Capital Markets

Stock Performance

The market's dive in late 2018 gave investors quite a surprise given the optimism that drove major averages higher for most of the year. However, utility stocks performed well as an effective portfolio diversifier and reliable hedge on broad market weakness in both Q4 and for the year as a whole.

At September 30, the EEI Index had gained about 2.2% year-to-date versus more sizeable advances by the Dow Jones Industrials (+8.8%), the S&P 500 (+10.6%) and the Nasdaq (+16.6%). Stocks rose on bullish economic data and strong corporate earnings. Real gross domestic product (GDP) grew at a 4.2% annual pace in Q2 and at 3.4% in Q3, both up from Q1's 2.2% rate and the strongest quarterly readings since Q3 2014's 4.9%. The U.S. unemployment rate fell below 4% in July and August, reaching 3.7% in September — its lowest level since 1969. Lifted in part by lower tax rates under the Trump administration's tax reform, corporate profits boomed. Based on earnings data compiled by Zacks Investment Research, S&P 500 profits rose 25% year-to-year in each of 2018's first three quarters. Given this back-

2018 Index Comparison

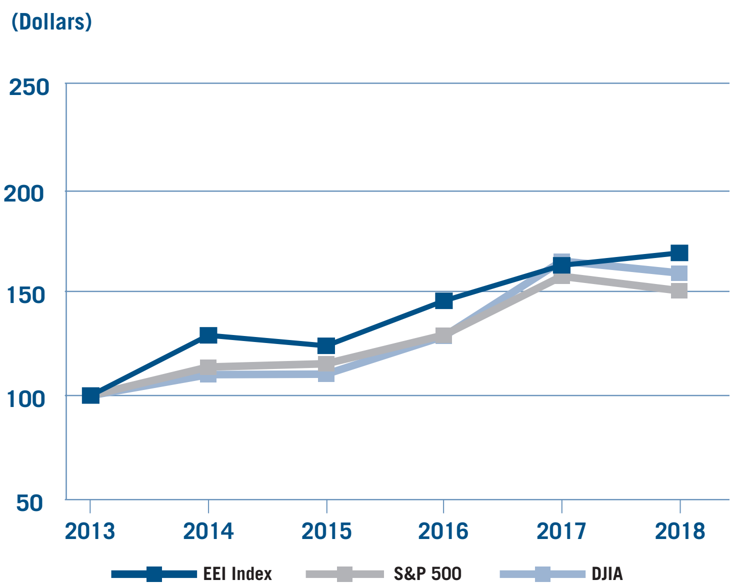
EEI Index	**3.67**
Dow Jones Industrials	(3.48)
S&P 500	(4.38)
Nasdaq Composite Index*	(3.88)

* Price gain/(loss) only. Other indices show total return.

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

Comparison of the EEI Index, S&P 500, and DJIA Total Return 1/1/14–12/31/18

REFLECTS REINVESTED DIVIDENDS



All returns are annual.
Note: Assumes $100 invested at closing prices December 31, 2013.

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

2018 Returns By Quarter

Index	Q1	Q2	Q3	Q4
EEI Index	(3.3)	3.8	2.0	1.3
Dow Jones Industrial Average	(2.0)	1.3	9.6	(11.3)
S&P 500	(0.8)	3.4	7.7	(13.5)
Nasdaq Composite*	2.3	6.3	7.1	(17.5)
Category	**Q1**	**Q2**	**Q3**	**Q4**
All Companies	(3.0)	5.3	1.4	0.8
Regulated	(3.5)	5.4	2.0	0.7
Mostly Regulated	(1.9)	5.0	(0.3)	0.9

* Price gain/loss only. Other indices show total return.
For the Category comparison, straight, equal-weight averages are used (i.e., not market-cap-weighted).

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

Sector Comparison 2018 Total Shareholder Return

Sector	Total Return %
Healthcare	6.2%
Utilities	4.4%
EEI Index	**3.7%**
Consumer Services	2.0%
Technology	-0.6%
Telecommunications	-6.8%
Financials	-9.0%
Industrials	-11.3%
Consumer Goods	-13.4%
Basic Materials	-16.2%
Oil & Gas	-19.0%

Source: EEI Finance Dept., Dow Jones & Company, Yahoo! Finance.

drop, it's not surprising that utilities lagged the major averages.

