Edison Electric
INSTITUTE

2020 Industry Financial Highlights

February 10, 2021

This document is comprised of Q4 2020 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 financial updates present industry trend analyses and financial data covering 44 U.S. investor-owned electric utility companies. These 44 companies include 39 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

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 7-9, 2021
Diplomat Resort & Spa
Hollywood, Florida

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.

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The 44 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)
Entergy Corporation (ETR)
Evergy, Inc. (EVRG)
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 12/31/2019)

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	80% or more of total assets are regulated
Mostly 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 44)

Alliant Energy Corporation
Ameren Corporation
American Electric Power Company, Inc.
Avista Corporation
Black Hills Corporation
CenterPoint Energy, Inc.
Cleco Corporation
CMS Energy Corporation
Consolidated Edison, Inc.
Dominion Energy, Inc.
DPL Inc.
Duke Energy Corporation
Edison International
Entergy Corporation
Evergy, Inc.
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.
Southern Company
Unitil Corporation
WEC Energy Group, Inc.
Xcel Energy Inc.

Mostly Regulated (10 of 44)

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

Q4 2020

Stock Performance

HIGHLIGHTS

- The COVID-19 pandemic sent market indices down 35% from January 1 through late March. Emergency Fed rate cuts, massive fiscal stimulus and vaccine optimism powered a dramatic rebound over the rest of 2020. Full-year returns reached nearly 10% for the Dow Jones Industrials, over 18% for the S&P 500 and more than 40% for the Nasdaq.
- The EEI Index's -1.2% 2020 return would have been lower without NextEra Energy's 30% gain. NextEra accounted for 17% of the EEI Index at year end. Most utility shares fell more than 5% in 2020.
- Earnings growth outlooks for utilities under analyst coverage rose slightly in 2020, in synch with the growing size and scope of capex programs focused on achieving the nation's aggressive clean energy goals.
- With most utility shares in the red for the year, interest rates lower and long-term growth prospects unchanged (if not improved), analysts were bullish at year-end. Many noted headroom for gains even if interest rates rise from today's unusually low levels. Regulatory pushback on rate relief for capex programs was seen as a primary risk.

COMMENTARY

Future stock market historians will likely view 2020 as one of the strangest years ever. Who could have predicted in March — when major indices were rocked by COVID-19 and down 35% from January 1 — that full-year returns would reach nearly 10% for the Dow Jones Industrials, almost 20% for the S&P 500 and more than 40% for the Nasdaq? Utilities, despite their defensive characteristics, were also off 35% at the March lows but recovered only tepidly

I. Index Comparison (% Return)

Index	2014	2015	2016	2017	2018	2019	2020
EEI Index	28.9	-3.9	17.4	11.7	3.7	25.8	-1.2
Dow Jones Inds.	10.0	0.2	16.5	28.1	-3.5	25.3	9.7
S&P 500	13.7	1.4	12.0	21.8	-4.4	31.5	18.4
Nasdaq Comp.^	13.4	5.7	7.5	28.2	-3.9	35.2	43.6

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)

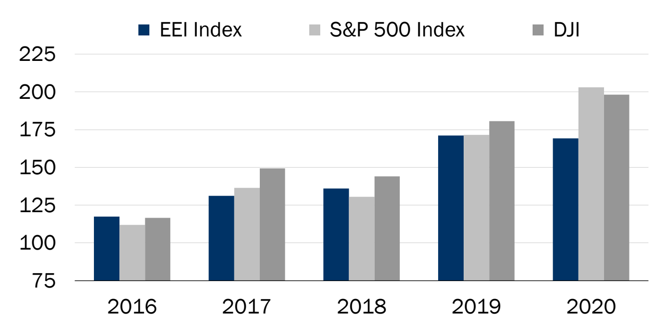
U.S. Investor-Owned Electric Utilities

Index	2014	2015	2016	2017	2018	2019	2020
All Companies	27.6	-2.0	22.2	11.6	4.3	23.1	-8.1
Regulated	28.9	-0.7	21.2	11.7	4.5	24.6	-9.0
Mostly Regulated	27.5	-3.7	24.6	11.3	3.6	17.9	-4.9
Diversified	6.6	-14.4	25.6	n/a**	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

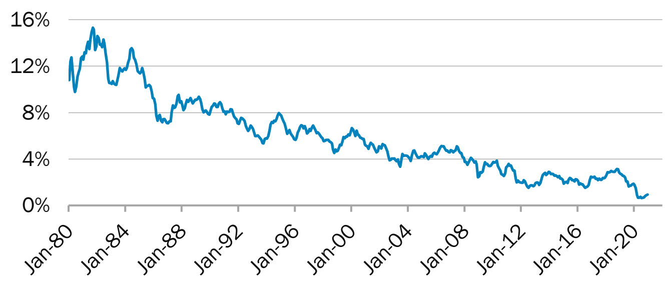
Value of $100 invested at close on 12/31/2015



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

IV. 10-Year Treasury Yield — Monthly

Average Monthly Yield, 1/1/1980 through 12/31/2020



Source: U.S. Federal Reserve

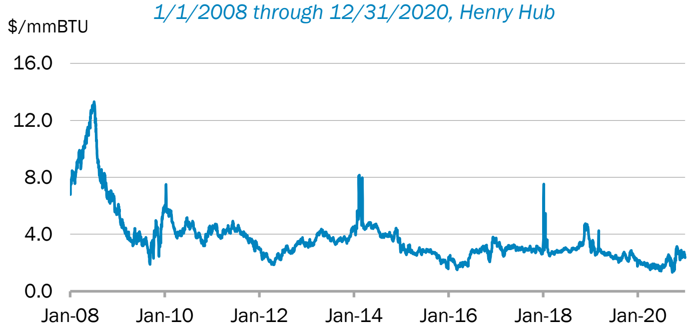
V. 10-Year Treasury Yield — Weekly

Daily Yield, 1/1/2008 through 12/31/2020

Source: U.S. Federal Reserve

VI. Natural Gas Spot Prices

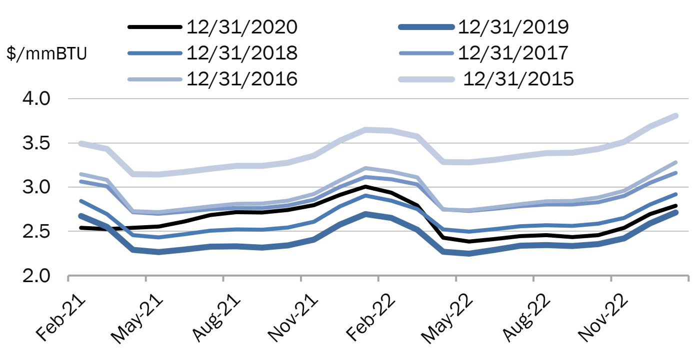
1/1/2008 through 12/31/2020, Henry Hub



Source: S&P Global Market Intelligence

VII. NYMEX Natural Gas Futures

February 2021 through January 2023, Henry Hub



Source: S&P Global Market Intelligence

VIII. Returns by Quarter

U.S. Investor-Owned Electric Utilities

Index	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
EEI Index	-3.3	3.8	2.0	1.3	11.1	4.1	8.2	0.4	-13.6	1.8	5.6	6.5
Dow Jones Industrials	-2.0	1.3	9.6	-11.3	11.8	3.2	1.8	6.7	-22.7	18.5	8.2	10.7
S&P 500	-0.8	3.4	7.7	-13.5	13.7	4.3	1.7	9.1	-19.6	20.5	8.9	12.2
Nasdaq Comp.^	2.3	6.3	7.1	-17.5	16.5	3.6	-0.1	12.2	-14.2	30.6	11.0	15.4

Category*	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
All Companies	-3.0	5.3	1.4	0.8	10.6	4.9	6.5	-0.4	-15.8	-1.0	1.3	8.8
Regulated	-3.5	5.4	2.0	0.7	10.6	5.9	6.5	-0.1	-15.0	-1.3	-0.1)	8.6
Mostly Regulated	-1.9	5.0	-0.3	0.9	10.5	1.3	6.6	-1.2	-18.3	0.2	6.2	9.3

