Creating Value in America’s Economy

Contribute $865 billion annually to U.S. GDP or 5% of total GDP

Support 7 million+ jobs across the United States

Invest $100 billion+ per year to build smarter, cleaner, stronger, and more secure energy infrastructure
Our Industry Vision Is Customer-Driven

Value-Focused

More Dynamic, More Secure Energy Grid

Clean Energy

Innovative Energy Solutions
2019 Industry Priorities

- Energy Infrastructure
- Clean Energy
- Wildfire Mitigation & Adaptation
- Grid Security & Resilience
- Electric Transportation
- Enhanced Customer Experience
The Clean Energy Transformation
Mix of Resources Used To Generate Electricity Has Changed Dramatically 2008–2018

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Gas</td>
<td>21.4%</td>
<td>34.8%</td>
</tr>
<tr>
<td>Nuclear</td>
<td>19.6%</td>
<td>19.1%</td>
</tr>
<tr>
<td>Non-Hydro Renewables</td>
<td>3.1%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Hydro</td>
<td>6.2%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Coal</td>
<td>48.2%</td>
<td>27.5%</td>
</tr>
<tr>
<td>Other</td>
<td>0.4%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Fuel Oil</td>
<td>1.1%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Other Fuel</td>
<td>0.4%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Department of Energy, Energy Information Administration.
More than 1/3 of U.S. electricity comes from carbon-free sources

As of 2017, industry CO₂ emissions were 28 percent below 2005 levels

Trajectory is expected to continue based on current trends

Electric Companies Are Leading On Clean Energy

Changing U.S. Energy Mix

>1/3
CARBON-FREE

Increasing Investments

$100 Billion+
PER YEAR IN SMARTER ENERGY INFRASTRUCTURE

Cutting Emissions

CO₂ ↓ 28%
BELOW 2005 LEVELS AS OF 2017

NOₓ ↓ 84%
BETWEEN 1990–2017

SO₂ ↓ 92%
BETWEEN 1990–2017

Providing

69%
of the
SOLAR ENERGY
in the Country

Of the Industry’s New Electricity Generation Capacity Each Year Is
WIND AND SOLAR ENERGY

Expanding Access to EVs

95,000+
CHARGING STATIONS NATIONWIDE

Using

90%+
of all
U.S. ENERGY STORAGE

Expanding Access to EVs

95,000+
CHARGING STATIONS NATIONWIDE
The Benefits of Electric Transportation
Electric Transportation: Growing Momentum

EVs on the road
>1 million

EV sales increase,
2017 to 2018
+81%

EV availability
in 2018
41 models
21 brands

Battery price*
-85%

Number of EVs On the Road in the U.S.

Electric Transportation Trends

There are more than 1 million electric vehicles on U.S. roads.

The number of EVs on the road is projected to reach 18.7 million.

~9.6 million charge ports will be needed to support this number.

BY 2030
CO₂ Emissions: Electric Power and Transportation Sectors

Meeting Customers’ Expectations
CUSTOMER
Having a Customer Focus Is Most Important

believe it’s more important for a company to be customer-focused than innovative

Respect My Time. Respect My Money.

Q: Please rate each based on how important it is to you. (TOP 2)

- Quality products or services at a good value: 77%
- Helps customers save money: 73%
- Responsive and helpful customer service: 70%
- Easy to do business in person, by phone, or online: 67%
- Treats customers like individuals: 51%
- Innovates to keep up to date: 48%
- Offers choices and options: 48%
- Gives customers tools to control their experience: 37%
- Environmental stewardship: 36%
- Anticipates customer needs: 28%
- Makes positive contributions to the community: 26%

### What Customers Want

<table>
<thead>
<tr>
<th>Q: Which is most important? That your energy company is… ? (TOP 2)</th>
<th>Opinion Influencers</th>
<th>Millennials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuously improving how we operate</td>
<td>50%</td>
<td>49%</td>
</tr>
<tr>
<td>Investing in smarter energy infrastructure</td>
<td>48%</td>
<td>57%</td>
</tr>
<tr>
<td>Serving customers in ways that make their experience easier</td>
<td>34%</td>
<td>21%</td>
</tr>
<tr>
<td>Leading the way on clean energy and carbon reduction</td>
<td>33%</td>
<td>47%</td>
</tr>
<tr>
<td>Working with customers to create customized solutions</td>
<td>15%</td>
<td>11%</td>
</tr>
<tr>
<td>Investing in digital tools to help customers manage their energy</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>Making a positive contribution to the community</td>
<td>8%</td>
<td>7%</td>
</tr>
</tbody>
</table>