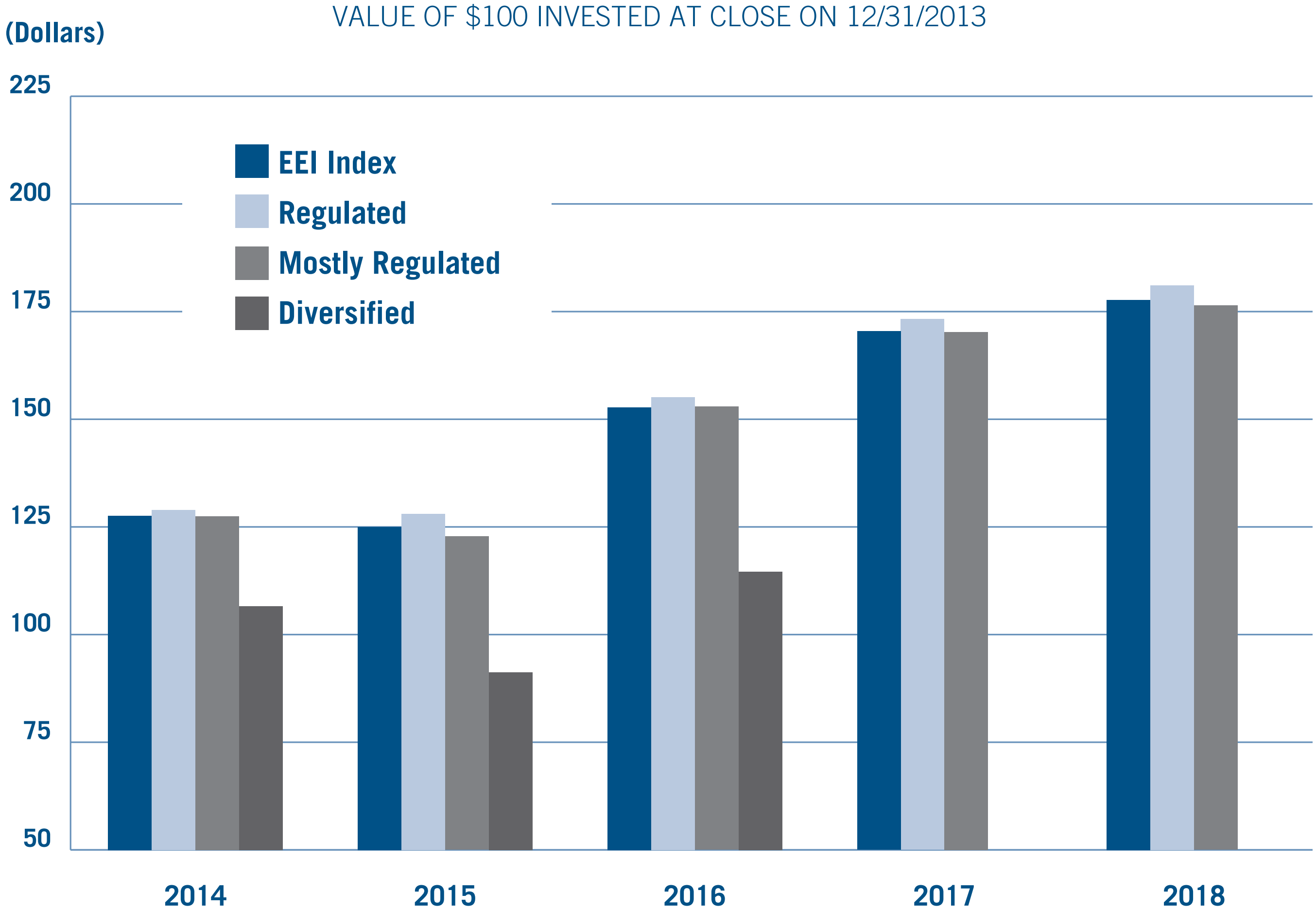
The broad market had surged 40% since Trump's 2016 election win and may have been primed for a correction. An excuse was given by emerging trade war tensions with China, disappointing global economic data late in the year (with a focus on weakness in China), and a sense that red-hot corporate profit gains were peaking. Indeed, the pace of Q4 corporate earnings gains was revised downward as the quarter progressed, and 2019's profit outlook dimmed along with economic sentiment. The fourth quarter market correction took the Nasdaq Composite down 17.5%, while the S&P 500 and Dow Jones Industrials lost 13.5% and 11.3%, respectively, from September highs. These declines fully erased the strong advance through Q3, leaving the major indices with 3% to 4% losses for the full-year. By contrast, the EEI Index gained 1.3% in Q4 and returned a positive 3.7% in 2018, outperforming the major averages by 10 to 12 percentage points in Q4 and about seven to eight percentage points for the year as a whole.

Rate Rally Stalls in Q4

The EEI Index delivered a positive return through the year's first nine months even in the face of rising interest rates. The U.S. Federal Reserve hiked the overnight Fed Funds rate by 25 basis points four times in 2018, to a target range of 2.25% to 2.50% at its December Federal Open Market Committee (FOMC) meeting. The three-month Treasury bill yield rose steadily during the year, from 1.4% in January to 2.4% by December. However, the 10-year Treasury yield is a far more important influence than short-term rates on utility stocks, whose dividend yields give them bond-like qualities but with dividend growth potential. The 10-year yield climbed from 2.5% in January to 3.2% in September in synchronization with strong U.S. economic data but fell back to 2.7% by late December on fears of slowing growth. The pullback in this widely watched risk-free benchmark yield undoubtedly buttressed utilities' performance in Q4.

Comparative Category Total Annual Returns 2014–2018

U.S. INVESTOR-OWNED ELECTRIC UTILITIES,
VALUE OF $100 INVESTED AT CLOSE ON 12/31/2013



	2014	2015	2016	2017	2018
EEI Index Annual Return (%)	27.63	(2.05)	22.21	11.56	4.28
EEI Index Cumulative Return ($)	127.63	125.01	152.77	170.43	177.73
Regulated EEI Index Annual Return	28.92	(0.67)	21.16	11.66	4.55
Regulated EEI Index Cumulative Return	128.92	128.05	155.15	173.24	181.11
Mostly Regulated EEI Index Annual Return	27.46	(3.67)	24.57	11.32	3.62
Mostly Regulated EEI Index Cumulative Return	127.46	122.78	152.94	170.26	176.42
Diversified EEI Index Annual Return	6.61	(14.43)	25.59	–	–
Diversified EEI Index Cumulative Return	106.61	91.23	114.57	–	–

- For the Category Comparison, straight, equal-weight averages are used (i.e., not market-cap-weighted).
- Cumulative Return assumes $100 invested at closing prices on December 31, 2013.

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

2018 Category Comparison

Category	Return (%)
EEI Index	**4.28**
Regulated	4.55
Mostly Regulated	3.62

* Returns shown here are unweighted averages of constituent company returns. The EEI Index return shown in the 2018 Index Comparison table is cap-weighted.

Source: EEI Finance Department, S&P Global Market Intelligence, and company annual reports.

Power Demand Rises 3% in 2018

Short-term changes in power demand that impact utilities' revenue generally result from fluctuations in weather. These rarely shift long-term utility stock trends since the effect is small and transitory. But they can slightly boost or detract from quarterly earnings and may, in some cases, illuminate tightening supply trends in power markets with potential for new generation build and rate base growth.

A hot summer across much of the U.S. powered electricity demand higher in 2018. Electric output grew by 4.2% in Q3 and by 3.1% for the full-year, reaching a record high that marginally surpassed 2007's total output. The gain was largely due to weather, as weather-adjusted output was flat year-to-year. National Oceanic and Atmospheric Administration (NOAA) data shows nationwide cooling degree days — a measure of air conditioning demand — were 14% higher in Q3 2018 than their 10-year average, and 17% higher versus the same quarter last year. California's statewide average temperature in July surpassed the previous record set in 1931 and the Energy Information Administration (EIA) reports that record-high temperatures in the western U.S. drove peak wholesale electricity prices in July to their highest level since 2008. Eastern seaboard temperatures were hot as well; cooling degree days were 45% above the 10-year average in New England and 30% higher in the mid-Atlantic region.

However, electricity demand has been flat in recent years due to energy efficiency measures and the slow erosion in industrial demand from the changing structure of the U.S. economy. Nationwide demand fell 2.0% in 2017, the largest year-to-year decline since the 2009 recession year. The temporary lift from 2018's weather is unlikely to alter the slow demand-growth outlook facing the industry.

Steady Fundamentals

There was little change in the industry's generally good business fundamentals in 2018.