^Price gain/(loss) only. Other indices show total return. / * Returns shown here are unweighted averages of constituent company returns. The EEI Index return shown above is cap-weighted.
Source: EEI Finance Department, S&P Global Market Intelligence

IX. Sector Comparison, Trailing 3 mo. Total Return

For the three-month period ending 12/31/2020

Sector	Total Return
Oil & Gas	28.3%
Financials	18.1%
Industrials	16.8%
Consumer Goods	16.7%
Basic Materials	15.6%
Technology	13.2%
Consumer Services	11.4%
Healthcare	8.5%
Utilities	7.4%
EEI Index	6.5%
Telecommunications	3.3%

Note: Sector Comparison page based on the Dow Jones U.S. Indexes, which are market-capitalization-weighted indices.
Source: EEI Finance Dept., Dow Jones & Company, Google Finance, Y Charts

X. Sector Comparison, Trailing 12 mo. Total Return

For the twelve-month period ending 12/31/2020

Sector	Total Return
Technology	47.3%
Consumer Goods	33.2%
Consumer Services	29.8%
Basic Materials	18.3%
Industrials	17.9%
Healthcare	16.0%
Financials	-0.5%
Utilities	-0.6%
EEI Index	-1.2%
Telecommunications	-5.9%
Oil & Gas	-33.2%

Note: Sector Comparison page based on the Dow Jones U.S. Indexes, which are market-capitalization-weighted indices.
Source: EEI Finance Dept., Dow Jones & Company, Google Finance, Y Charts

XI. Market Capitalization at December 31, 2020 (in $ Millions)

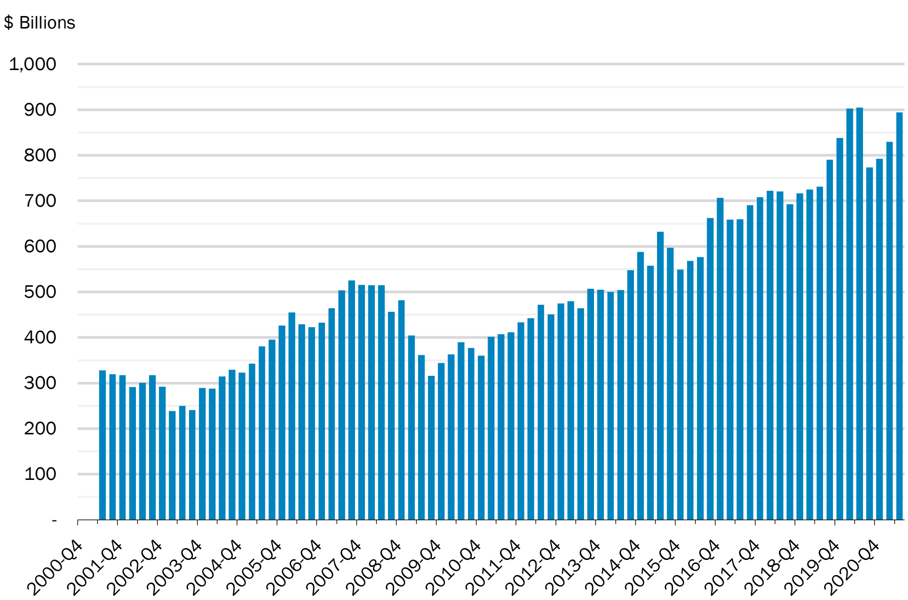
U.S. Investor-Owned Electric Utilities

Company	Stock Symbol	$ Market Cap	% Total	Company	Stock Symbol	$ Market Cap	% Total
NextEra Energy, Inc.	NEE	151,183	16.90%	AVANGRID, Inc.	AGR	14,066	1.57%
Duke Energy Corporation	DUK	67,297	7.52%	Alliant Energy Corporation	LNT	12,867	1.44%
Southern Company	SO	64,993	7.27%	Evergy, Inc.	EVRG	12,617	1.41%
Dominion Energy, Inc.	D	62,702	7.01%	CenterPoint Energy, Inc.	CNP	11,790	1.32%
American Electric Power Co., Inc.	AEP	41,317	4.62%	Pinnacle West Capital Corp.	PNW	9,009	1.01%
Exelon Corporation	EXC	41,207	4.61%	NiSource Inc.	NI	8,804	0.98%
Sempra Energy	SRE	36,884	4.12%	OGE Energy Corp.	OGE	6,375	0.71%
Xcel Energy Inc.	XEL	35,068	3.92%	MDU Resources Group, Inc.	MDU	5,282	0.59%
Eversource Energy	ES	29,680	3.32%	IDACORP, Inc.	IDA	4,853	0.54%
Public Service Enter. Group Inc.	PEG	29,383	3.28%	PNM Resources, Inc.	PNM	3,876	0.43%
WEC Energy Group, Inc.	WEC	29,026	3.25%	Hawaiian Electric Industries, Inc.	HE	3,864	0.43%
PG&E Corporation	PCG	24,509	2.74%	Black Hills Corporation	BKH	3,845	0.43%
Consolidated Edison, Inc.	ED	24,174	2.70%	Portland General Electric Co.	POR	3,828	0.43%
Edison International	EIX	23,746	2.65%	ALLETE, Inc.	ALE	3,215	0.36%
DTE Energy Company	DTE	23,432	2.62%	NorthWestern Corporation	NWE	2,949	0.33%
PPL Corporation	PPL	21,680	2.42%	Avista Corporation	AVA	2,737	0.31%
Entergy Corporation	ETR	19,990	2.23%	MGE Energy, Inc.	MGEE	2,532	0.28%
Ameren Corporation	AEE	19,289	2.16%	Otter Tail Corporation	OTTR	1,743	0.19%
CMS Energy Corporation	CMS	17,424	1.95%	Unitil Corporation	UTL	662	0.07%
FirstEnergy Corp.	FE	16,591	1.85%	**Total Industry**		**894,490**	**100.00%**

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

XII. EEI Index Market Capitalization (at Period End)

U.S. Investor-Owned Electric Utilities



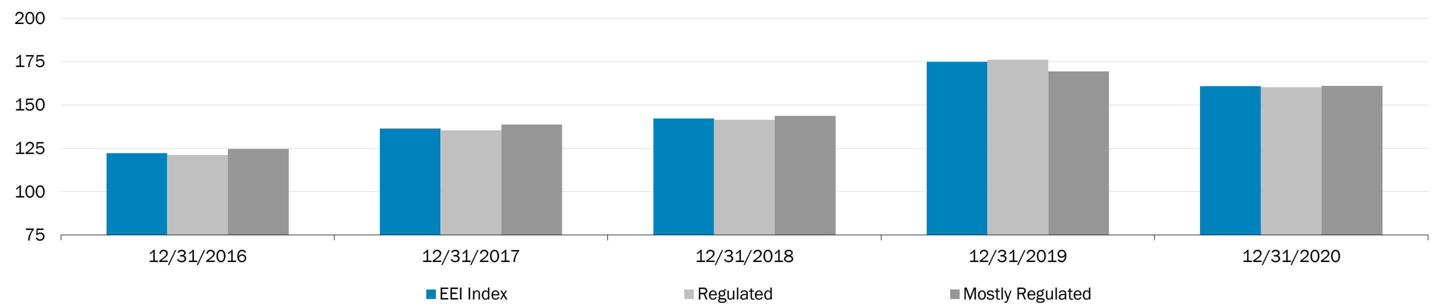
Note: Change in EEI Index market capitalization reflects the impact of buyout and spin-off activity in addition to stock market performance.
Source: EEI Finance Dept., S&P Global Market Intelligence

EEI Index Market Cap (in $ Billions)

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
2012-Q1	451	2020-Q1	773
2012-Q2	475	2020-Q2	792
2012-Q3	480	2020-Q3	830
2012-Q4	464	2020-Q4	894

XIII. Comparative Category Total Annual Returns

U.S. Investor-Owned Electric Utilities, Value of $100 invested at close on 12/31/2020



	2015	2016	2017	2018	2019	2020
EEI Index Annual Return (%)		22.21	11.56	4.28	23.06	-8.07
EEI Index Cumulative Return ($)	100.00	122.21	136.34	142.17	174.95	160.83
Regulated EEI Index Annual Return		21.16	11.66	4.55	24.56	-9.01
Regulated EEI Index Cumulative Return	100.00	121.16	135.29	141.44	176.18	160.30
Mostly Regulated EEI Index Annual Return		24.57	11.32	3.62	17.87	-4.95
Mostly Regulated EEI Index Cumulative Return	100.00	124.57	138.67	143.69	169.37	160.99

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

compared to broad market ebullience. The EEI Index finished 2020 with a -1.2% return including dividends. And this would have been lower without NextEra Energy's 30% gain. NextEra is the biggest utility by market cap, accounting for 17% of the EEI Index at year end. Most EEI Index constituents finished the year with share prices down 5% or more.