The Political Backdrop
The 116th Congress

Senate
- Republicans (53)
- Democrats (45)
- Independents (2)

House of Representatives
- Democrats (235)
- Republicans (198)
- Vacant (2)
Democrats picked up 7 seats and Republicans flipped Alaska from Independent to Republican.
The Regulatory Landscape
Environment and Natural Resources Challenges: 2019 and Beyond

**Air**
- Mercury & Air Toxics
- Regional Haze/Visibility
- NSR/Permitting
- Multiple NAAQS
- Interstate & International Transport

**Climate**
- Evolving Policy Landscape
- CAA §111(d) & (b) GHG Standards
- State & Regional Initiatives
- International Negotiations
- Technology Development & Deployment

**Water**
- Waters of the United States
- Effluent Limitation Guidelines
- 316(b)
- CWA §401
- Groundwater

**Land & Wildlife**
- Infrastructure Siting and Permitting
- Wildfire Management
- Endangered Species
- Vegetation Management
- Avian Protection

**Waste & Chemical Management**
- Coal Ash
- PCBs in Electrical Equipment
- TSCA
- HazMat Transport
FERC Priorities

- Holistic PURPA Reform
- ROE Policy
- Transmission Incentives
- Order 1000
- Energy Price Formation Issues
- Resiliency
- Natural Gas Pipeline Policy Statement Review
Grid Modernization
State Regulatory & Legislative Activity 2018

Note: Activities related to DG, storage, EVs, cyber/physical security, and rate reviews are extensive enough that EEI tracks them separately.
Grid Modernization Trends

Grid Mod Legislative & Regulatory Activity by Type (2018)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of bills or proceedings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Access &amp; Data Sharing</td>
<td></td>
</tr>
<tr>
<td>Rate Design &amp; Reform</td>
<td>20</td>
</tr>
<tr>
<td>Multi-Element Grid Mod</td>
<td>15</td>
</tr>
<tr>
<td>Regulatory Reform</td>
<td>10</td>
</tr>
<tr>
<td>Dist. System Planning</td>
<td>10</td>
</tr>
<tr>
<td>Grid Mod Review/Study</td>
<td>5</td>
</tr>
</tbody>
</table>

Trending
- Decisions on data
- Transformative rate design
- Regulatory reform
- Mix-and-match grid mod
Storm and Wildfire Response & Energy Grid Security
Storm and Wildfire Response

New EEI Wildfire Practice Focused On:

- Access issues to perform vegetation management
- Outstanding ROW renewals
- Legal/insurance challenges
- Sharing suggested practices among member companies
Addressing Threats to the Energy Grid

The Electricity Subsector Coordinating Council (ESCC) is focused on improving the security of the energy grid:

- The ESCC plans and exercises coordinated responses to attacks or major disruptions to the energy grid.
- The ESCC makes sure information about threats is communicated quickly between government and industry.
- The ESCC deploys government technologies on electric company systems that improve situational awareness of threats to the energy grid.
- The ESCC coordinates closely with other critical infrastructure sectors.
## Key Issues Addressed in the 163(j) Regulations

<table>
<thead>
<tr>
<th>Requested by EEI/Industry</th>
<th>Proposed by Treasury</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry exclusion determined at consolidated group</td>
<td>✓</td>
</tr>
<tr>
<td>Principle that debt is “fungible”</td>
<td>✓</td>
</tr>
<tr>
<td>Asset-based allocation methodology</td>
<td>✓</td>
</tr>
<tr>
<td>MACRS or ADS</td>
<td>✓</td>
</tr>
<tr>
<td>De Minimis threshold for “regulated % calculation”</td>
<td>✓</td>
</tr>
<tr>
<td>Partnership—excepted vs. non-excepted treatment applies</td>
<td>✓</td>
</tr>
</tbody>
</table>
ESG/Sustainability Template & Natural Gas Sustainability Initiative
The ESG/Sustainability Steering Committee identified 5 areas of focus based on discussions with investors