Demand growth during the key summer cooling season helped power electric utility industry earnings up about 10% year-to-year in Q3. Wall Street analysts also reported that many utility managements in Q4 affirmed and/or slightly raised 2018 earnings guidance along with their capex and rate base growth outlooks for the next several years.

Most utilities have exited unregulated operations and are now seeking earnings growth from regulated rate base investment programs. Most are targeting earnings per share growth rates in the mid-single digits, along with similar dividend growth targets. Investment programs include new renewables generation and new gas-fired generation, transmission and distribution modernization and expansion, smart-grid deployment, and reliability-related network hardening.

Analysts view state regulatory relations as generally fair — balancing the interests of ratepayers, utilities and other stakeholders — with support for investments that advance state renewable energy goals, reliability, jobs creation and the enlarged tax base that comes with it. In recent years, utilities have also successfully advocated for changes to rate design — such as forward test years, rate mechanisms and adjustment clauses — that allow more timely recovery of costs associated with big-ticket capital investment programs. Industry capex has risen from $74 billion in 2010 to a projected $127 billion for 2018. Capex was $40 billion in 2004, the cyclical low following the competitive generation buildout.

Other favorable fundamental trends for regulated utilities include continued low natural gas prices and the generally low level of interest rates. Since regulated utilities pass fuel and interest expense through to customers (and fuel can account for 40% or more of the customer's bill), cost stability in these key areas helps keep bill inflation down and makes it easier to gain regulatory approval for rate base expansion. Despite the steep capex ramp up of recent years, the average nationwide cost of electricity for residential customers has only risen from $0.1126/kilowatt hour (kWh) in 2008 to $0.1289/kWh in 2017, which was barely changed from 2014's $0.1252, according to Energy Information Administration (EIA) data.

EEI Index Top 10 Performers

Twelve-month period ending 12/31/2018

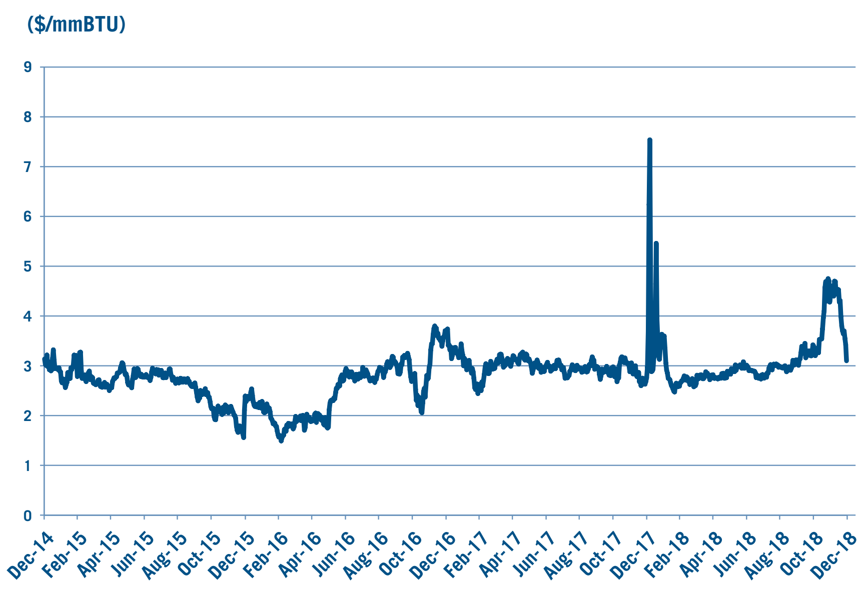
Company	Total Return %	Category
FirstEnergy Corp.	27.7	R
OGE Energy Corp.	23.8	R
SCANA Corporation	23.2	R
Exelon Corporation	18.2	MR
Otter Tail Corporation	14.9	R
Unitil Corporation	14.3	R
NextEra Energy, Inc.	14.3	MR
Ameren Corporation	13.9	R
Vectren Corporation	13.6	R
Evergy, Inc.	10.9	R

Note: Return figures include capital gains and dividends.

Source: EEI Finance Department.

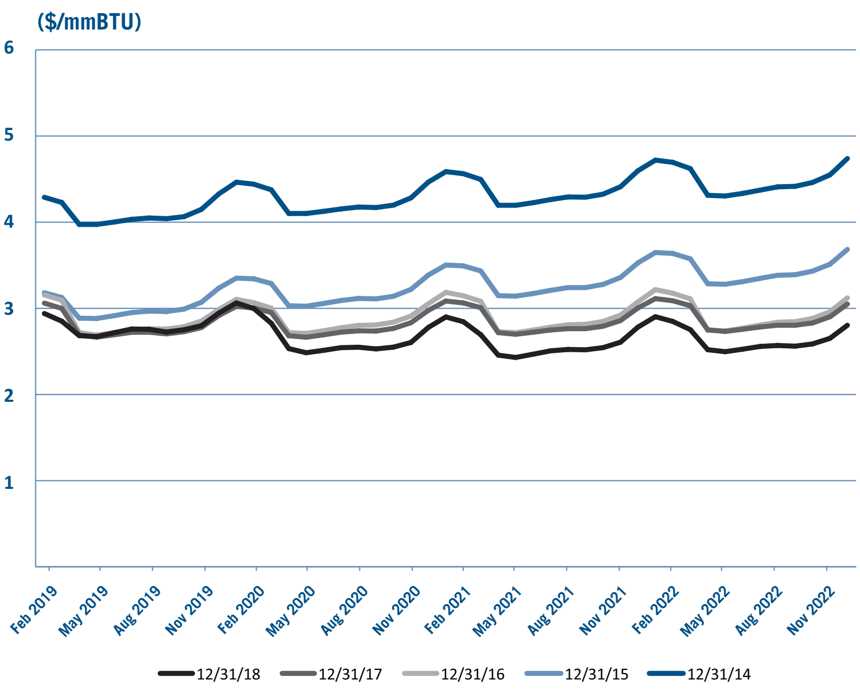
Natural Gas Spot Prices - Henry Hub

12/31/14 through 12/31/18



Source: S&P Global Market Intelligence.

NYMEX Natural Gas Futures
February 2019 through December 2022



Source: S&P Global Market Intelligence.