The market's gyrations seemed to anticipate the trajectory of economic data, which showed spectacular volatility. The Bureau of Economic Analysis (BEA) reported U.S. gross domestic product (GDP) fell 5.1% in Q1 2020 from the preceding quarter before crashing to a -31.4% decline in Q2. Aggressive support from the Federal Reserve and the late March CARES act — which injected $2.3 trillion of stimulus (11% of GDP) through direct payments to individuals, unemployment support and $483 billion of forgivable loans to small businesses — powered a 33.4% GDP recovery in Q3 from Q2. Stocks were also lifted late in the year's second half by optimism over COVID-19 vaccine progress, which seemed to offer welcome hope that life in 2021 may slowly return to normal.

Investor sentiment always colors macroeconomic news with confirmation bias. Measured on a year-over-year basis (rather than quarter-to-quarter), U.S. GDP fell 9.0% in Q2 and 2.8% in Q3, hardly a picture of strength. But investors had their minds set on "recovery" and sequential data gave them the numbers they were looking for.

XIV. EEI Index Top Ten Performers

For the 12-month period ending 12/31/2020

Company	% Return	Category
NextEra Energy, Inc.	30.2	MR
PG&E Corporation	14.6	R
Xcel Energy Inc.	7.8	R
Duke Energy Corporation	5.0	R
Eversource Energy	4.5	R
Ameren Corporation	4.4	R
WEC Energy Group, Inc.	2.6	R
Public Service Enterprise Group Inc.	2.6	MR
Southern Company	1.0	R
CMS Energy Corporation	-0.2	R

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

Interest Rates Fall to Record Lows

Wall Street analysts scratched their heads a bit over utility shares' 2020 performance since utilities are classically seen as safe-havens in times of market stress. Some cited as potential causes utilities rich valuations as the year began, concerns over load strength, and dysfunctional credit markets when pandemic news worsened by the day (given the industry's capital raising needs). But 2020 was so atypical that historical patterns may simply be poor guides. Analysts viewed utilities' sluggish second half as a function of market technicals and the strength of money flows into technology and consumer goods and services companies that benefit from both stay-at-home lifestyles and a cyclical economic rebound.

Interest rate moves certainly favored utilities, whose steady dividends make them a bond substitute for income-oriented investors. The Federal Reserve cut its overnight Fed Funds rate from 1.5% in February to near 0% by late March, where it remained through year-end. The 10-year Treasury yield fell from 1.8% in January to under 0.6% in August before drifting back to just over 1% at year-end. The 30-year Treasury yield likewise fell from 2.3% to a range of 1.3% to 1.6% through August before rising to 1.6% at year-end. These rate moves somewhat contradict the stock market's expectation for a fast rebound to pre-COVID-19 economic strength.

Pandemic Hits Electricity Demand

Widespread energy efficiency programs and economic deindustrialization have put a stop to secular electricity demand growth, which has been flat for a decade. COVID-19 shutdowns depressed demand further in 2020. U.S. electric output fell 4.7% year-to-year in Q2 and 1.6% in Q3 with a full-year decline of 2.9%. However, analysts noted that weakness was focused on commercial and industrial load, which fell more than 10% year-to-year from Q2 on. After falling 6% in Q1 on mild winter temps, residential demand actually jumped 7.5% in Q2 and roughly 3% to 4% in 2020's second half as people were stuck at home. The rise in higher-margin residential demand helped soften the pandemic's impact on utility earnings.

Industry Outlook Remains Upbeat

Wall Street research published late in the year showed remarkable thematic stability relative to pre-pandemic thinking. Industry growth stories remained intact. Capex projections ratcheted slightly higher. Earnings visibility extended out to the decade's back half as companies embraced growth largely through regulated investments.

Investors and analysts sharpened their focus on environmental, social and governance (ESG) metrics in 2020 leading to a perceived lift in share price performance for companies that rank well. As leaders of the nation's transition to clean energy, EEI members have a very positive ESG story to tell. Working with member companies, analysts and investors, EEI created the first industry-wide ESG/sustainability reporting template, which is now utilized by virtually all EEI member companies. An enhanced template with additional focus on social topics will be released this year for 2020 reporting.

Earnings growth outlooks for many utilities under analyst coverage rose slightly, in synch with the size and scope of growing capex programs. Industry long-term earnings growth targets cluster around 5% to 6% (as a rough generality), with individual utilities higher or lower depending on specific circumstances. Utilities also contributed to improved outlooks through aggressive operations and maintenance cost management as smart-grid investments pay off. And analysts generally observed that most utilities under their research coverage saw little earnings impact from the COVID-19 shock.

Ongoing capex programs run the gamut and include new renewable generation, new gas-fired generation, gas pipeline upgrades, electric transmission and distribution modernization and expansion, smart-grid deployment, and reliability-related network hardening. Analysts continued 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.

Biden Win Boosts Green Themes

Biden campaign messaging included $2 trillion in clean energy investments, a 100% clean power economy and net-zero U.S. carbon emissions by 2050. Given political uncertainty over that long a horizon and the challenge of predicting technical innovation, revising long-term industry outlooks to reflect what "might" happen if these plans become policy is impossible with any precision. But the broad contours seem positive for renewable generation of all kinds, for electrification of transportation and potentially for utility capex and demand growth.

The prospect of electric vehicle (EV) adoption gained some analytical traction in 2020 as the first potential secular spur to power demand since air conditioning. Some estimates suggested widespread EV adoption could boost load by 1% annually over the next few decades. Industry chatter late in the year included hydrogen power and renewable natural gas as long-term substitutes for the conventional and more carbon-intensive natural gas used today. Natural gas-focused utility shares were relatively weak in 2020 over concern that terminal values of pipeline investments may be challenged in a post-carbon world. But analysts noted these hypotheticals are beyond the visible horizon and won't effect predictable earnings outlooks. And gas remains the most economical heating fuel in many colder regions, with broad public and regulatory support.

A Biden administration may roll back the Trump tax cuts; this could mean slightly higher customer bills for some utilities since taxes are passed through in rates and may compete with capex in rate hike requests. But given the difficulty of predicting legislative outcomes, it's impossible to be precise.

Attractive Valuations

At year-end 2019, Wall Street viewed utility stock valuations as high. Price weakness in 2020 turned that on its head. With most utility shares in the red for the year, interest rates lower and long-term growth prospects unchanged (if not improved), analysts became broadly bullish. As 2021 began, most saw the group as extraordinarily undervalued with headroom for gains even if interest rates were to rise from today's unusually low levels. Investment programs underpin prospects for aggregate total returns in excess of 8% (5% or more from earnings growth and 3%+ from the dividend). And whether measured by relative PE ratios or dividend yields versus Treasuries or investment-grade bonds, several analysts said utility stocks as 2021 began offered the best value in years.

