America’s Electric Companies Are #Committed2Clean

Electric Power Industry Outlook
February 10, 2021
COVID-19 Response
Storm and Wildfire Response
“What you are will show in what you do.”

—Thomas Alva Edison
2021 Industry Priorities

COVID-19 Response & Recovery
Clean Energy
Smarter Energy Infrastructure
Grid Security & Resilience
Storm Response & Wildfire Mitigation

Middle-Mile Broadband
ESG & Natural Gas Sustainability
Electric Transportation
Innovative Customer Solutions
Diversity, Equity, & Inclusion
Leading on Clean Energy
Changing U.S. Energy Mix

Nearly 40% CARBON-FREE

Over the Past 10 Years, More Than Half of New Electricity Generation Capacity Was WIND AND SOLAR

>1/2

Providing 67% of the SOLAR ENERGY in the Country

Investing $2.6 Billion+ to Deploy EV CHARGING INFRASTRUCTURE

Decreasing CO₂
Carbon Emissions from Power Sector at LOWEST LEVEL IN 30+ YEARS AND CONTINUE TO FALL

Increasing investments $120 Billion+ Per Year on Average TO MAKE THE ENERGY GRID SMARTER, CLEANER, STRONGER

Using 90%+ of all U.S. ENERGY STORAGE
Achieving deep carbon reductions will require new, affordable, 24/7 carbon-free technologies.

5 Key Technology Areas of Focus:

- Advanced, dispatchable renewables (e.g., superhot deep geothermal) and advanced power electronics
- Zero-carbon fuels, such as hydrogen or ammonia, produced from a variety of sources
- Advanced nuclear energy (both fission and fusion)
- Carbon capture, utilization, and sequestration, especially for natural gas facilities
- Advanced demand efficiency and long-duration storage
Clean Energy Policy Priorities

To meet long-term clean energy and climate goals, we need policies that:

- **Advance** carbon-free technologies through appropriations, authorizations, and tax policy.

- **Recognize** industry’s clean energy leadership in reducing carbon emissions and support rapid investment in clean energy resources and the infrastructure needed to integrate it.

- **Support** investments in the electric transmission system to integrate more renewables, more clean energy, and new technologies into the energy grid affordably and reliably.

- **Promote** electric transportation and facilitate build-out of EV infrastructure.
Accelerating the Transition to a Cleaner Economy

Electric transportation:

- Benefits communities, businesses, and customers
- Reduces CO₂ emissions and brings immediate improvements to air quality
- Leverages the ongoing reductions in power sector emissions
EEI and our member companies:

- Support America **rejoining the Paris Agreement**.

- Support the U.S. Environmental Protection Agency developing **strong and cost-effective federal regulations on methane emissions** throughout the natural gas supply chain for new and existing sources.

- Support expanding production of renewable energy from **offshore wind** and identifying ways to build the critical **electric transmission and energy grid infrastructure** we need to deliver more clean energy to customers as quickly and efficiently as possible.

- Support efforts to **electrify the transportation sector** and the federal fleet.
Federal Fleet Inventory by Vehicle Type

Source: U.S. General Services Administration Federal Fleet Report
Investing in Smarter Energy Infrastructure
Since 2010, EEI’s member companies have **invested more than $1 trillion** to build smarter energy infrastructure and to integrate new generation.

EEI’s member companies also are **harnessing technology and data** to provide clean energy, energy management services, EV charging, and more—and providing an increasingly seamless customer experience.

**Smart meters have been the foundation for today’s customer-facing, modern energy grid.**

- 75% of U.S. households have a smart meter.
Key Regulatory Policy Issues

- Energy Storage
- Environmental Policy
- Middle-Mile Broadband
- Resilience Investments
- Streamlined Infrastructure Siting & Permitting
- Transmission Planning & Policy
EEI’s member companies are well-positioned to help close the digital divide by providing middle-mile broadband networks. This is a win for customers, particularly in underserved and rural communities.

**We need favorable policies to:**

- **Ensure** that electric companies are eligible and incentivized to participate in federal broadband grant programs.
- **Allow** electric companies to provide middle-mile broadband infrastructure.
- **Facilitate** innovative partnerships between electric companies, telecommunications, and last-mile internet providers.
- **Provide** states flexibility to build out permanent rural broadband infrastructure.
Grid Modernization Activity

2020 State Regulatory & Legislative Activity

- Legislative
- Regulatory
- Legislative and Regulatory

Map showing activity across the United States.
Building a Stronger Energy Future
Industry and government leaders are partnering to:

- Enable **more effective coordination** among stakeholders.
- Foster **urgency and accountability** for all stakeholders.
- Improve the **allocation of resources** to harmonize programs, prioritize efforts, and ensure new programs are funded and utilized effectively.
- Identify and address **public policy issues** that may be hindering effective wildfire risk management and response efforts.
- **Prepare communities** in high fire risk areas by communicating with a more unified voice.
- **Invest in research, development, and deployment** of technologies that proactively mitigate wildfire risks.
Securing the Energy Grid

- Cross-Sector Coordination
- Cyber Mutual Assistance
- Enhanced Resilience Against All Hazards
- Federal Research & Development
- Supply Chain Security Risks
Maintaining Our Financial Strength
Industry Capital Expenditures (CapEx)

Chart represents total company spending of U.S. Investor-Owned Electric Companies, consolidated at the parent or appropriate holding company.