Historically Elevated Valuations

By year-end 2018, Wall Street analysts were unanimous in observing that the industry's stock valuations seemed high whether measured in absolute price/earnings (PE) ratios, PEs relative to the S&P 500, or dividend/earnings yields relative to interest rates. By year-end 2018, all metrics were near the top of their range in recent years. The industry's PE on 2019 earnings is roughly 19, more than the S&P 500's and almost double the electric utility industry's 10 to 12 PE multiple in the late 1990s. Of course, the 10-year Treasury yield was about 6% in the late 1990s, also about double today's sub-3% level.

Low interest rates are no doubt partly responsible for today's seemingly lofty valuations. But industry fundamentals are too. Utilities offer investors the appealing package of mid-single-digit earnings growth and a 3% dividend yield with dividend growth potential, all generated by investment programs that have fairly high predictability, relatively low execution risk and support from state regulators. S&P 500 earnings by contrast are more cyclical and far more subject to the whims of the economic cycle.

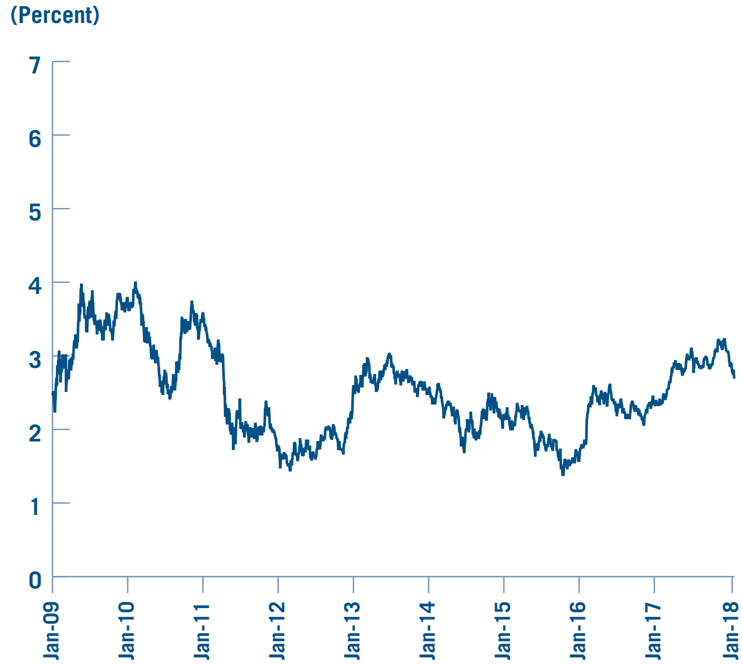
It's hard to predict with any certainty the long-run impact of electric vehicle adoption, energy efficiency measures, energy storage innovation, smart-grid transformation, rising demand for renewable power, along with the public's need for reliable power around the clock. But it's likely that the industry will maintain a key role in transforming and modernizing the nation's power network into a true 21st century grid. And much of the nation's aging baseload generation infrastructure will require replacement in the decades ahead, which could extend the visible horizon for utility capex and rate base growth.

Rising Interest Rates Seen as Main Risk

Utility stock moves are caused more by shifts in macroeconomic data and fast-changing investor sentiment than changes in fundamental outlooks — except when company-specific events impact individual utilities.

Merger and acquisition (M&A) activity is one company-specific theme. Industry consolidation has been a structural trend for many years; the universe of U.S. investor-owned electric utilities tracked by EEI has fallen to 42 at year-end 2018 from 83 at the start of 2000. Dominion announced in early January 2018 that it would seek to buy neighboring utility SCANA. In April 2018, CenterPoint Energy announced a bid for Vectren — a deal the companies said was motivated by synergistic growth opportunities in natural gas distribution. Both utilities were among the top-ten performers in the EEI Index in 2018. Several other smaller utilities in the Regulated category also made the top-ten list; these may have received some price support from speculation over potential M&A activity.

10-Year Treasury Yield
1/1/09 through 12/31/18



Source: U.S. Federal Reserve.

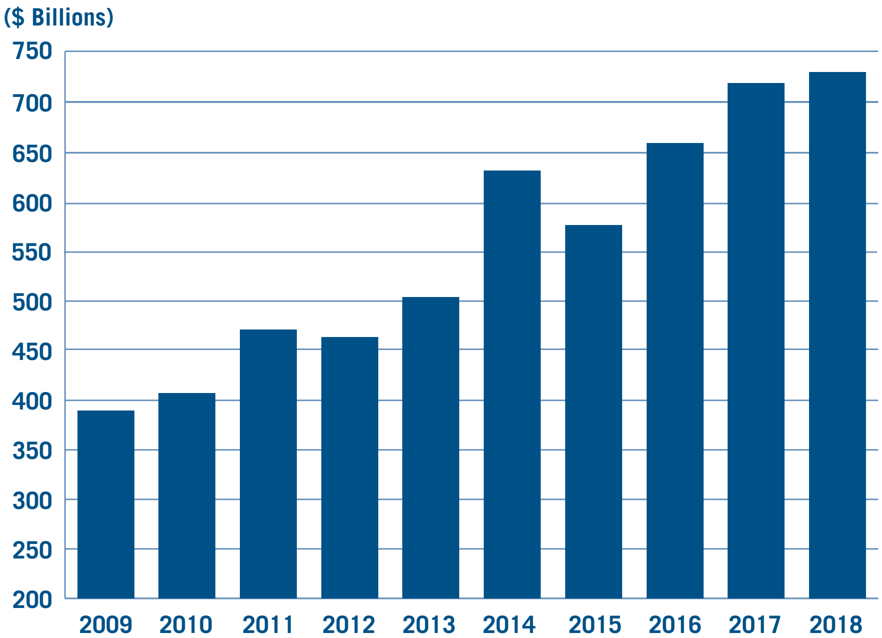
Market Capitalization at December 31, 2018 (in $MM)

