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# 2020 Financial Review

Annual Report of the U.S. Investor-Owned  
Electric Utility Industry



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# 2020 FINANCIAL REVIEW

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ANNUAL REPORT  
OF THE U.S. INVESTOR-OWNED  
ELECTRIC UTILITY INDUSTRY

## **About EEI and the Financial Review**

The Edison Electric Institute (EEI) is the association that represents all U.S. investor-owned electric companies. Our U.S. members provide electricity for 220 million Americans and operate in all 50 states and the District of Columbia. As a whole, the electric power industry supports more than 7 million jobs in communities across the U.S. and contributes 5 percent to the nation's GDP. The 2020 Financial Review is a comprehensive source for critical financial data covering 39 investor-owned electric companies whose stocks are publicly traded on major U.S. stock exchanges. The report also includes data on five additional companies that provide regulated electric service in the United States but are not listed on U.S. stock exchanges because they are owned by holding companies not primarily engaged in the business of providing retail electric distribution services in the United States. These 44 companies are referred to throughout the publication as the U.S. Investor-Owned Electric Utilities. Please refer to page 80 for a list of these companies.



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## Highlights of 2020

### U.S. INVESTOR-OWNED ELECTRIC UTILITIES

<b>FINANCIAL (\$ Millions)</b>	<b>2020</b>	<b>2019<sup>r</sup></b>	<b>% Change</b>
Total Operating Revenues	351,085	357,127	(1.7%)
Utility Plant (Net)	1,316,416	1,239,029	6.2%
Total Capitalization	1,128,491	1,022,415	10.4%
Earnings Excluding Non-Recurring and Extraordinary Items	54,359	49,148	10.6%
Dividends Paid, Common Stock	29,503	27,876	5.8%

r = revised Note: Percent changes may reflect rounding.

## Abbreviations and Acronyms

AFUDC	Allowance for Funds Used During Construction	kWh	Kilowatt-hour
BTU	British Thermal Unit	M&A	Mergers & Acquisitions
CFTC	Commodity Futures Trading Commission	MW	Megawatt
CPI	Consumer Price Index	MWh	Megawatt-hour
DOE	Department of Energy	NARUC	National Association of Regulatory Utility Commissioners
DOJ	Department of Justice	NERC	North American Electric Reliability Corporation
DPS	Dividends per share	NOx	Nitrogen Oxide
EEI	Edison Electric Institute	NOAA	National Oceanic & Atmospheric Administration
EIA	Energy Information Administration	NRC	Nuclear Regulatory Commission
EITF	Emerging Issues Task Force	O&M	Operations and Maintenance
EPA	Environmental Protection Agency	PSC	Public Service Commission
EPS	Earnings per share	PUC	Public Utility Commission
FASB	Financial Accounting Standards Board	PUHCA	Public Utility Holding Company Act
FERC	Federal Energy Regulatory Commission	PURPA	Public Utility Regulatory Policies Act
GDP	Gross Domestic Product	ROE	Return on Equity
GW	Gigawatt	RTO	Regional Transmission Organization
GWh	Gigawatt-hour	SEC	Securities and Exchange Commission
IPP	Independent Power Producer	SO <sub>2</sub>	Sulfur Dioxide
IRS	Internal Revenue Service	T&D	Transmission & Distribution
ISO	Independent System Operator		
ITC	Independent Transmission Company		



## Company Categories

Two categories are used throughout this publication that group companies based on their percentage of total assets that are regulated. These categories are used to provide an informative framework for tracking financial trends:

**Regulated:** 80% or more of total assets are regulated.

**Mostly Regulated:** Less than 80% of total assets are regulated.

Note: In prior editions of the Financial Review, a “Diversified” category was included for companies with less than 50% of total assets that are regulated. Some tables with historical data therefore include a “Diversified” category.

# President's Letter

## 2020 Financial Review

2020 was unprecedented, and the past year has been tough for our world, for our nation, for our cities and communities, and for so many families across our country. Throughout the challenges of the pandemic, we have had constant reminders of how valuable electricity is to our society and to our everyday lives.

Like they do when faced with any crisis, EEI's member companies—America's investor-owned electric companies—met these challenges head on, with courage and commitment. They quickly adapted to very adverse circumstances, and they have worked tirelessly to deliver the safe, reliable, affordable, and clean energy their customers and communities need, while also

“EEI, working with our member companies and the investment community, created the first-of-its-kind, industry-wide environmental, social, governance, and sustainability reporting template.

protecting the health and safety of their employees.

