

# President's Letter

## 2018 Financial Review

The Edison Electric Institute's (EEI's) member companies—America's investor-owned electric companies—continue to lead a profound energy transformation across the nation. Amid this change, 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.

Our commitment guides us, and also provides opportunities to collaborate and make progress on key policy priorities: promoting investment in smarter energy infrastructure; expediting the process for permitting and siting energy infrastructure; strengthening the energy grid's resilience; supporting a diverse, domestic energy mix; increasing research and development funding and support for the full range of clean energy technologies; and promoting transportation electrification and the development of more robust battery technologies for both electric vehicles (EVs) and energy storage.

While many changes are underway, EEI's member companies continue to provide reliable, affordable, secure, and increasingly clean energy to the customers and communi-

ties they serve. Our industry also remains an integral and robust component of our nation's economy, contributing \$865 billion to GDP and supporting more than 7 million American jobs.

To deliver the clean energy future that customers want and expect, EEI's member companies are transitioning to even cleaner generation sources and are leading the way on renewables. In just one decade, the mix of resources used to generate electricity has changed dramatically and is increasingly clean. More than one-third of U.S. electricity now comes from carbon-free sources (nuclear energy and wind, solar, hydropower, and other renewables). In addition, natural gas surpassed coal as the main source of electricity in the United States for the third year in a row in 2018. Electric companies are the nation's largest investors in renewable energy, providing virtually all of the wind in the country—and the majority of installed solar and hydropower capacity.

EEI's member companies also invest more than \$100 billion each year to make the energy grid cleaner, smarter, stronger, more dynamic, and more secure; to diversify the nation's energy mix; and to integrate new technologies that benefit customers. Smarter energy infrastructure is key to giving customers the energy solutions they want.



EEI and our member companies also are working constantly to improve grid security, reliability, and resiliency, and we will continue to strengthen cyber and physical defenses and to elevate preparedness.

Our strong industry-government partnership, coordinated through the CEO-led Electricity Subsector Coordinating Council, will continue to be critical to accomplishing our shared goal of protecting the energy grid against all threats.

To better serve customers and investors, EEI launched the first investor-driven and industry-specific environmental, social, governance, and sustainability-related (ESG/sustainability) reporting template in August 2018, helping our member companies tell their very positive ESG story to investors and other key stakeholders. Building off the success of the ESG template, EEI now is working with the American Gas Association and midstream and upstream natural gas associations on a new initiative focused on natural gas sustainability, to demonstrate that the entire natural gas supply chain is becoming more sustainable from an ESG perspective.

As an industry, we also are passionate about electric transportation, and especially EVs. 2018 was a watershed year for EVs. In late October, we reached a milestone—more than 1 million EVs on America's roads. Today, the momentum from manufacturers around the world truly continues to surge. Electric transportation is a huge win for our industry: it grows load; attracts new customers; reduces carbon emissions and improves air quality; and helps reinforce the energy grid.

EEI's member companies are taking the lead in supporting electric transportation by investing more than \$1 billion over the next five years to deploy charging infrastructure and to create customer programs and projects to accelerate electric transportation. It is vital that we advance public policies that support the substantial investments companies are making to drive this transformation. EEI and our member companies support legislation that will help to reduce CO<sub>2</sub> emissions from the transportation sector by expanding the existing EV and hydrogen fuel cell tax credits that our customers support.

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 fifth straight year in 2018, after increasing from the BBB average that previously had held since 2004. This improved credit quality greatly supports the continued level of elevated capital expenditures, which set another

record high of \$119.5 billion in 2018. Strong dividend performance continues to support electric company stocks. The industry's average dividend yield at the end of 2018 stood at 3.4 percent, and 39 electric companies, or 93 percent of the industry, increased their dividend last year, a new industry record.

Looking ahead, I am optimistic about our industry. EEI's member companies remain committed to providing the safe, reliable, affordable, and increasingly clean energy that drives our nation's economy and powers our everyday lives. Already, they are making significant strides in carbon reduction, deployment of renewables, transportation electrification, and more. Among large industrial sectors, we are far and away out ahead as we work to deliver—and to lead—America's energy future.

By continuing to work 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



President  
Edison Electric Institute