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

Company Name	Ticker	Market Cap.	% of Total	Company Name	Ticker	Market Cap.	% of Total
NextEra Energy, Inc.	NEE	82,234	11.24%	PG&E Corporation	PCG	12,279	1.68%
Duke Energy Corporation	DUK	61,532	8.41%	CenterPoint Energy, Inc.	CNP	12,183	1.67%
Dominion Energy, Inc.	D	46,728	6.39%	Alliant Energy Corporation	LNT	9,937	1.36%
Southern Company	SO	44,930	6.14%	Pinnacle West Capital Corporation	PNW	9,555	1.31%
Exelon Corporation	EXC	43,657	5.97%	NiSource Inc.	NI	9,225	1.26%
American Electric Power Company, Inc.	AEP	36,846	5.04%	OGE Energy Corp.	OGE	7,826	1.07%
Sempra Energy	SRE	29,638	4.05%	SCANA Corporation	SCG	6,833	0.93%
Public Service Enterprise Group Inc.	PEG	26,233	3.59%	Vectren Corporation	VVC	5,982	0.82%
Xcel Energy Inc.	XEL	25,128	3.44%	IDACORP, Inc.	IDA	4,693	0.64%
Consolidated Edison, Inc.	ED	23,787	3.25%	MDU Resources Group, Inc.	MDU	4,673	0.64%
WEC Energy Group, Inc.	WEC	21,852	2.99%	Portland General Electric Company	POR	4,092	0.56%
Eversource Energy	ES	20,641	2.82%	Hawaiian Electric Industries, Inc.	HE	3,987	0.55%
DTE Energy Company	DTE	20,075	2.75%	ALLETE, Inc.	ALE	3,918	0.54%
PPL Corporation	PPL	19,937	2.73%	Black Hills Corporation	BKH	3,350	0.46%
FirstEnergy Corp.	FE	18,888	2.58%	PNM Resources, Inc.	PNM	3,282	0.45%
Edison International	EIX	18,507	2.53%	NorthWestern Corporation	NWE	2,991	0.41%
Ameren Corporation	AEE	15,923	2.18%	Avista Corporation	AVA	2,790	0.38%
Entergy Corporation	ETR	15,579	2.13%	MGE Energy, Inc.	MGEE	2,079	0.28%
AVANGRID, Inc.	AGR	15,502	2.12%	El Paso Electric Company	EE	2,032	0.28%
Evergy, Inc.	EVRG	15,248	2.09%	Otter Tail Corporation	OTTR	1,967	0.27%
CMS Energy Corporation	CMS	14,026	1.92%	Unitil Corporation	UTL	751	0.10%
					Total Industry	731,313	100%

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

EEI Index Market Capitalization 2009–2018

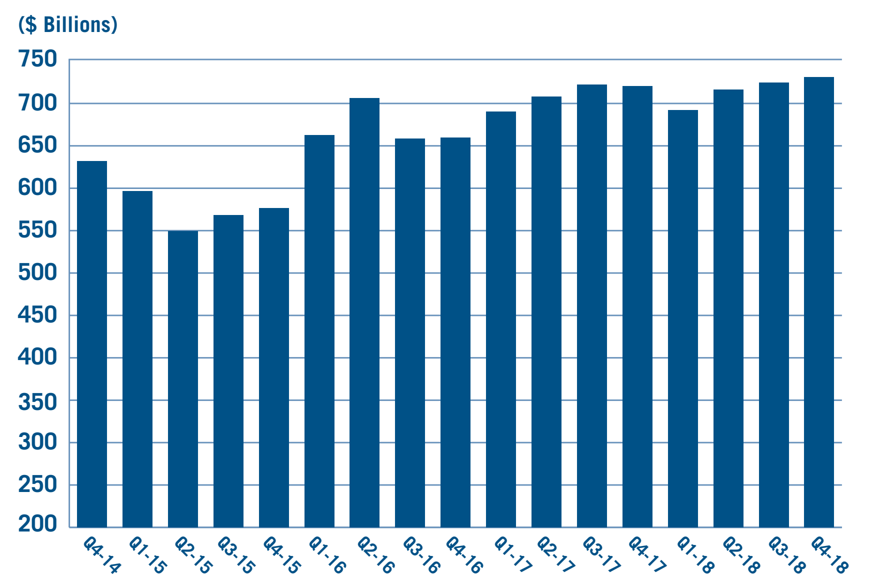


Note: Results are as of December 31 of each year.

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

EEI Index Market Capitalization

December 31, 2014–December 31, 2018



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

A sharp rise in interest rates is widely seen as the biggest macro threat facing utility investors. Although it's hard to see just what would cause it. CPI inflation excluding volatile food and energy costs (a widely watched inflation benchmark) held near 2% throughout 2018, even as the economy roared. As Q4's sentiment shift showed, the main risk to the very-long-lived economic expansion seems to be weakness rather than more red-hot growth. Interest rates would likely fall if economic data turns weak, as they did in Q4. Analysts note the impact of rising rates would be on stock prices rather than earnings. Higher rates can translate into higher allowed ROEs and improved pension funding. Many companies have embedded low-cost debt from years of low rates, and interest rates still remain very low by historical standards.