Note: At the industry level, CapEx is consistently overestimated for the current, or first, year’s projection and underestimated for the two following years. The first-year overestimation historically averages around 5-7%, whereas the ensuing underestimation is typically in the range of about 6-10% for the second year and about 20-25% for the third year. Therefore, although the chart indicates investments are trending down in 2021 and 2022, we expect a continued level of elevated spending after accounting for the historical trend of over- and underestimation.

Source: EEI Finance Department, member company reports, and S&P Global Market Intelligence (updated October 2020).
Projected Functional CapEx

Chart represents total company functional spending of U.S. Investor-Owned Electric Companies. Individual years may not sum to 100% due to rounding error.

Note: Each annual functional projection is compiled during the calendar year for which it is reported and is not revised to align with the actual total. Therefore, the projected total dollar amounts in the functional chart do not align with the actual totals reported on the enclosed industry capital expenditures chart.

Source: EEI Finance Department, member company reports, and S&P Global Market Intelligence (updated October 2020).
Financial Highlights as of 12-31-2020

Stock Performance

<table>
<thead>
<tr>
<th></th>
<th>EEI Index</th>
<th>DJIA</th>
<th>S&amp;P 500</th>
<th>NASDAQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-year</td>
<td>-1.2%</td>
<td>9.7%</td>
<td>18.4%</td>
<td>43.6%</td>
</tr>
<tr>
<td>3-year</td>
<td>28.9%</td>
<td>32.8%</td>
<td>48.9%</td>
<td>86.7%</td>
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<tr>
<td>5-year</td>
<td>69.1%</td>
<td>98.1%</td>
<td>103.0%</td>
<td>157.4%</td>
</tr>
<tr>
<td>10-year</td>
<td>190.0%</td>
<td>238.4%</td>
<td>267.0%</td>
<td>385.8%</td>
</tr>
</tbody>
</table>

Dividends

- Yield = 3.6%
- 38 of 39 companies are currently paying a dividend
- 87% of companies increased their dividend in 2020

Credit Ratings

- BBB+ Average Industry Credit Rating
- Outlook 66% Stable or Positive

Note: Stock returns are total returns, ending 12-31-2020, (i.e., include dividends) except for NASDAQ, which is price appreciation only.
Source: EEI Finance Department, S&P Global Market Intelligence.
Investor Feedback on the ESG/Sustainability Template

How helpful is each section of the ESG/Sustainability Template?

- Gas-Related: Somewhat helpful
- Emissions: Very helpful
- Portfolio: Very helpful
- Resources: Very helpful
- Strategy: Very helpful
- Governance: Very helpful

Note: 100% of survey respondents indicated that they would like to see a continuation of the qualitative section in the ESG/Sustainability Template.

For the Version 3 ESG Template, we are currently working to include **DEI metrics for the entire workforce** (versus only for the board of directors currently in Version 2).
A consistent approach for company-level reporting within each segment of the U.S. natural gas supply chain

- Methane Emissions Intensity
  White Paper (April 2019)
- Draft Protocol (July 2019)
- Final Draft Protocol (December 2019)
- Pilot Process (Summer 2020)

- Protocol Version 1.0 (Q1 2021)
- Member ESG Disclosure (Summer 2021)

Methodology
- Methane Emissions
- Methane Throughput

Segments
- Onshore Production
- Gathering & Boosting
- Processing
- Transmission & Storage
- Distribution
“For there is always light, if only we’re brave enough to see it. If only we’re brave enough to be it.”

