
Evergy, Inc. (EVERG)	R	\$2.02	72.5%	3.1%	Raised	\$2.02	\$1.90	2019 Q4
Eversource Energy (ES)	R	\$2.14	57.6%	2.5%	Raised	\$2.14	\$2.02	2019 Q1
Exelon Corporation (EXC)	MR	\$1.45	55.1%	3.2%	Raised	\$1.45	\$1.38	2019 Q1
FirstEnergy Corp. (FE)	R	\$1.56	62.6%	3.2%	Raised	\$1.56	\$1.52	2019 Q4
Hawaiian Electric Industries, Inc. (HE)	MR	\$1.28	68.1%	2.7%	Raised	\$1.28	\$1.24	2019 Q1
IDACORP, Inc. (IDA)	R	\$2.68	60.1%	2.5%	Raised	\$2.68	\$2.52	2019 Q4
MDU Resources Group, Inc. (MDU)	MR	\$0.83	50.1%	2.8%	Raised	\$0.83	\$0.81	2019 Q4
MGE Energy, Inc. (MGEE)	R	\$1.41	54.7%	1.8%	Raised	\$1.41	\$1.35	2019 Q3
NextEra Energy, Inc. (NEE)	MR	\$5.00	93.5%	2.1%	Raised	\$5.00	\$4.44	2019 Q1
NiSource Inc. (NI)	R	\$0.80	57.6%	2.9%	Raised	\$0.80	\$0.78	2019 Q1
NorthWestern Corporation (NWE)	R	\$2.30	54.6%	3.2%	Raised	\$2.30	\$2.20	2019 Q1
OGE Energy Corp. (OGE)	R	\$1.55	65.0%	3.5%	Raised	\$1.55	\$1.46	2019 Q3
Otter Tail Corporation (OTTR)	R	\$1.40	68.3%	2.7%	Raised	\$1.40	\$1.34	2019 Q1
PG&E Corporation (PCG)	R	\$0.00	0.0%	0.0%	Lowered	\$0.00	\$2.12	2017 Q4
Pinnacle West Capital Corporation (PNW)	R	\$3.13	62.3%	3.5%	Raised	\$3.13	\$2.95	2019 Q4
PNM Resources, Inc. (PNM)	R	\$1.23	41.0%	2.4%	Raised	\$1.23	\$1.16	2019 Q4
Portland General Electric Company (POR)	R	\$1.54	64.9%	2.8%	Raised	\$1.54	\$1.45	2019 Q2
PPL Corporation (PPL)	R	\$1.65	65.7%	4.6%	Raised	\$1.65	\$1.64	2019 Q1
Public Service Enterprise Group Inc. (PEG)	MR	\$1.88	52.2%	3.2%	Raised	\$1.88	\$1.80	2019 Q1
Sempra Energy (SRE)	R	\$3.87	52.5%	2.6%	Raised	\$3.87	\$3.58	2019 Q1
Southern Company (SO)	R	\$2.48	109.5%	3.9%	Raised	\$2.48	\$2.40	2019 Q2
Unitil Corporation (UTL)	R	\$1.48	73.0%	2.4%	Raised	\$1.48	\$1.46	2019 Q1
WEC Energy Group, Inc. (WEC)	R	\$2.36	66.9%	2.6%	Raised	\$2.36	\$2.21	2019 Q1
Xcel Energy Inc. (XEL)	R	\$1.62	59.7%	2.6%	Raised	\$1.62	\$1.52	2019 Q1
Industry Average			64.8%	3.0%				

Categories – R = Regulated (80% or more of total assets are regulated), MR = Mostly Regulated (Less than 80% of total assets are regulated); based on assets at 12/31/2018.
 Dividend Per Share – Per share amounts are annualized declared figures as of 12/31/2019.
 Dividend Payout Ratio – Dividends paid for 12 months ended 9/30/2019 divided by net income before nonrecurring and extraordinary items for 12 months ended 9/30/2019.
 Dividend Yield – Annualized Dividends Per Share at 12/31/2019 divided by stock price at market close on 12/31/2019.
 NM applies to companies with negative earnings or payout ratios greater than 200%.