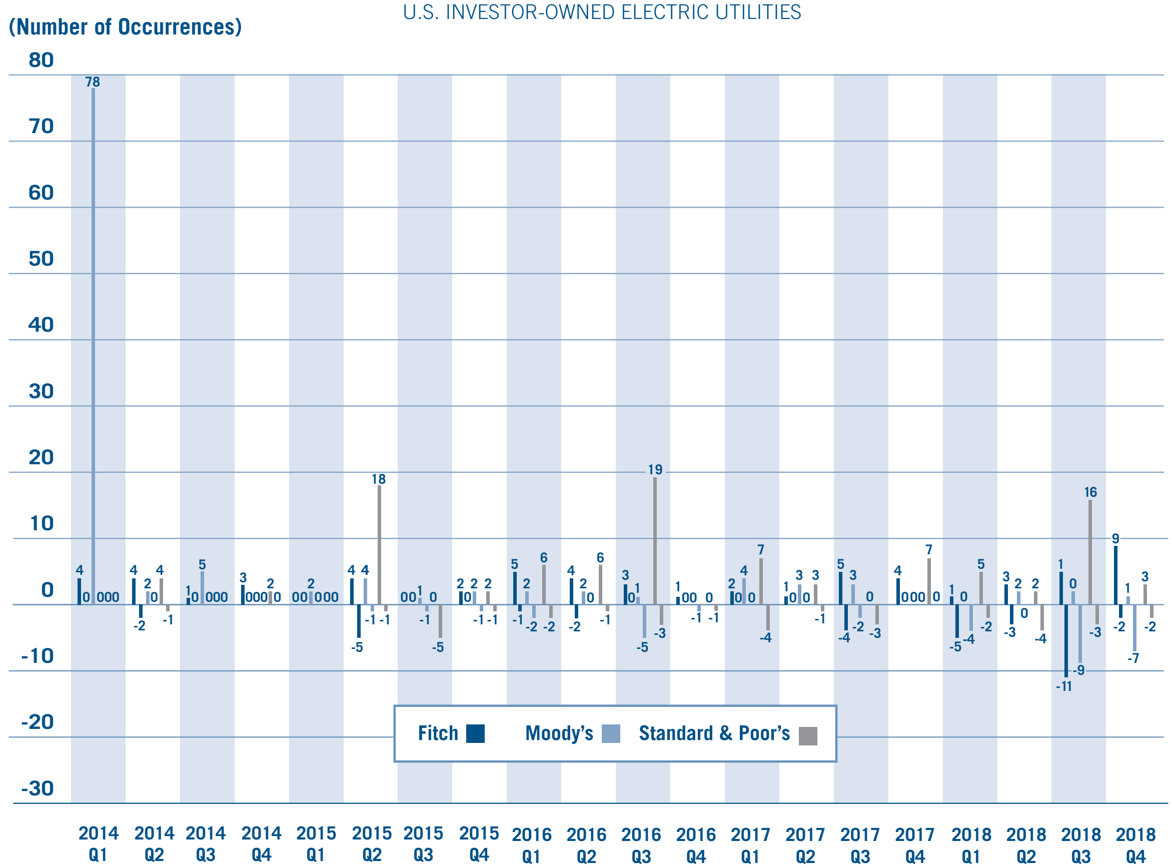
Credit Ratings

The industry's average credit rating in 2018 was BBB+, remaining for a fifth straight year above the BBB average for the period since 2004. Ratings activity, at 95 changes, was above the 68-change annual average for the previous ten years. Upgrades were 45.3% of total actions in 2018, the first year since 2012 that downgrades outnumbered upgrades. The previous five years produced the five highest upgrade percentages in our historical data. Over the past 17 years, upgrades outnumbered downgrades in nine years with an annual average upgrade percentage of 54.2% for the period. EEI captures upgrades and downgrades at the subsidiary level; multiple actions within a parent holding company are included in the upgrade/downgrade totals. However, the industry's average credit rating and outlook are based on the unweighted averages of all Standard & Poor's (S&P) parent company ratings and outlooks.

While the industry's average credit rating at the parent company level was unchanged at BBB+, the underlying data show a modest strengthening in credit quality. At the parent level, six different companies received upgrades and only two received downgrades. One additional company was downgraded and later upgraded during 2018. On December 31, 2018, 70.2% of ratings outlooks were "stable" and 6.4% were "positive" or "watch-positive". Only 23.4% were "negative" or "watch-negative".

Credit Rating Agency Upgrades and Downgrades 2014 Q1–2018 Q4

U.S. INVESTOR-OWNED ELECTRIC UTILITIES



Note: Data presents the number of occurrences and includes each event, even if multiple actions occurred for a single company.

Source: Fitch Ratings, Moody's, and Standard & Poor's.

Credit Rating Agency Upgrades and Downgrades 2014 Q1–2018 Q4

	2014		2015		2016		2017		2018	
	Total Upgrades	Total Downgrades	Total Upgrades	Total Downgrades	Total Upgrades	Total Downgrades	Total Upgrades	Total Downgrades	Total Upgrades	Total Downgrades
Fitch										
Q1	4	0	0	0	5	(1)	2	0	1	(5)
Q2	4	(2)	4	(5)	4	(2)	1	0	3	(3)
Q3	1	0	0	0	3	0	5	(4)	1	(11)
Q4	3	0	2	0	1	0	4	0	9	(2)
Total	**12**	**(2)**	**6**	**(5)**	**13**	**(3)**	**12**	**(4)**	**14**	**(21)**
Moody's										
Q1	78	0	2	0	2	(2)	4	0	0	(4)
Q2	2	0	4	(1)	2	0	3	0	2	0
Q3	5	0	1	(1)	1	(5)	3	(2)	0	(9)
Q4	0	0	2	(1)	0	(1)	0	0	1	(7)
Total	**85**	**0**	**9**	**(3)**	**5**	**(8)**	**10**	**(2)**	**3**	**(20)**
S&P										
Q1	0	0	0	0	6	(2)	7	(4)	5	(2)
Q2	4	(1)	18	(1)	6	(1)	3	(1)	2	(4)
Q3	0	0	0	(5)	19	(3)	0	(3)	16	(3)
Q4	2	0	2	(1)	0	(1)	7	0	3	(2)
Total	**6**	**(1)**	**20**	**(7)**	**31**	**(7)**	**17**	**(8)**	**26**	**(11)**

Note: Chart depicts the number of occurrences and includes each event, even if multiple downgrades occurred for a single company.

Source: Fitch Ratings, Moody's, and Standard & Poor's.

Continued Credit Strengthening at Parent Level

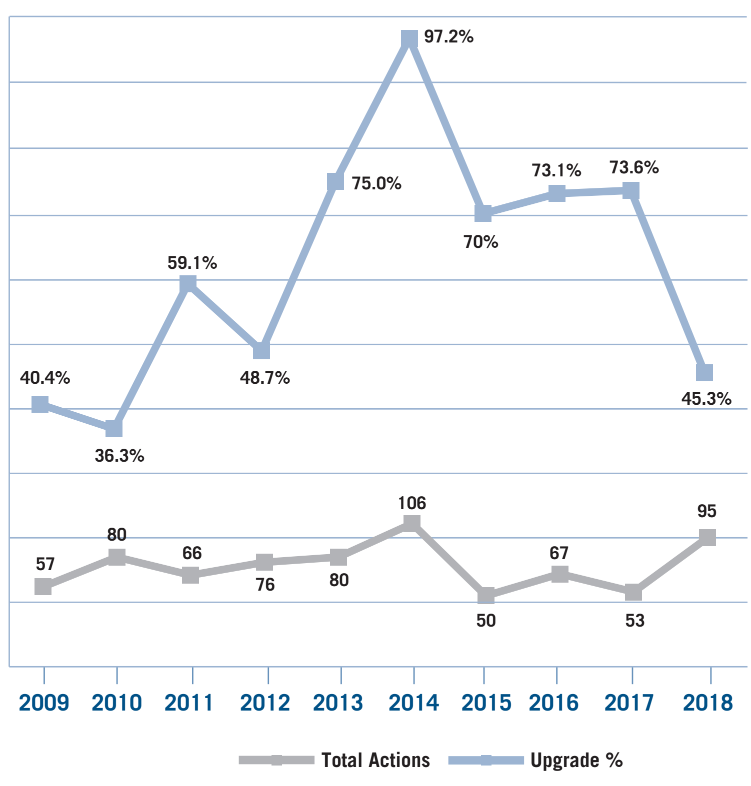
Total ratings actions at the parent company level in 2018 included seven upgrades and five downgrades, inclusive of both an upgrade and downgrade for one company and three downgrades for another. Our universe of 47 U.S. parent company electric utilities at December 31, 2018 included five that are either a subsidiary of an independent power producer, a subsidiary of a foreign-owned company, or that have been acquired by an investment firm.