Other Risks

Wall Street's ebullient recovery from March lows rests on a premise yet to be fully tested — that pre-crisis economic strength will return and persist, and along with it corporate earnings gains. Utilities face a related risk: that sluggish wage growth in a COVID-impaired economy provokes regulatory pushback on rate relief needed to fund aggressive capex programs, which in turn cools outlooks for dividend and earnings growth. The public's demand for cleaner energy along with good local jobs created throughout the utility capex supply chain offer some protection against punitive treatment by regulators, but no guarantee. Stable fuel costs and low interest rates have kept bill pressures muted in recent years, but neither trend can continue indefinitely. Even interest rates, which have confounded rate-rise prophets for 40 years, can't go down forever. And if the V-shaped recovery thesis fails, managing regulatory risk and financing needed capex through customer rates may become more challenging than it has been in recent years.■

Q4 2020

Dividends

HIGHLIGHTS

- The investor-owned electric utility industry continued its long-term trend of widespread dividend increases in 2020; 34 companies raised or reinstated their dividend, nearly equaling 2019's 37 companies.
- The percentage of companies that raised or reinstated their dividend during full-year 2020 was 87%, slightly below the record 93% in both 2019 and 2018.
- The average dividend increase in 2020 was 5.1%, with a range of 0.6% to 12.0% and a median increase of 5.3%.
- The industry's dividend payout ratio was 67.7% for the twelve months ended December 31, 2020, exceeding all other U.S. business sectors.
- The industry's average dividend yield was 3.6% on December 31, 2020, trailing only the Energy sector's 5.9%.

COMMENTARY

The investor-owned electric utility industry continued its long-term trend of widespread dividend increases in 2020. A total of 34 companies increased or reinstated their dividend compared to 37 in 2019, 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 2020 was 87%, only slightly below the record high 93% in both 2019 and 2018 and consistent with the historically high 88% in 2017, 91% in 2016 and 85% in 2015. 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. M&A activity reduced the number of publicly traded utilities included in the EEI Index from 65 in 2003 to 39 at year-end 2020. The record high 93% noted above is based on data beginning in 1988.

As shown in the Dividend Patterns table, 38 of the 39

I. Sector Comparison, Dividend Payout Ratio

Last Twelve Months

Sector	Payout Ratio (%)
EEI Index Companies*	67.7%
Industrial	66.5%
Utilities	64.3%
Consumer Staples	56.7%
Materials	49.4%
Consumer Discretionary	39.2%
Financial	38.1%
Technology	30.2%
Health Care	28.9%
Energy	NM

*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). The EEI Index represents the 12-month period ending 9/30/2020.

EEI Index Companies payout ratio based on LTM common dividends paid and income before nonrecurring and extraordinary items.

S&P sector payout ratios based on 2020E dividends and earnings per share (estimates as of 12/31/2020).

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 12/31/2020

Sector	Yield (%)
Energy	5.9%
EEI Index Companies*	3.6%
Utilities	3.3%
Consumer Staples	2.6%
Financial	2.1%
Materials	1.8%
Health Care	1.6%
Industrial	1.5%
Technology	0.9%
Consumer Discretionary	0.7%

*EEI Index Companies' yield based on last announced, annualized dividend rates (as of 12/31/2020); S&P sector yields based on 2020E cash dividends (estimates as of 12/31/2020).

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 2000–2020

U.S. Investor-Owned Electric Utilities

	Raised	No Change	Lowered	Omitted	Reinstated	Not Paying	Total	Dividend Payout Ratio*
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	37	2	0	0	0	1	40	62.6%
2020 Q1	20	19	0	0	0	1	40	62.6%
2020 Q2	2	36	1	0	0	1	40	68.5%
2020 Q3	3	35	0	0	0	1	39	67.7%
2020 Q4	13	24	1	0	0	1	39	66.9%
2020	34	2	2	0	0	1	39	66.9%

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020
Avg. Increase	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%	5.0%	4.9%	4.3%	5.1%	5.1%
Avg. Decrease	NA	45.7%	46.4%	NA	100%	NA	41.0%	34.5%	NA	NA	NA	79.8%	NA	NA	48.3%	NA	33.0%	40.6%

Note: 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 12/31/2020 and earnings and dividends through 9/30/2020 (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	2020*
EEI Index	62.8	64.2	61.5	60.4	67.0	62.9	64.0	63.9	62.6	66.9
Regulated	63.4	62.1	60.5	59.4	68.7	61.1	68.7	60.1	62.1	67.0
Mostly Reg.	63.1	69.7	64.7	63.8	62.6	68.0	53.3	72.8	64.1	66.4
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
*2020 figures reflect earnings and dividends through 9/30/2020.
Source: EEI Finance Department, S&P Global Market Intelligence and company reports.

V. Category Comparison, Dividend Yield

at 12/31/2020

Category	Dividend Yield (%)
EEI Index	3.6
Regulated	3.6
Mostly Regulated	3.4

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.

publicly traded utilities in the EEI Index were paying a common stock dividend as of December 31, 2020. 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 Q1 the most common for electric utilities.

2020 Increases Average 5.1%

The average dividend increase in 2020 was 5.1%, with a range of 0.6% to 12.0% and a median increase of 5.3%. NextEra Energy (+12.0% in Q1), Sempra Energy (+8.0% in Q1), WEC Energy (+7.2% in Q1) and DTE Energy (+7.2% in Q4) posted the largest percentage increases.

NextEra Energy, headquartered in Juno Beach, Florida, increased its quarterly dividend from $1.25 to $1.40 per share during the first quarter. The increase is consistent with its plan, announced in 2018, to target 12% to 14% annual growth in its dividend per share through at least 2020, measured off a 2017 base. NextEra also recorded the industry's highest percentage increase in 2019 (+12.6%), the second-highest in 2018 (+13.0%) and the highest in both 2017

VI. Dividend Summary

U.S. Investor-Owned Electric Utilities (at 12/31/2020)

Company Name	Ticker	Category	Annual Dividend Rate	Payout Ratio	Dividend Yield	Last Action	To	From	Announced
ALLETE, Inc.	ALE	MR	$2.47	75.8%	4.0%	Raised	$2.47	$2.35	2020 Q1
Alliant Energy Corporation	LNT	R	$1.52	54.5%	2.9%	Raised	$1.52	$1.42	2020 Q1
Ameren Corporation	AEE	R	$2.06	57.1%	2.6%	Raised	$2.06	$1.98	2020 Q4
American Electric Power Co., Inc.	AEP	R	$2.96	67.8%	3.6%	Raised	$2.96	$2.80	2020 Q4
AVANGRID, Inc.	AGR	MR	$1.76	112.6%	3.9%	Raised	$1.76	$1.73	2018 Q3
Avista Corporation	AVA	R	$1.62	89.1%	4.0%	Raised	$1.62	$1.55	2020 Q1
Black Hills Corporation	BKH	R	$2.26	54.9%	3.7%	Raised	$2.26	$2.14	2020 Q4
CenterPoint Energy, Inc.	CNP	R	$0.64	30.0%	3.0%	Raised	$0.64	$0.60	2020 Q4
CMS Energy Corporation	CMS	R	$1.63	60.8%	2.7%	Raised	$1.63	$1.53	2020 Q1
Consolidated Edison, Inc.	ED	R	$3.06	68.5%	4.2%	Raised	$3.06	$2.96	2020 Q1
Dominion Resources, Inc.	D	R	$2.52	86.7%	3.4%	Lowered	$2.52	$3.76	2020 Q4
DTE Energy Company	DTE	MR	$4.34	53.3%	3.6%	Raised	$4.34	$4.05	2020 Q4
Duke Energy Corporation	DUK	R	$3.86	148.1%	4.2%	Raised	$3.86	$3.78	2020 Q3
Edison International	EIX	R	$2.65	37.5%	4.2%	Raised	$2.65	$2.55	2020 Q4
Entergy Corporation	ETR	R	$3.80	52.3%	3.8%	Raised	$3.80	$3.72	2020 Q4
Evergy, Inc.	EVRG	R	$2.14	64.6%	3.9%	Raised	$2.14	$2.02	2020 Q4
Eversource Energy	ES	R	$2.27	60.2%	2.6%	Raised	$2.27	$2.14	2020 Q1
Exelon Corporation	EXC	MR	$1.53	51.4%	3.6%	Raised	$1.53	$1.45	2020 Q1
FirstEnergy Corp.	FE	R	$1.56	137.5%	5.1%	Raised	$1.56	$1.52	2019 Q4
Hawaiian Electric Industries, Inc.	HE	MR	$1.32	73.1%	3.7%	Raised	$1.32	$1.28	2020 Q1
IDACORP, Inc.	IDA	R	$2.84	54.9%	3.0%	Raised	$2.84	$2.68	2020 Q4
MDU Resources Group, Inc.	MDU	MR	$0.85	44.3%	3.2%	Raised	$0.85	$0.83	2020 Q4
MGE Energy, Inc.	MGEE	R	$1.48	54.2%	2.1%	Raised	$1.48	$1.41	2020 Q3
NextEra Energy, Inc.	NEE	MR	$1.40	82.2%	1.8%	Raised	$1.40	$1.25	2020 Q1
NiSource Inc.	NI	R	$0.84	38.7%	3.7%	Raised	$0.84	$0.80	2020 Q1
NorthWestern Corporation	NWE	R	$2.40	73.6%	4.1%	Raised	$2.40	$2.30	2020 Q1
OGE Energy Corp.	OGE	R	$1.61	53.1%	5.1%	Raised	$1.61	$1.55	2020 Q4
Otter Tail Corporation	OTTR	R	$1.48	60.5%	3.5%	Raised	$1.48	$1.40	2020 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	$3.32	52.9%	4.2%	Raised	$3.32	$3.13	2020 Q4
PNM Resources, Inc.	PNM	R	$1.31	45.5%	2.7%	Raised	$1.31	$1.23	2020 Q4
Portland General Electric Company	POR	R	$1.63	84.1%	3.8%	Raised	$1.63	$1.54	2020 Q3
PPL Corporation	PPL	R	$1.66	81.3%	5.9%	Raised	$1.66	$1.65	2020 Q1
Public Service Enterprise Group Inc.	PEG	MR	$1.96	54.8%	3.4%	Raised	$1.96	$1.88	2020 Q1
Sempra Energy	SRE	MR	$4.18	50.2%	3.3%	Raised	$4.18	$3.87	2020 Q1
Southern Company	SO	R	$2.56	78.2%	4.2%	Raised	$2.56	$2.48	2020 Q2
Unitil Corporation	UTL	R	$1.50	74.3%	3.4%	Raised	$1.50	$1.48	2020 Q1
WEC Energy Group, Inc.	WEC	R	$2.53	65.1%	2.7%	Raised	$2.53	$2.36	2020 Q1
Xcel Energy Inc.	XEL	R	$1.72	57.8%	2.6%	Raised	$1.72	$1.62	2020 Q1
Industry Average				**66.9%**	**3.6%**				