While net income is after-tax, nonrecurring and extraordinary items are pre-tax, as there is no consistent method of gathering these items on a tax adjusted basis under current reporting guidelines. On an individual company basis, the Payout Ratio in the table could differ slightly from what is reported directly by the company.

Source: EEI Finance Department and S&P Global Market Intelligence.

VII. Free Cash Flow

U.S. Investor-Owned Electric Utilities

(\$ Billions)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Cash Provided by Oper. Activities	82.9	77.7	84.4	84.0	87.1	89.0	101.6	98.3	101.2	100.0
— Capital Expenditures	(77.6)	(74.2)	(78.6)	(90.3)	(90.3)	(96.1)	(104.0)	(112.5)	(113.1)	(119.5)
— Div. Paid to Common Shareholders	(17.1)	(18.0)	(19.3)	(20.5)	(20.8)	(21.1)	(22.5)	(23.8)	(25.5)	(25.6)
Free Cash Flow	(11.8)	(14.4)	(13.5)	(26.8)	(24.0)	(28.2)	(24.8)	(38.0)	(37.5)	(37.5)

Source: S&P Global Market Intelligence and EEI Finance Department.

2019 Increases Average 5.1%

The average dividend increase in 2019 was 5.1%, with a range of 0.6% to 12.6% and a median increase of 4.9%. NextEra (+12.6% in Q1), Dominion (+9.9% in Q1), Sempra (+8.1% in Q1) and DTE (+7.1% in Q4) posted the largest percentage increases.

NextEra Energy, headquartered in Juno Beach, Florida, raised its quarterly dividend from \$1.11 to \$1.25 per share in Q1. The increase is consistent with its plan, announced in 2018, to target 12% to 14% annual growth in dividends per share through at least 2020, off a 2017 base. NextEra recorded the industry's second-highest percentage increase in 2018 (+13.0%) and the largest percentage increases in both 2017 (+12.9%) and 2016 (+13.0%, along with Edison International and DTE Energy).

Dominion Energy, based in Richmond, Virginia, increased its quarterly dividend from \$0.835 to \$0.9175 per share in Q1. As a result, 2019 marked the 16th consecutive year in which Dominion increased its dividend.

Sempra Energy, based in San Diego, California, announced in Q1 a quarterly increase from \$0.895 to \$0.9675 per share; 2019 was the ninth consecutive year that Sempra increased its dividend, which has grown by more than 47 percent since 2014.

DTE Energy, headquartered in Detroit, Michigan, raised its quarterly dividend from \$0.945 to \$1.0125 per share during Q4. DTE has issued a cash dividend for more than 100 years.

The industry's average and median increases have been relatively consistent in recent years. The average increase was 5.7% in 2018 and 5.6% in both 2017 and 2016. The median was 5.5% in 2018 and 2017 and 5.1% in 2016.

Payout Ratio and Dividend Yield

The industry's dividend payout ratio was 67.0% for the twelve months ended September 30, 2019, trailing only the Energy sector's 80.0% among U.S. business sectors. The industry's payout ratio was 64.8% when measured as an un-weighted average of individual company ratios; 67.0% represents an aggregate figure. From 2000 through 2019, the industry's annual payout ratio ranged from 60.4% to 69.6%.

While the industry's net income has fluctuated from year to year, its payout ratio has remained relatively con-

sistent after eliminating non-recurring and extraordinary items from earnings. We use the following approach when calculating the industry's dividend payout ratio:

1. Non-recurring and extraordinary items are eliminated from earnings.
2. Companies with negative adjusted earnings are eliminated.
3. Companies with a payout ratio in excess of 200% are eliminated.