—AMANDA GORMAN
Appendix
Creating Value in America’s Economy

Contribute
5%
annually to U.S. GDP

Support
7 million+
jobs across the United States

Invest
$120 billion+
per year to build smarter, cleaner, stronger, and more secure energy infrastructure
Electricity Is a Great Value

Increase in cost of selected consumer goods
1991–2019 (nominal dollars)

Our Industry Vision Is Customer-Driven

- Value-Focused
- Clean Energy
- More Dynamic, More Secure Energy Grid
- Innovative Energy Solutions
Our Clean Energy Journey

Investing in the Future
- 2005: $48.4 B
- 2010: $74.3 B
- 2015: $104.0 B
- 2020: $139.8 B

Capital Expenditures: ↑189%

Keeping Electricity Affordable
- 2005: 8.10¢/kWh
- 2010: 8.80¢/kWh
- 2015: 8.58¢/kWh
- 2020: 8.03¢/kWh

Average Bills: Flat (since 2010)

Changing the Energy Mix
- 2005: 27% Coal, 50% Natural Gas, 19% Other
- 2010: 28% Coal, 45% Natural Gas, 24% Other
- 2015: 31% Coal, 33% Natural Gas, 33% Other
- 2020: 40% Coal, 40% Natural Gas, 19% Other

Coal: ↓>60%
Carbon-Free Sources: ~40%

From 2005 Levels
- Electric Power Industry Carbon Emissions: ↓33%

Transforming the Energy Mix

2010 National Energy Resource Mix

- 19.6% Nuclear
- 44.8% Coal
- 23.9% Natural Gas
- 6.3% Hydro
- 2.3% Renewables
- 1.8% Other

2020 National Energy Resource Mix (preliminary)

- 19.8% Nuclear
- 40.2% Natural Gas
- 19.3% Coal
- 8.5% Wind
- 7.3% Hydro
- 4.0% Renewables
- 0.9% Other

Nuclear energy remains the largest source of carbon-free electricity.

Currently, 94 reactors in 28 states produce nearly 20 percent of our nation’s electricity and 50 percent of our carbon-free electricity.

“Other” includes biomass, geothermal, and landfill gas.

Reducing Carbon Emissions

- Nearly 40 percent of U.S. electricity comes from carbon-free sources.
- As of 2019, electric power industry CO₂ emissions are 33 percent below 2005 levels.
- Trajectory is expected to continue based on current trends.

Comparing CO$_2$ Emissions

Electric Power, Transportation, and Industrial Sectors

Million Metric Tons of CO$_2$

Power Plant Emissions Decreasing

1990 represents the base year. Graph depicts increases or decreases from the base year.

Electric Transportation Trends

Today
There are more than 1.6 million electric vehicles on U.S. roads.

By 2030
The number of EVs on U.S. roads is projected to reach 18.7 million.

≈9.6 million charge ports will be needed to support this number.
Direction of Ratings Actions
Investor-Owned Electric Companies, 2003-2020

Percent Upgrades

Total Ratings Actions

Source: EEI Finance Department, Fitch Ratings, Moody's, and Standard & Poor’s.
Status of M&A Activity
Investor-Owned Electric Companies, 1995-2020

Source: EEI Finance Department, S&P Global Market Intelligence.
Industry gradually increased to 82% regulated in 2019 from 63% in 2003

Note: Based on 2019 year-end assets; data will be updated in spring 2021 when all EEI member company 2020 SEC 10-K filings are available.

Source: EEI Finance Department.
Industry maintains BBB+ rating since 2014, majority of outlooks stable or positive.
Rate Review Activity: Volume and Lag
Investor-Owned Electric Companies

Number of Electric Rate Reviews Filed (Trailing 12 Months)

Average Regulatory Lag (Quarterly)*

*Average Regulatory Lag is defined here as the amount of time between the filing of and ruling on a rate review. This does not take into consideration the preparation time leading up to an initial filing. MRQ = Most Recent Quarter. 4Q Avg = Trailing four-quarter average.

Rate Review Activity: Average ROEs

Requested ROE vs. 10-Year US Treasury Yield

*Requested ROE represents the equal-weight average of all electric reviews filed during the indicated period. 10-Year U.S. Treasury Yield is the average of daily reported yields during each period. Source: S&P Global Market Intelligence / Regulatory Research Associates (RRA), EEI Finance Department.
Rate Review Activity: Average ROEs

Allowed ROE vs. Corresponding Requested ROE

*The Allowed ROE represents the electric reviews settled during the indicated period while the Requested ROE represents the value requested by the company when the reviews were initially filed, generally during an earlier period (i.e., the regulatory lag is not factored in). Average returns are equal-weight.

Examples of EEI Finance Public Reports & Data
Items updated quarterly unless otherwise indicated

Financial Review (annual)
Incorporates the following reports and additional industry material

Stock Performance
Financial market performance (Price, TSR, etc.) of proprietary EEI member index and equity analyst opinions

Credit Ratings
Holding company ratings & rating agency activity

Dividends
Dividend-related actions of EEI members and relevant issues

Rate Review Summary
Aggregate industry statistics on quarterly rate review data

Industry Consolidated Financial Statements (annual)
• Income Statement
• Balance Sheet
• Cash Flow Statement

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