PG&E Corp.

On February 22, S&P downgraded its issuer credit rating for PG&E Corp. and its Pacific Gas and Electric subsidiary to BBB+ from A- due to the risk posed by financial claims resulting from wildfires in 2017 in the utility's Northern California service territory. On June 13, S&P further downgraded

Direction of Rating Actions

U.S. INVESTOR-OWNED ELECTRIC UTILITIES



Source: Fitch Ratings, Moody's, and Standard & Poor's.

the issuer credit ratings of PG&E Corp. and subsidiary Pacific Gas and Electric to BBB from BBB+, based on initial results of the wildfire investigation in California. On November 15, S&P lowered the two companies' issuer credit ratings to BBB-, again citing wildfire-related risks.

IPALCO

On March 16, S&P raised its issuer credit rating for IPALCO Enterprises, Inc. to BBB from BBB-. The upgrade was based on the expectation that parent company AES Corp. would accelerate debt reduction using proceeds from asset sales, primarily the sale of its 51% equity interest in its Philippines subsidiary to SMC Global Power Holdings Corp. for $1.05 billion. S&P noted the positive impact this would have on AES' adjusted funds from operations to debt ratio.

DPL Inc.

On March 30, S&P upgraded the issuer credit ratings on DPL Inc. and its subsidiary Dayton Power and Light (DP&L) to BBB- from BB, a two-notch increase, following the sale of six generation facilities. On March 28, DPL announced the completion of the sale of its remaining merchant generation facilities, totaling about 973 MW, to Kimura Power LLC for nearly $240 million in cash. According to S&P, the deal essentially transforms DPL into a low-risk transmission and distribution utility, warranting a revision of the company's business risk profile to excellent from satisfactory. DPL said it will use proceeds from the sale to repay term loans and other debt and fund infrastructure investments.

OGE Energy

On June 18, S&P lowered its issuer credit ratings on OGE Energy Corp. and subsidiary Oklahoma Gas and Electric Co. to BBB+ from A- following a settlement in OG&E's general rate case. The settlement provides for a rate decrease of $64 million, the inclusion of the Mustang Energy Center in rate base, and a regulatory asset mechanism to recover future costs related to the Sooner power plant scrubber project. S&P commented that the downgrade reflects its expectation that OGE's consolidated funds from operations to debt ratio (FFO to debt) will remain below 23% over the next few years. Specifically, S&P expects FFO to debt to range from 20% to 23%, consistent with a higher financial risk profile.

Portland General Electric

On July 18, S&P upgraded its corporate credit rating for Portland General Electric to BBB+ from BBB after the utility reached a settlement to resolve all claims relating to its Carty gas-fired plant. The company had declared plant contractors, who were affiliates of Spanish firm Abengoa SA, in default and terminated their construction agreement in December 2015. Portland General hired another contractor to finish the power plant but incurred additional costs in the process. S&P that said the company's ability to settle this complex issue at close to full recovery supports its assessment of an improved business risk profile and demonstrates the company's ability to effectively execute on its strategic initiatives.

Evergy

On July 19, newly formed Evergy, Inc. was assigned an A- issuer credit rating and a stable outlook by S&P. Evergy, headquartered in Kansas City, MO, was created through the merger of Westar, Inc. and Great Plains Energy, Inc., with issuer credit ratings on Evergy's utility subsidiaries remaining at A- at the time of this rating.

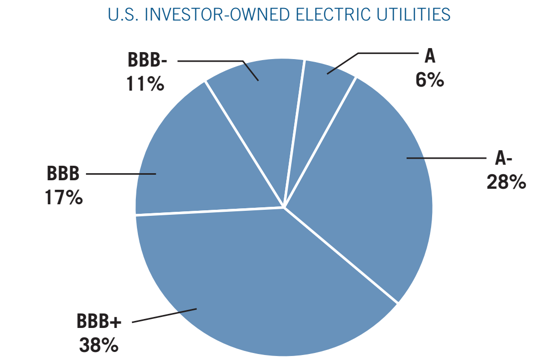
Black Hills Corp

On August 9, S&P upgraded Black Hills Corp. and subsidiary Black Hills Power Inc. to BBB+ from BBB, citing the company's successful divestiture plan. In November 2017, Black Hills announced plans to exit the oil and gas industry by the end of 2018. At the time of the August upgrade, Black Hills had almost completely divested its oil and gas exploration and production assets and expected to sell the remaining assets by the end of the third quarter of 2018. S&P said the scale of utility operations the company had achieved to date along with the sale of its more risky E&P segment would make Black Hills' cash flows and operations more predictable. S&P noted that Black Hills would benefit from recovery of invested capital via regulatory riders and base rate cases while continuing to manage its capital structure prudently, supporting its operating cash flow and other financial measures.

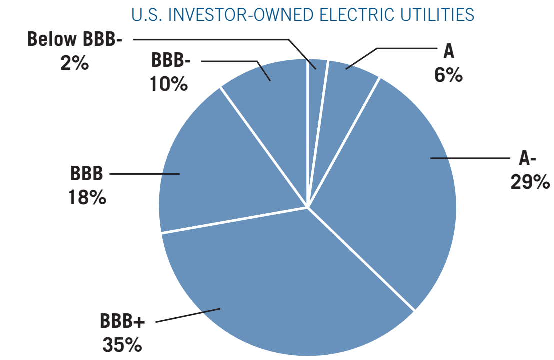
SCANA

On August 9, S&P downgraded SCANA Corp. and its subsidiaries to BBB- from BBB after a federal judge denied South Carolina Electric & Gas Co.'s (SCE&G) attempt to halt

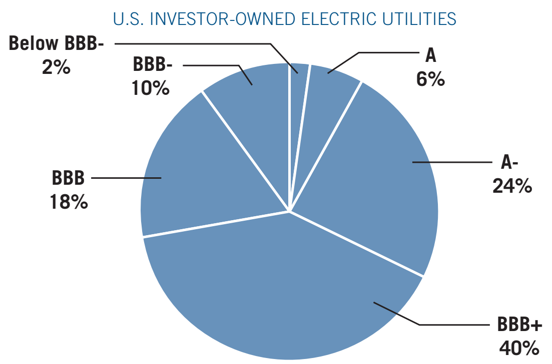
Bond Ratings December 31, 2018
as rated by Standard & Poor's