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 12/31/2019.
Dividend Per Share — Per share amounts are annualized declared figures as of 12/31/2020.
Dividend Payout Ratio — Dividends paid for 12 months ended 9/30/2020 divided by net income before nonrecurring and extraordinary items for 12 months ended 9/30/2020.
Dividend Yield — Annualized Dividends Per Share at 12/31/2020 divided by stock price at market close on 12/31/2020.
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.

(+12.9%) and 2016 (+13.0%, along with Edison International and DTE Energy).

Sempra Energy, based in San Diego, California, raised its quarterly dividend from $0.9675 to $1.045 per share in Q1, marking its tenth consecutive annual increase. Sempra increased its dividend by more than 10% annually, on average, over the past ten years.

WEC Energy Group, headquartered in Milwaukee, Wisconsin, raised its quarterly dividend from $0.59 to $0.6325 in the first quarter. This marked its 310th consecutive quarterly dividend, dating back to 1942, and its 17th straight annual increase. WEC Energy continues to target a dividend payout ratio of 65% to 70% of earnings.

DTE Energy, based in Detroit, Michigan, increased its quarterly dividend from $1.0125 to $1.085 per share in 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 was 5.1% in

VII. Free Cash Flow

U.S. Investor-Owned Electric Utilities

($ Billions)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	95.5
— Capital Expenditures	(77.6)	(74.2)	(78.6)	(90.3)	(90.3)	(96.1)	(104.0)	(112.5)	(113.1)	(119.5)	(124.1)
— 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)	(27.9)
Free Cash Flow	(11.8)	(14.4)	(13.5)	(26.8)	(24.0)	(28.2)	(24.8)	(38.0)	(37.5)	(44.7)	(56.5)

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

2019, 5.7% in 2018 and 5.6% in 2017 and 2016. The median was 4.9% in 2019, 5.5% in 2018 and 2017 and 5.1% in 2016.

CenterPoint Energy (CNP), based in Houston, Texas, lowered its quarterly dividend from $0.29 to $0.15 per share in Q2. The decrease was driven by the announcement that Enable Midstream Partners, of which CNP owns 53.7%, planned to cut its distributions by 50% thus impacting CNP's cash flow. CenterPoint subsequently increased its quarterly dividend to $0.16 per share in Q4.

Dominion Energy, headquartered in Richmond, Virginia, reduced its quarterly dividend from $0.94 to $0.63 per share in Q4. The decrease relates to the near-term cash flow impact of Dominion's sale of its natural gas transmission and storage assets to Berkshire Hathaway Energy, announced in July. Beginning in 2022, Dominion expects annual dividend-per-share growth of 6%.

Payout Ratio and Dividend Yield

The industry's dividend payout ratio was 67.7% for the twelve months ended September 30, 2020, exceeding all other U.S. business sectors. The industry's payout ratio was 66.9% when measured as an un-weighted average of individual company ratios; 67.7% 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 consistent 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 3.6% on December 31, 2020, trailing only the Energy sector's 5.9%. The year-end yield was 3.0% in 2019 and 3.4% in each of the three previous years. In 2020, the industry's strong dividend activity and lower overall stock prices resulted in the higher average yield. The market cap-weighted EEI Index had a total return of negative 1.2% in 2020.

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.

Business Category Comparison

The Regulated category's dividend payout ratio was 67.0% for the 12 months ended September 30, 2020 compared to 66.4% for the Mostly Regulated category. Among these two categories, the Regulated group produced the highest annual payout ratio in 2020, 2017, 2015, 2011, 2010 and in each year from 2003 through 2008.

The Regulated and Mostly Regulated average dividend yields were 3.6% and 3.4% on December 31, 2020, following yields of 3.0% and 3.1% at year-end 2019. The dividend yield for both at year-ends 2018 and 2017 was 3.4%.

Biden Proposal on Dividend Tax Rates

Although the new Administration hasn't put forward tax proposals, the Biden campaign proposed corporate and personal tax code changes including an increase in capital gains and dividend tax rates for the highest individual tax bracket, applying ordinary income tax rates for those with incomes over $1 million. The highest individual income tax rate will likely increase from 37.0% to the pre-Tax Cuts & Jobs Act (TCJA) highest rate of 39.6%. No other income tax bracket would incur a dividend tax rate increase.

The top tax rate for dividends and capital gains is currently 20%, with 2021 income thresholds of $501,600 for couples and $445,850 for individuals. For taxpayers below these thresholds, dividends and capital gains are currently taxed at rates of 15% or 0%, depending on a filer's income. A 3.8% Medicare tax that was included in 2010 health care legislation is also applied to all investment income for couples earning more than $250,000 ($200,000 for singles).

Low dividend tax rates support the industry's ability to attract capital for investment. Maintaining parity between dividend and capital gains tax rates is crucial to avoid a disadvantage for companies that rely on a strong dividend to attract investors. The TCJA, which was signed into law in December of 2017, maintained pre-existing tax rates for dividends and capital gains.■

Q4 2020

Credit Ratings

HIGHLIGHTS

- The average parent company credit rating in 2020 was BBB+, a level that has held since 2014. Following two very active years, 2020's 59 actions was well below the 73-action annual average of the previous ten calendar years.
- The industry's credit quality has generally improved over the past decade. Parent-level credit strengthened and upgrades outnumbered downgrades in seven of the past ten calendar years, with an annual average upgrade percentage of 62.8%. The five-year period 2013 through 2017 produced the five-highest upgrade percentages in our historical data (back to 2000).
- All three ratings agencies noted that regulated utilities managed the COVID-19 pandemic well. Its impact was referenced in individual company downgrades only as an additional factor that could exacerbate an existing trend.
- On December 31, 59.1% of parent company ratings outlooks were "stable", 6.8% were "positive" or "watch-positive", and 2.3% were "developing". A relatively high 31.8% were "negative" or "watch-negative", up from 18.2% at year-end 2019 and 23.4% at year-end 2018.