<table>
<thead>
<tr>
<th>Qualitative</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG/Sustainability Governance</td>
<td>Management and oversight of ESG and sustainability.</td>
</tr>
<tr>
<td>ESG/Sustainability Strategy</td>
<td>Practices, programs, and initiatives designed to support the company’s transition to a lower carbon and increasingly sustainable energy future.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quantitative</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio</td>
<td>An Excel-based data reporting template that is customized for electric companies to include metrics on owned and/or purchased generation data by technology/resource type, as well as other metrics related to capital investments, emissions, natural resources, and human resources.</td>
</tr>
<tr>
<td>Emissions</td>
<td></td>
</tr>
<tr>
<td>Resources</td>
<td></td>
</tr>
</tbody>
</table>

Note: data for these areas should include as much historical, current, and forward-looking information as is appropriate.

Version 2 release in mid-2019 will include LDC Metrics

- EEI and AGA are currently engaging investors to seek guidance on relevant ESG metrics for LDCs.
- A group of AGA pilot companies are currently publishing gas LDC metrics with the Version 1 template.
- These LDC metrics will be fully incorporated into Version 2 to report 2018 data later this year.
Investor Engagement and Stakeholder Outreach

- **Investors**
  - Continue to expand

- **Related Trade Groups**
  - AGA, EPRI, APPA, NRECA, API, IPIECA, INGAA, IPAA

- **Credit Rating Agencies**
  - Moody’s, S&P Ratings, Fitch

- **Proxy Services**
  - Institutional Shareholder Services (ISS), Glass, Lewis & Co, Egan-Jones Proxy Services, etc.

- **ESG Data Providers**
  - Sustainalytics, MSCI, Bloomberg, RobecoSAM, S&P Global, etc.

- **Interest Groups**
  - Ceres, SASB, etc.
Natural Gas Sustainability Initiative

An overarching framework to **recognize and advance the innovative, voluntary sustainability programs** from the wellhead to the burner tip.

NGSI enables the natural gas industry to **measure, disclose, and recognize** industry-wide progress and innovation on key sustainability metrics.
NGSI Conceptual Design

**Program Elements**
- Measure
- Disclose
- Recognize

**Strategic Goals**
- Encourage consistent approaches for measuring and tracking key metrics
- Support and encourage robust reporting across the industry
- Encourage environmental performance and sustainability leadership
- Provide cohesive framework for sustainability metrics throughout the natural gas supply chain
Recognizing voluntary actions and sustainability commitments from industry leaders across the natural gas value chain

Next Steps

- Engage stakeholders
- Incorporate feedback into NGSI design
Industry Financial Highlights
Financial Highlights
as of 12-31-2018

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>3.7%</td>
<td>(3.5%)</td>
<td>(4.4%)</td>
<td>(3.9%)</td>
</tr>
<tr>
<td>3-year</td>
<td>36.0%</td>
<td>44.0%</td>
<td>30.4%</td>
<td>32.5%</td>
</tr>
<tr>
<td>5-year</td>
<td>68.5%</td>
<td>58.8%</td>
<td>50.3%</td>
<td>58.9%</td>
</tr>
<tr>
<td>10-year</td>
<td>176.4%</td>
<td>244.3%</td>
<td>243.0%</td>
<td>320.8%</td>
</tr>
</tbody>
</table>

Dividends
- Yield = 3.4%
- 41 of 42 companies currently paying a dividend
- 39 of 42 companies increased dividend rate in 2018

Credit Ratings
- Strengthening ‘BBB+’ Average
- Outlook 77% Stable or Positive

Note: Stock returns are total returns, ending 12-31-2018, (i.e., include dividends) except for NASDAQ, which is price appreciation only.
Source: EEI Finance Department, S&P Global Market Intelligence.
Industry Capital Expenditures

Notes: Total company spending of U.S. Investor-Owned Electric Utilities, consolidated at the parent or appropriate holding company. Projections based on publicly available information and extrapolated for companies reporting fewer than three projected years (0.1% and 5.7% of the industry for 2019 and 2020, respectively).

Source: EEI Finance Department, company reports, S&P Global Market Intelligence (October 2018).
Projected Functional CapEx

Notes: Total company functional spending of U.S. Investor-Owned Electric Utilities may not sum to 100% due to rounding error. Projections based on publicly available information and extrapolated for companies not reporting functional detail (1.3%, 1.3%, 1.3%, 0.7%, 0.9%, 0.8% of the industry for 2013, 2014, 2015, 2016, 2017, and 2018 respectively).