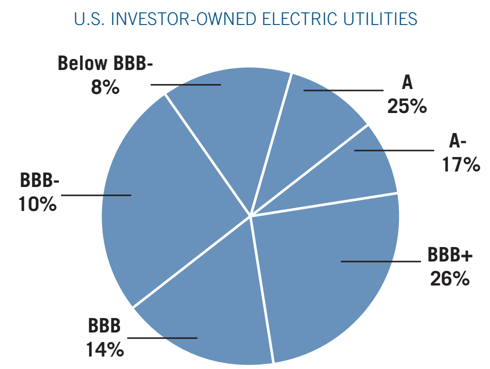
Bond Ratings December 31, 2017
as rated by Standard & Poor's



Bond Ratings December 31, 2016
as rated by Standard & Poor's



Bond Ratings December 31, 2001
as rated by Standard & Poor's



Note: Rating applies to utility holding company entity.

Source: Standard & Poor's, S&P Global Market Intelligence, EEI Finance Department, and company annual reports

a temporary rate reduction tied to recovery of costs associated with the abandoned V.C. Summer nuclear plant construction project. S&P lowered its ratings, including the issuer credit ratings, on SCANA and subsidiaries SCE&G and Public Service Co. of North Carolina Inc. to BBB- from BBB. The downgrade reflected S&P's expectation of reduced consolidated credit metrics over the next two years, even after incorporating the company's announced cut to its dividend payments. S&P added that its CreditWatch with negative implications on SCANA and its subsidiaries reflects ongoing uncertainty regarding recovery of V.C. Summer-related costs. S&P said it could lower ratings again if credit metrics weaken beyond those in its base-case scenario, which assumes the temporary rate cut is made permanent.

On December 27, S&P upgraded SCANA to BBB+ from BBB due to the anticipated close of the company's all-stock merger with Dominion Energy Inc. S&P also upgraded SCANA SCE&G subsidiary to BBB+ from BBB-. S&P said that the upgrades reflect the higher-rated Dominion's pending acquisition of SCANA. The Public Service Commission of South Carolina had voted on December 14 to unanimously approve Dominion's acquisition of SCANA. The merger was completed on January 2, 2019.

FirstEnergy

On August 30, S&P upgraded the issuer credit rating for FirstEnergy Corp. and its subsidiaries to BBB from BBB- after First Energy filed a settlement agreement in the

Rating Agency Activity

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

Total Ratings Changes	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fitch	14	24	25	26	23	14	11	16	16	35
Moody's	23	20	11	20	17	85	12	13	12	23
Standard & Poor's	20	36	30	30	40	7	27	38	25	37
Total	**57**	**80**	**66**	**76**	**80**	**106**	**50**	**67**	**53**	**95**

Source: Fitch Ratings, Moody's, Standard & Poor's, S&P Global Market Intelligence, and EEI Finance Department.

S&P Utility Credit Ratings Distribution by Company Category

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

	2014		2015		2016		2017		2018	
	#	%	#	%	#	%	#	%	#	%
Regulated										
A or higher	1	3%	1	3%	2	6%	2	6%	1	3%
A-	8	21%	8	22%	10	28%	12	34%	11	32%
BBB+	12	32%	12	33%	13	36%	10	29%	11	32%
BBB	14	37%	12	33%	8	22%	7	20%	7	21%
BBB-	1	3%	1	3%	3	8%	4	11%	4	12%
Below BBB-	2	5%	2	6%	0	0%	0	0%	0	0%
Total	38	100%	36	100%	36	100%	35	100%	34	100%
Mostly Regulated										
A or higher	1	8%	1	8%	1	8%	1	7%	2	15%
A-	4	31%	5	38%	2	17%	2	14%	2	15%
BBB+	4	31%	5	38%	7	58%	7	50%	7	54%
BBB	2	15%	1	8%	0	0%	2	14%	1	8%
BBB-	2	15%	1	8%	1	8%	1	7%	1	8%
Below BBB-0	0	0%	0	0%	1	8%	1	7%	0	0%
Total	13	100%	13	100%	12	100%	14	100%	13	100%
Diversified										
A or higher	0	0%	0	0%	0	0%				
A-	0	0%	0	0%	0	0%				
BBB+	1	50%	1	50%	0	0%				
BBB	0	0%	0	0%	1	50%				
BBB-	1	50%	1	50%	1	50%				
Below BBB-	0	0%	0	0%	0	0%				
Total	2	100%	2	100%	2	100%				

Note: Totals may not equal 100.0% due to rounding.

Refer to page v for category descriptions.

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

Chapter 11 bankruptcy proceedings of FirstEnergy Solutions Corp. The ratings agency said the settlement agreement was in line with its base case expectations. S&P also noted FirstEnergy's stable outlook, which reflected an expectation that the bankruptcy court would approve the settlement and that FirstEnergy would focus on growing its regulated businesses.

Increased Actions by Fitch and Moody's

Fitch and Moody's each increased the number of ratings actions in 2018 after three years of relatively low activity. Fitch issued 14 upgrades and 21 downgrades compared to 12 and four, respectively, in 2017. The 35 total actions in 2018 compared to 16 in both 2017 and 2016, 11 in 2015 and 14 in 2014. Two prominent developments contributed to the increased downgrade activity in 2018: 1) the regulatory uncertainty surrounding wildfire-related cost recovery in California and 2) execution risk associated with the construction of Southern Company's Vogtle 3 and 4 nuclear units. Successful mergers were cited in three of Fitch's 2018 upgrades.

Moody's issued three upgrades and 20 downgrades in 2018 compared to ten upgrades and two downgrades in 2017, five upgrades and 8 downgrades in 2016, and nine upgrades and three downgrades in 2015.

Ratings by Company Category

The table *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, 2018, the average rating for both the Regulated and Mostly Regulated categories was BBB+.

Long-Term Credit Rating Scales

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

	Moody's	Standard & Poor's	Fitch
Investment Grade	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-

	Moody's	Standard & Poor's	Fitch
Speculative Grade	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

	Moody's	Standard & Poor's	Fitch
Default	C	D	D

Source: Fitch Ratings, Moody's, and Standard & Poor's.