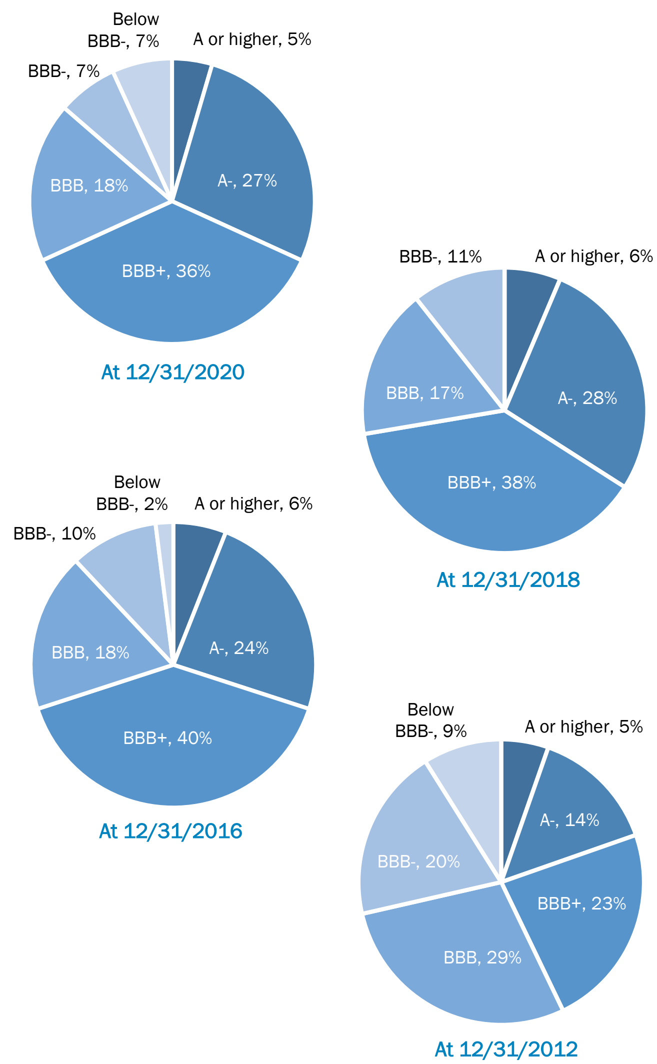
COMMENTARY

The industry's average parent company credit rating in 2020 remained at BBB+ for a seventh straight year, although three parent-level downgrades outnumbered one upgrade and caused a slight underlying weakening in general holding company credit quality. There were only 59 total actions — 12 upgrades and 47 downgrades — affecting both parents and subsidiaries. This pace was below the 73-action annual average of the previous ten calendar years and the fourth-lowest annual total in our historical dataset (back to 2000).

On December 31, 2020, 59.1% of parent company rat-

I. S&P Utility Credit Ratings Distribution

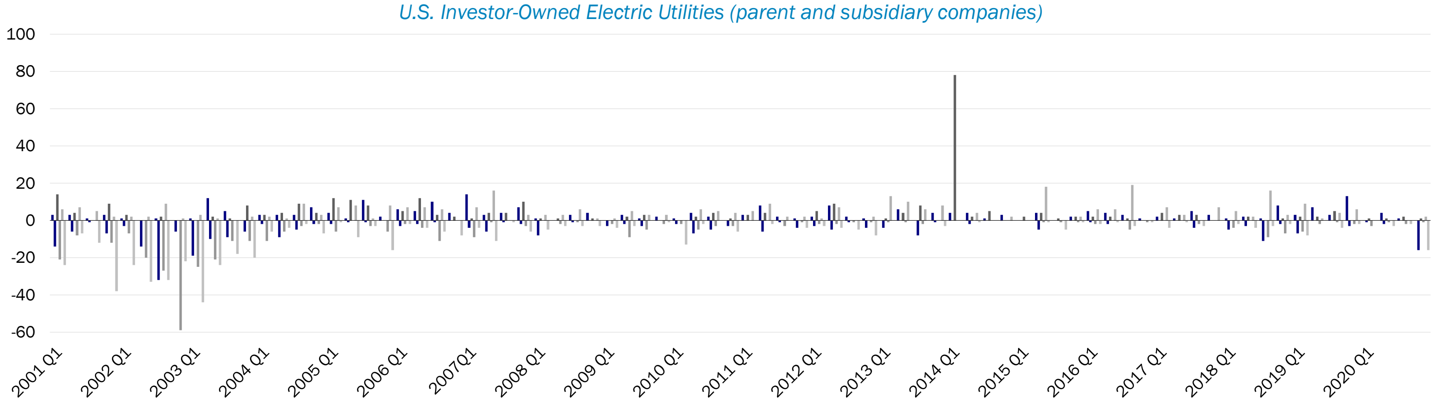
U.S. Investor-Owned Electric Utilities (parent level only)



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				2020			
	Q1	Q2	Q3	Q4	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	0	4	1	0
Fitch (downgrade)	0	-5	0	0	-1	-2	0	0	0	0	-4	0	-5	-3	-11	-2	-7	0	0	-3	-1	-2	0	-16
Moody's (upgrade)	2	4	1	2	2	2	1	0	4	3	3	0	0	2	0	1	2	2	5	0	1	1	2	1
Moody's (downgrade)	0	-1	-1	-1	-2	0	-5	-1	0	0	-2	0	-4	0	-9	-7	-6	-2	-1	-2	-3	-1	-2	-1
S&P (upgrade)	0	18	0	2	6	6	19	0	7	3	0	7	5	2	16	3	9	1	4	6	0	0	0	2
S&P (downgrade)	0	-1	-5	-1	-2	-1	-3	-1	-4	-1	-3	0	-2	-4	-3	-2	-8	0	-4	-2	0	-3	-2	-16

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)

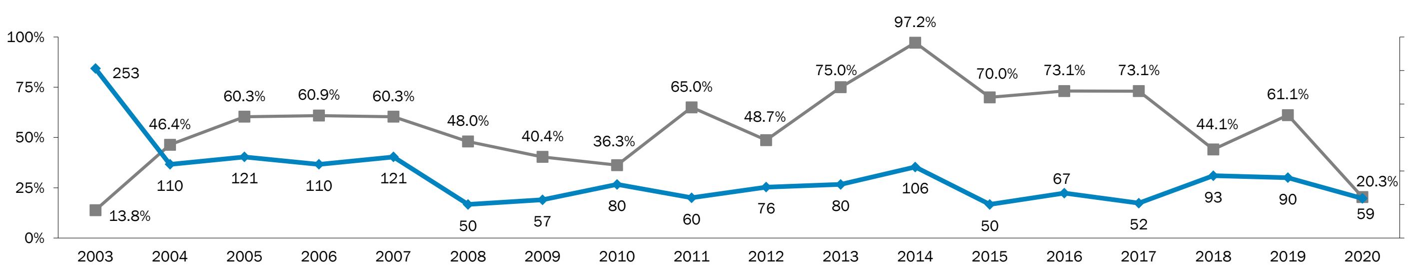
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Fitch	62	34	22	31	41	17	14	24	25	26	23	14	11	16	15	33	36	24
Moody’s	79	42	46	39	32	6	23	20	11	20	17	85	12	13	12	23	20	12
S&P	112	34	53	40	48	27	20	36	24	30	40	7	27	38	25	37	34	23
Total	253	110	121	110	121	50	57	80	60	76	80	106	50	67	52	93	90	59

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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Upgrades	35	51	73	67	73	24	23	29	39	37	60	103	35	49	38	41	55	12
Downgrades	218	59	48	43	48	26	34	51	21	39	20	3	15	18	14	52	35	47
% Upgrades	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%	20.3%
Total Actions	253	110	121	110	121	50	57	80	60	76	80	106	50	67	52	93	90	59



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)

