

# President's Letter

## 2017 Financial Review

Today the electric power industry continues to lead a profound transformation across the nation. One thing remains constant—our commitment to meeting customers' needs by building and using smarter energy infrastructure, by providing even cleaner energy, and by creating the energy solutions customers want. This commitment guides us, and also provides opportunities to collaborate and make progress on key policy priorities.

While many changes are underway, the Edison Electric Institute's (EEI's) member companies—America's investor-owned electric companies—are transitioning to even cleaner generation and are leading the way on renewables. Since 2007, the mix of resources used to generate electricity has changed dramatically and is increasingly clean. Today, more than one-third of U.S. electricity comes from zero-emissions sources (nuclear energy and hydropower and other renewables). In addition, natural gas surpassed coal as the main source of electricity in the United States for the second year in a row in 2017. Electric companies are the nation's largest investors in renewable energy, providing virtually all of the wind and geothermal in the country—and the majority of installed solar and hydropower capacity.

Today, EEI's member companies connect millions of Americans in their homes, communities, businesses, and industries, and around the nation. We are an integral and robust component of our nation's economy. As a whole, the electric power industry contributes \$880 billion to our nation's economy and supports more than 7 million jobs in communities across the United States—this includes nearly 2.7 million directly provided jobs that result from the industry's operations and investments. We also are creating long-term solutions to address the ongoing need for a skilled, diverse workforce in the future.

To better serve customers and investors, EEI launched a pilot environmental, social, governance, and sustainability-related (ESG/sustainability) reporting template in December 2017, with the goal of helping our member companies provide investors with more uniformity and better consistency for ESG/sustainability reporting. The EEI ESG Template enables our members to tell their very positive ESG story to investors and all key stakeholders.

In 2017, tax reform legislation was a top industry priority. Final passage of the Tax Cuts and Jobs Act in December was a win for electricity customers and enables our industry to continue to make needed investments in our nation's energy infrastructure. We believe passage of tax reform legislation provides a



solid foundation for one of 2018's major policy initiatives: infrastructure investment.

As you will see in this year's Financial Review, EEI's member companies continue to build upon a strong financial foundation. The industry's average credit rating was BBB+ for the fourth straight year in 2017, after increasing from the BBB average that had previously held since 2004. Ratings upgrades were nearly identical to the previous year: a very favorable 73.6 percent of total credit actions, resulting from companies' increased focus on regulated operations that was achieved largely through asset sales, as well as the effective management of regulatory risk. The improved credit quality greatly supports the continued elevated capital expenditures, which set a new record high of \$113.6 billion in 2017.

All but one of the EEI Index companies paid a dividend in 2017, and strong dividend yields continue to support electric company stocks. The industry's dividend yield at the end of 2017 stood at 3.4 percent, and 38 electric companies, or 88 percent of the industry, increased their dividend last year, the second largest percentage on record.

Looking ahead, I am optimistic about our industry. EEI's member companies are committed to providing the safe, reliable, affordable, and increasingly clean energy that drives our nation's economy and powers our everyday lives. By continuing to lead together on the issues driving the industry's transformation, EEI and our member companies are demonstrating Power by Association, and we are delivering America's energy future.

We truly value the partnership that we share with the financial community.

Thomas R. Kuhn

A handwritten signature in black ink, reading "Thomas R. Kuhn". The signature is written in a cursive style with a large, stylized initial 'T'.

President  
Edison Electric Institute