As always, our North Star is serving our customers. As we look to all that we hope to accomplish this year, we will continue to center our efforts on maintaining the steady and strong transition to clean energy; modernizing the energy grid to make it more dynamic, more resilient, and more secure; and developing the innovative solutions our customers expect and deserve. We are proud that we stand on a strong foundation, and we look forward to our continued work together to deliver value to our customers, to our investors, and to all industry stakeholders.

Clean energy remains central to our industry vision, and EEI and our member companies are committed to getting the energy we provide as clean as we can as fast as we can, without compromising on the reliability or affordability that our customers expect and value. We are leaders on clean energy, and we already are making progress. Today, 40 percent of the nation's electricity comes from carbon-free sources, including nuclear energy, hydropower, wind, and solar energy. Equally important, carbon emissions from the U.S. power sector are at their lowest level in more than 40 years—and continue to fall.



As impressive as our progress has been, and continues to be, now is the time to accelerate our efforts. With the right policies and the right technologies, a 100-percent clean energy future can be more than a goal. It can be a reality.

Existing technologies can get us much of the way to a 100-percent clean energy future. Completing the work will require advanced renewables and new, carbon-free, 24/7 technologies that are affordable for customers. Ultimately, technology will drive the timeline to a 100-percent clean energy future, and federal policies are a necessary catalyst to accelerate the pace of innovation and to ensure these technologies are demonstrated and commercialized in the time that electric companies need them.

Our position is—and has always been—that we should take an economy-wide approach to addressing climate change. The transportation sector is the largest domestic source of carbon emissions—and has been since 2016. By accelerating transportation electrification and increasing the number of electric vehicles (EVs) in the federal fleet



and on U.S. roads, we can leverage the already ongoing emissions reductions in our sector to meet economy-wide carbon reduction goals. EEI's member companies already are investing more than \$3 billion to deploy charging infrastructure and to accelerate electric transportation.

A robust transmission system is essential to helping our industry continue its clean energy transformation. The transmission system integrates renewables, enhances grid resilience, powers electric transportation, and facilitates the adoption of a broad array of smart technologies to better serve our customers. Given the time needed to build new transmission infrastructure, it is imperative to move quickly to take stock of where we are, what is working, what is not, and what the needs are in each region of the country. We look forward to working with the Department of Energy, the Federal Energy Regulatory Commission, and the Administration to get this critical energy infrastructure built more quickly.

EEI and our member companies also are working constantly to improve energy 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.

We know that our stakeholders need a clear and consistent way to measure our progress on delivering a sustainable energy future. That is why EEI, working with our member companies and the investment community, created the first-of-its-kind, industry-wide environmental, social, governance, and sustainability (ESG/sustainability) reporting template. Launched in 2018, the template helps member companies provide investors, Wall Street analysts, and other key stakeholders with more consistent and uniform ESG/sustainability data and information. In 2020, we worked with our member companies and the financial community to enhance the diversity, equity, and inclusion metrics and information that can be reported in the template, among other important updates, such as providing an emissions reduction goals table to provide more uniformity in how our member companies report long term climate goals. Following this collaborative process, Version 3 of the template was launched this year for our member companies to report 2020 ESG/sustainability data and information.

Building on the work of the ESG/sustainability template and recognizing the important role that natural gas has—and will continue to have—in our clean energy future, EEI and the American Gas Association now are focused on the Natural Gas Sustainability Initiative (NGSI). The NGSI is an overarching framework that enables the natural gas industry to measure, disclose, and recognize individual com-

pany and industry-wide progress and innovation on key sustainability metrics. This year, we are expanding our effort by engaging natural gas producers and midstream natural gas companies on a reporting platform that encompasses the entire value chain and calls for using consistent protocols to report their methane intensity.

“*The Natural Gas Sustainability Initiative is an overarching framework that enables the natural gas industry to measure, disclose, and recognize individual company and industry-wide progress and innovation on key sustainability metrics.*”

The pandemic has highlighted a deep inequity around broadband access across the country. The digital divide is acute, and EEI's member companies are stepping up to help tackle this problem. Electric companies long have incorporated telecommunications equipment and fiber technology into their operations—particularly in rural areas—to support communications and to provide real-time monitoring and controls for generation and transmission operations. Allowing electric companies to leverage these fiber investments to provide middle-mile broadband infrastructure, in partnership with telecommunications companies and last-mile internet providers, is a win for all stakehold-

ers, particularly those customers in underserved and unserved areas.

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 seventh straight year in 2020, 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 a ninth consecutive record high of \$132.7 billion in 2020. We continue to be America's most capital-intensive industry.