Source: EEI Finance Department, company reports, S&P Global Market Intelligence (October 2018).
“What you are will show in what you do.”

Thomas Alva Edison
Electricity Is a Great Value

Increase in cost of selected consumer goods
1991–2018 (nominal dollars)

<table>
<thead>
<tr>
<th>Category</th>
<th>Increase (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>174%</td>
</tr>
<tr>
<td>Gasoline</td>
<td>139%</td>
</tr>
<tr>
<td>Housing</td>
<td>93%</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>85%</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>85%</td>
</tr>
<tr>
<td>Consumer Price Index</td>
<td>84%</td>
</tr>
<tr>
<td>Transportation</td>
<td>70%</td>
</tr>
<tr>
<td>Electricity</td>
<td>61%</td>
</tr>
</tbody>
</table>

Power Plant Emissions Decreasing Significantly
1990–2017

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

Sources: U.S. Department of Energy, Energy Information Administration (EIA), U.S. Environmental Protection Agency (EPA), and U.S. Bureau of Economic Analysis.
Electric Companies Use a Diverse Mix Of Resources to Generate Electricity

Measured in Megawatt hours.

*Includes generation by agricultural waste, landfill gas recovery, municipal solid waste, wood, geothermal, non-wood waste, and solar.

**Includes generation by tires, batteries, chemicals, hydrogen, pitch, purchased steam, sulfur, and miscellaneous technologies.

Sum of components may not add to 100% due to independent rounding.


Updated March 2018.
Nuclear energy remains the largest source of carbon-free electricity: Currently, 98 reactors in 30 states produce nearly 20 percent of our nation’s electricity and more than 50 percent of our carbon-free electricity.

Source: EIA, Electric Power Monthly (December 2018) and Short-Term Energy Outlook (January 2019).

Updated January 2019.
New Capacity Is Mostly Natural Gas, Wind, Solar; Solar and Wind Production Is Increasing

CO2 Emissions: Electric Power, Transportation, and Industrial Sectors

Average Industry Credit Rating is Increasing

U.S. Electric IOUs Rating History
2003–2017

2003
- 13% A or higher
- 13% A-
- 19% BBB+
- 22% BBB
- 13% BBB-
- 20% Below BBB-

2010
- 6% A or higher
- 15% A-
- 24% BBB+
- 24% BBB
- 23% BBB-
- 8% Below BBB-

2017
- 6% A or higher
- 29% A-
- 35% BBB+
- 18% BBB
- 10% BBB-
- 2% Below BBB-

Source: EEI Finance Department.
Shift to More Regulated Strategies

Note: Based on year-end assets.
Source: EEI Finance Department.

2003
- Regulated Electric Company: 57%
- Other: 6%
- Regulated Natural Gas Company: 6%

2017
- Regulated Electric Company: 69%
- Other: 19%
- Regulated Natural Gas Company: 12%
Rate Review Activity: Volume and Lag
U.S. Investor-Owned Electric Companies

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.

Source: S&P Global Market Intelligence / Regulatory Research Associates (RRA), EEI Finance Department, EEI Rate Department.
Rate Review Activity: Average ROEs

Requested ROE vs. 10-Year U.S. Treasury Yield

*Requested ROE represents the equal-weight average of all electric rate 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, EEI Rate Department.
Rate Review Activity: Average ROEs
Allowed ROE vs. Corresponding Requested ROE

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

Source: S&P Global Market Intelligence / Regulatory Research Associates (RRA), EEI Finance Department, EEI Rate Department.
Actual Average ROE of Regulated Subsidiaries
U.S. Investor-Owned Electric Companies

Notes: Based on SEC-reported numbers and may differ from results calculated for other regulatory purposes. Company "universe" is static through history and is defined by active regulated subsidiaries of EEI member companies as of 2017 year-end. Average ROE is a weighted average as it equals the total net income of the industry over the total average common equity balances at the beginning and ending of each year for the industry.
Status of M&A Activity

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

Examples of EEI Finance Public Reports & Data

Items updated quarterly unless otherwise indicated

Financial Review (annual)
- Incorporates all of 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
- Regulatory filings during the quarter and recent / current trends

Industry Consolidated Financial Statements
- Income Statement
- Balance Sheet
- Cash Flow Statement

www.EEI.org/QFU

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