	12/31/2013		12/31/2014		12/31/2015		12/31/2016		12/31/2017		12/31/2018		12/31/2019		12/31/2020	
REGULATED																
A or higher	1	3%	1	3%	1	3%	2	6%	2	6%	1	3%	1	3%	1	3%
A-	7	20%	8	21%	8	22%	10	28%	12	34%	11	32%	11	31%	11	32%
BBB+	6	17%	12	32%	12	33%	13	36%	10	29%	11	32%	11	31%	10	29%
BBB	17	49%	14	37%	12	33%	8	22%	7	20%	7	21%	8	23%	7	21%
BBB-	2	6%	1	3%	1	3%	3	8%	4	11%	4	12%	2	6%	2	6%
Below BBB-	2	6%	2	5%	2	6%	0	0%	0	0%	0	0%	2	6%	3	9%
Total	35	100%	38	100%	36	100%	36	100%	35	100%	34	100%	35	100%	34	100%
MOSTLY REGULATED																
A or higher	1	6%	1	8%	1	8%	1	8%	1	7%	2	15%	1	10%	1	10%
A-	5	29%	4	31%	5	38%	2	17%	2	14%	2	15%	1	10%	1	10%
BBB+	5	29%	4	31%	5	38%	7	58%	7	50%	7	54%	7	70%	6	60%
BBB	3	18%	2	15%	1	8%	0	0%	2	14%	1	8%	0	0%	1	10%
BBB-	3	18%	2	15%	1	8%	1	8%	1	7%	1	8%	1	10%	1	10%
Below BBB-	0	0%	0	0%	0	0%	1	8%	1	7%	0	0%	0	0%	0	0%
Total	17	100%	13	100%	13	100%	12	100%	14	100%	13	100%	10	100%	10	100%
DIVERSIFIED																
A or higher	0	0%	0	0%	0	0%	0	0%								
A-	0	0%	0	0%	0	0%	0	0%								
BBB+	1	50%	1	50%	1	50%	0	0%								
BBB	0	0%	0	0%	0	0%	1	50%								
BBB-	0	0%	1	50%	1	50%	1	50%								
Below BBB-	1	50%	0	0%	0	0%	0	0%								
Total	2	100%	2	100%	2	100%	2	100%								

Sources: Standard & Poor's, S&P Global Market Intelligence, and EEI Finance Dept.

ings outlooks were "stable", 6.8% were "positive" or "watch-positive", and 2.3% were "developing". A relatively high 31.8% were "negative" or "watch-negative", up from 18.2% at year-end 2019 and 23.4% at year-end 2018. While the economic impact of COVID-19 initially caused Standard and Poor's (S&P) to revise its North American regulated utility industry outlook (including electric, gas and water) to negative from stable, Moody's and Fitch each maintained a stable outlook for their broad U.S. regulated utility sectors. At year end, all three agencies noted that regulated utilities managed the pandemic well.

Electric utility industry credit quality generally improved over the past decade. Aggregate parent-level credit strengthened in each year other than 2020, 2019 and 2012. And across EEI's larger universe of parents and subsidiaries, the five-year period 2013 through 2017 produced the five highest upgrade percentages in our historical data. Moreover, upgrades outnumbered downgrades in seven of the past ten calendar years with an annual average upgrade percentage of 62.8%.

EEI captures upgrades and downgrades at both the parent and subsidiary levels. The industry's average credit rating and outlook are the unweighted averages of all S&P parent holding company ratings and outlooks. However, our upgrade/downgrade totals reflect all actions by the three major ratings agencies within a parent holding company, including those at subsidiaries. Our universe of 44 U.S. parent company electric utilities at December 31, 2020 included 39 that are publicly traded and five that are either a subsidiary of an independent power producer, a subsidiary of a foreign-owned company or owned by an investment firm.

Credit Actions at Parent Level

Parent-level ratings actions in 2020 included three downgrades, one upgrade and one reinstatement. By comparison, there were five downgrades and one upgrade in 2019 and six upgrades and two downgrades in 2018.

PNM Resources

On April 6, S&P lowered PNM Resources' parent-level rating to BBB from BBB+ due to weakened financial metrics. The agency noted PNM's funds from operations to debt ratio was 15.8% in 2018 and 15.5% in 2019 and said the pandemic's revenue impact may further pressure the company's financials. S&P's stable outlook is based in part on a belief that PNM can securitize costs related to closing its San Juan coal-fired power plant.

ALLETE
On April 22, S&P downgraded ALLETE to BBB from BBB+ on deteriorating credit metrics that have pushed funds from operations to debt below 20%. The company's credit metrics were expected to continue to be pressured by weakened economic conditions related to COVID-19 and an elevated capital spending plan. S&P's stable outlook reflects ALLETE's focus on regulated utility operations and a belief it can maintain funds from operations to debt at 18% to 20% for the next one to two years.

PG&E
S&P assigned a BB- rating to PG&E on June 15 as the company prepared to emerge from Chapter 11 bankruptcy. S&P's previous rating was D, which last appeared in our quarter-ending tracking on December 31, 2019. S&P did not have a rating assigned to PG&E at quarter-end March 31, 2020. On July 1, PG&E Corporation and subsidiary Pacific Gas & Electric Company emerged from Chapter 11, successfully completing a restructuring process.

FirstEnergy
During the fourth quarter, S&P downgraded FirstEnergy's issuer credit rating to BB from BBB following the termination of three executives, including the CEO. The terminations related to legal and other regulatory challenges the company is facing, with S&P citing concerns over internal controls. S&P also lowered the rating for thirteen of FirstEnergy's subsidiaries.

DPL
On November 3, S&P upgraded the issuer credit rating for DPL, Inc. to BB+ from BB based on an upgrade for its parent company, AES Corp., which reflected an improved financial risk profile. S&P noted that AES has de-risked its business portfolio by focusing on rate-based utilities and long-term contracted businesses while also narrowing its geographical scope to 13 countries from 29. S&P also upgraded DPL's principal subsidiary, Dayton Power and Light Co. (DP&L). The outlooks for both DPL and DP&L remain developing, reflecting potential for another upgrade in the coming months.

Ratings Activity Slows in 2020

The 59 rating changes during 2020 (upgrades plus downgrades) was the fourth-lowest total for any year back to our dataset's inception on January 1, 2000. By comparison, there were 90 actions in 2019 and an annual average of 73 over the last ten calendar years. The previous two calendar years were very active, ranking with 2014 as the most active of the last decade. As a result, the slowdown in 2020 is not surprising. Although COVID-19 was referenced in some of 2020's downgrades, it was cited only as a factor that could exacerbate existing trends. Its impact began only after much of the first quarter's actions had occurred and became secondary to other considerations as the year wore on.

The industry's 12 upgrades in 2020 were outnumbered by 47 downgrades, for an upgrade percentage of 20.3%, which made 2020 only the second year since 2013 with more downgrades than upgrades (see Table IV). In 2019, the industry's 55 upgrades outnumbered 35 downgrades for a 61.1% upgrade percentage, up from 44.1% in 2018. The five-year period 2013 through 2017 produced the five-highest upgrade percentages in our historical data. Upgrades outnumbered downgrades in seven of the past ten calendar years, with an annual average upgrade percentage of 62.8%.

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

Table III, Total Ratings Actions presents quarterly activity by all three ratings agencies. Following are full-year totals for 2020:

- Fitch (5 upgrades, 19 downgrades)
- Moody's (5 upgrades, 7 downgrades)
- Standard & Poor's (2 upgrades, 21 downgrades)

Merger Benefits Support Upgrades

Several of the year's upgrades were based on favorable impacts on subsidiaries from recently completed mergers. Four went to Dominion Energy subsidiaries acquired in January 2019 through Dominion's purchase of SCANA. On January 30, 2020, Moody's upgraded Dominion Energy South Carolina (DESC) to Baa2 from Baa3, citing an $875 million equity infusion received from its parent company, the retirement of approximately $1.0 billion of debt and a pending rate case proceeding. On May 29, Fitch upgraded DESC to BBB+ from BBB, Public Service Company of North Carolina (PSNC) to BBB+ from BBB, and SCANA to BBB from BBB-. Cited reasons for DESC's upgrade included resolution of legal and regulatory issues, an approved regulatory plan, an upcoming base rate case, the merger with Dominion Energy, improved credit metrics and a favorable service territory. Reasons cited for PSNC's upgrade included Dominion's ownership upon merger approval, a supportive regulatory environment, improving credit metrics, demand and capex growth, and limited commodity risk.