The industry's average dividend yield was 3.0% on December 31, 2019, trailing only the Energy sector's 3.8% and the broader Utilities sector's 3.1%. The year-end yield was 3.4% in each of the three previous years. In 2019, the industry's strong dividend activity was more than offset by stock price gains, resulting in the lower average yield. The market cap-weighted EEI Index increased by 25.8% in 2019.

We calculate the industry's aggregate dividend yield using an un-weighted average of the yields of EEI Index companies paying a dividend. The strong yields prevalent among most electric utilities have helped support their share prices over the past decade, particularly given the period's historically low interest rates. The Tax Cuts and Jobs Act, signed into law in December 2017, maintained pre-existing tax rates for dividends and capital gains. This is crucial to avoid a capital raising disadvantage for high-dividend companies.

Business Category Comparison

The Regulated category's dividend payout ratio was 64.2% for the 12 months ended September 30, 2019 compared to 66.9% for the Mostly Regulated category. The Regulated group produced the highest annual payout ratio in 2017, 2015, 2011, 2010 and in each year from 2003 through 2008. It was exceeded by the Mostly Regulated group in 2018, 2016, 2014, 2013, 2012 and 2009; weaker earnings from competitive power likely contributed to the higher payout ratio for the Mostly Regulated group in those years.

The Regulated and Mostly Regulated groups' average dividend yields were 3.0% and 3.1%, respectively, on December 31, 2019. Both had a 3.4% average dividend yield at year-ends 2018 and 2017. The yields for the Regulated and Mostly Regulated categories were 3.4% and 3.5%, respectively, on December 31, 2016. ■

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).