On April 13, Fitch upgraded NextEra Energy subsidiary Gulf Power to A from A-, reflecting better than expected financial performance driven by a reduction in operating expenses. In addition, NextEra injected $400 million of equity into Gulf Power in the first two months of 2020, which strengthened Gulf Power's capital structure. Specific key drivers that Fitch cited for the upgrade included Gulf Power's transformation (which includes the modernization of its generation fleet, lower operating costs and the creation of a transmission interconnection with FPL), benefits from integration with FPL, a limited impact from the coronavirus, a material jump in capex, constructive regulation and a general expectation that credit metrics will strengthen.

On May 27, Moody's upgraded Jersey Central Power & Light (JCP&L) to A3 from Baa1, projecting that JCP&L's improved financial profile will remain stable for the next two to three years as New Jersey's state regulatory environment remains supportive. Moody's expects JCP&L, a FirstEnergy subsidiary, to maintain its ratio of cash flow to debt in the low 20% range for a sustained period of time.

Mississippi Power, a Southern Company subsidiary, received upgrades from both Moody's and Fitch during Q3. On August 27, Moody's upgraded Mississippi Power to Baa1 from Baa2, reflecting an improved relationship with state regulators and a stronger financial profile. On September 25, S&P raised Mississippi Power's rating to BBB+ from BBB, citing a significant improvement in its regulatory construct.

Deteriorating Metrics, Regulatory Risk Drive Downgrades

Many of the year's downgrades point to actual or projected negative impacts on key credit metrics. Increased regulatory risk was cited as a primary underlying driver for several and one downgrade resulted from increased business risk from an acquisition. Although the impact of COVID-19 was frequently referenced in individual company downgrades, it was mentioned only as an additional factor that could exacerbate an existing trend.

On February 19, Fitch downgraded CenterPoint Energy Houston Electric (CEHE) to BBB+ from A- following CEHE's rate case settlement with the Public Utilities Commission of Texas. Fitch believes the settlement signals a more challenging regulatory environment in Texas for CEHE. On March 4, Moody's downgraded CEHE to Baa1 from A3 noting that financial measures will weaken more than originally projected following 2017's tax reform (as unprotected deferred taxes are refunded to customers) along with an anticipated lower return in its pending final rate order. Although Moody's views the Texas regulatory environment as supportive of credit quality, the agency noted that CEHE's ratio of cash flow pre-working capital to debt is falling into the 15% to 16% range, down from around 19% historically.

On March 17, Moody's downgraded Consolidated Edison (ConEd) to Baa2 from Baa1 and subsidiary Consolidated Edison Company of New York (CECONY) to Baa1 from A3. Moody's noted that despite $1.7 billion of planned equity through 2022, ConEd's key credit ratios will decline as a result of up to $3.8 billion of new debt planned through 2022 and weaker cash flow at CECONY. Following the approval of a recent rate order, CECONY is expected to generate a ratio of cash flow to debt between 14% and 16% over the next three years, in-line with Moody's Baa1 peer ratios. ConEd's roughly $2.0 billion of debt is structurally subordinate to that of its operating companies, with approximately 85% of consolidated revenue represented by CECONY. As a result, Moody's downgraded ConEd's rating in-step with CECONY's, despite ConEd's relatively strong and stable financial profile for a utility holding company focused mostly on transmission and distribution.

On April 6, Fitch downgraded DPL to BB from BB+ citing a potential weakening of credit metrics due to regulatory challenges in Ohio. On April 15, Fitch downgraded DTE Energy to BBB from BBB+ referencing the increased leverage and business risk associated with a recent midstream acquisition.

On June 9, Moody's downgraded Sempra Energy to Baa2 from Baa1 citing consolidated financial metrics that have remained below Moody's Baa1 downgrade threshold for the past few years and that are expected to remain below the threshold through 2022. The agency said it expects Sempra's cash flow to debt ratio will remain in the 16% range, which is more appropriate for a Baa2 rating given Sempra's consolidated risk profile.

On August 20, Moody's downgraded Ohio Power to A3 from A2 and Public Service of Oklahoma to Baa1 from A3. The downgrades for both of these American Electric Power subsidiaries reflected weakened financial metrics from large capital programs with increased use of leverage.

On October 8, S&P downgraded Entergy New Orleans to BBB from BBB+ over severe storm and hurricane risk in the utility's service territory. S&P said its negative outlook for this Entergy subsidiary reflects its small service territory, ongoing exposure to severe storms and hurricanes, and the agency's expectation of weaker financial measures partly from higher capital spending and elevated leverage.

S&P downgraded two generation subsidiaries based on potential asset divestitures. On August 6, PSEG Power was downgraded to BBB from BBB+ after its parent, Public Service Enterprise Group, announced plans to explore a sale of its merchant, non-nuclear power assets. In its announcement of that decision, PSEG cited decreasing profit margins at PSEG's fossil fuel and solar assets. On November 4, Exelon Generation Company was also downgraded to BBB from BBB+ after its parent Exelon Corp. confirmed it is conducting a strategic review of its corporate structure to create value and position the business for success. This may include the possibility of separating Exelon Generation from utility operations.

Ratings by Company Category

Table V, S&P Utility Credit Rating Distribution by Company Category, 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, 2020, the average rating for both the Regulated and Mostly Regulated categories was BBB+.

Credit Impact of COVID-19

In April 2020, S&P revised its ratings outlook for the North America regulated utility industry to negative from stable with the possibility of a one-notch decline in the industry's median credit rating, but also said it expects the industry to remain a high credit quality, investment-grade industry. Prior to the coronavirus outbreak in North America, about 25% of utilities had either a negative outlook or were on CreditWatch with negative implications. S&P viewed the economic impact of COVID-19 as a source of incremental pressure that could lead to additional downgrades and negative outlooks.

In its February 2021 update, S&P maintained its negative outlook for the industry, reflecting the weakening of credit quality in 2020 as downgrades outpaced upgrades. But S&P said that COVID-19 was not the direct culprit, as the industry has generally handled the pandemic well. S&P instead cited regulatory issues caused by COVID-19's broader impact on the U.S. economy, companies' practice of strategically managing financial measures close to their downgrade threshold with little or no cushion, as well as some specific governance matters. S&P's universe of North American utilities consists of about 250 water, gas and electric utilities.

Moody's and Fitch each maintained their stable outlook for electric utilities. In March, Moody's reported that the U.S. regulated utility sector (electric, gas and water) is better positioned than many industries to withstand the economic fallout from COVID-19. In addition to benefiting from relatively stable residential customer demand, utilities can rely on a variety of cost recovery tools provided by state regulators. Moody's stated that market volatility is the biggest risk for utilities because the sector requires external capital to meet sizeable liquidity needs. While Moody's expects utilities to generally retain unfettered access to the capital markets, it noted that the continued spread of the coronavirus and mounting pressures on commercial and industrial customers could ultimately weigh on utility credit quality. In a November sector update, Moody's observed that many businesses closed or curtailed operations after the initial coronavirus outbreak, causing a sharp decline in commercial and industrial electricity sales beginning in late March. By contrast, residential electricity sales increased because of the large number of people remaining at home as well as higher-than-normal summer temperatures. Going forward, Moody's expects that higher residential demand will mitigate the loss of revenues and cash flow from commercial and industrial customers as residential sales generate a higher gross margin per kilowatt-hour.

Fitch's 2021 Outlook for North American Utilities, Power & Gas report (released December 2020) noted its stable outlook is based on the pandemic's benign direct impact on the industry and a generally favorable regulatory environment. Utilities have aggressively managed O&M costs in 2020; in combination with higher residential sales, this more than offset the impact of commercial and industrial sales declines. Fitch's stable outlook is further supported by low interest rates (given the industry's capital-intensive nature), low commodity costs, and a likely return to modest secular sales growth as the economic recovery gains strength.■