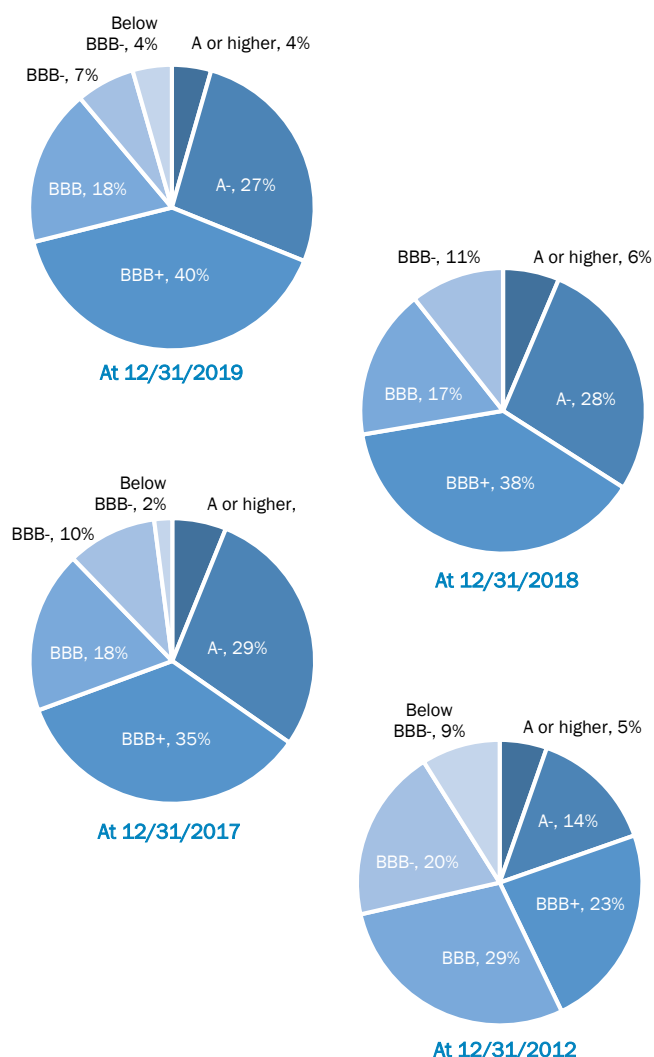
COMMENTARY

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

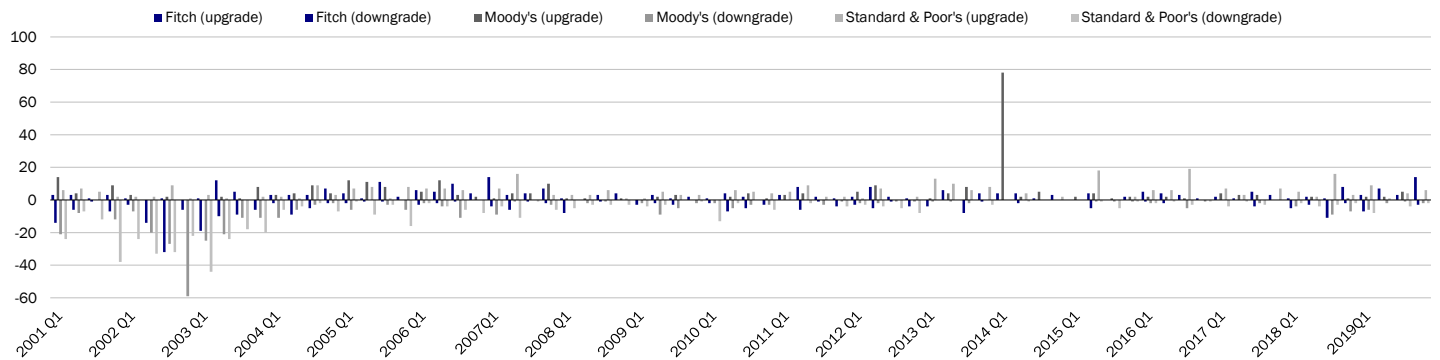
U.S. Investor-Owned Electric Utilities (parent level only)



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)

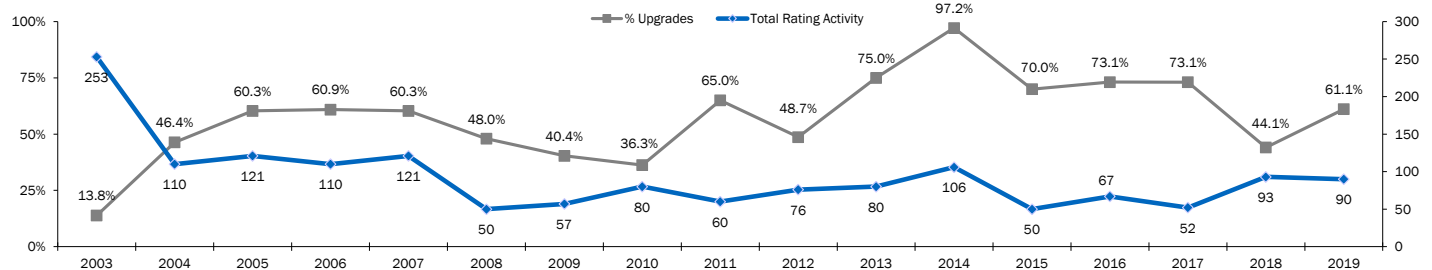
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fitch	57	62	34	22	31	41	17	14	24	25	26	23	14	11	16	15	33	36
Moody's	118	79	42	46	39	32	6	23	20	11	20	17	85	12	13	12	23	20
S&P	125	112	34	53	40	48	27	20	36	24	30	40	7	27	38	25	37	34
Total	300	253	110	121	110	121	50	57	80	60	76	80	106	50	67	52	93	90

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%
Total Actions	300	253	110	121	110	121	50	57	80	60	76	80	106	50	67	52	93	90



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	
REGULATED																
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%
Total	36	100%	35	100%	38	100%	36	100%	36	100%	35	100%	34	100%	35	100%
MOSTLY REGULATED																
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%
Total	17	100%	17	100%	13	100%	13	100%	12	100%	14	100%	13	100%	10	100%
DIVERSIFIED																
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%
Total	3	100%	2	100%	2	100%	2	100%	2	100%	2	100%	2	100%	2	100%

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+. ■