The EEI Index fell by 1.2 percent in 2020; it has produced a positive total return in 15 of the last 18 years. Our industry produced returns greater than 10 percent in 12 of the 15 positive years and greater than 20 percent in 5 of the past 15 years.

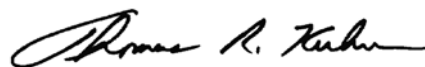
Our industry extended its long-term trend of widespread and consistent dividend increases in 2020. A total of 34 companies increased or reinstated their dividend in 2020, compared to 37 in 2019, 39 in 2018, 38 in 2017, 40 in 2016, and 39 in 2015. Our industry's dividend payout ratio—65.3 percent for the 12 months ended December 31, 2020—was leading among the major U.S. business sectors, surpassed only by the industrial sector. As of December 31, 2020, 38 of the 39 companies in the EEI Index were paying a common stock dividend.

Importantly, the Tax Cuts and Jobs Act, which was signed into law in December 2017, maintains preexisting tax rates for dividends and capital gains. Sustaining this balance, along with keeping overall tax rates down, is important to sustain our investments in reliable, affordable, and clean energy and to avoid a capital-raising disadvantage for the high-dividend companies in our industry. There is a real prospect for major new tax legislation to be offered in the 117th Congress, and EEI will be educating lawmakers on the impact that significant tax increases on corporations and dividends would have on our customers.

In 2021 and beyond, EEI and our member companies will remain focused on building a cleaner, smarter, and stronger energy future—and on delivering the safe, reliable, affordable, and clean energy our customers need and deserve. Ultimately, every success we have as an industry leads back to our commitment to do what is right for our customers.

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

Thomas R. Kuhn



President  
Edison Electric Institute

# Capital Markets

## Stock Performance

Future stock market historians will likely view 2020 as one of the strangest years ever. Who could have predicted in March — when major indices were rocked by COVID-19 and down 35% from January 1 — that full-year returns would reach nearly 10% for the Dow Jones Industrials, almost 20% for the S&P 500 and more than 40% for the Nasdaq? Utilities, despite their defensive characteristics, were also off 35% at the March lows but recovered only tepidly compared to broad market ebullience. The EEI Index finished 2020 with a -1.2% return including dividends.

The market's gyrations seemed to anticipate the trajectory of economic data, which showed spectacular volatility. The Bureau of Economic Analysis (BEA) reported U.S. gross domestic product (GDP) fell 5.1% in Q1 2020 from the preceding quarter before crashing to a -31.4% decline in Q2. Aggressive support from the Federal Reserve and the late March CARES act — which injected \$2.3 trillion of stimulus (11% of GDP) through direct payments to individuals, unemployment support and \$483 billion of forgivable loans to small businesses — powered

## 2020 Index Comparison

<b>EEI Index</b>	<b>(1.2)</b>
Dow Jones Industrials	9.7
S&P 500	18.4
Nasdaq Composite Index*	43.6

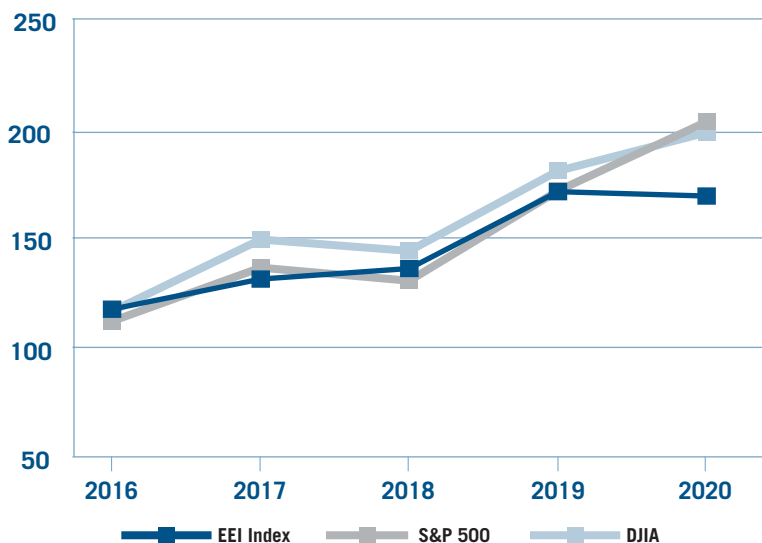
\* Price gain/(loss) only. Other indices show total return.

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

## Comparison of the EEI Index, S&P 500, and DJIA Total Return 1/1/16–12/31/20

REFLECTS REINVESTED DIVIDENDS

(Dollars)



All returns are annual.

Note: Assumes \$100 invested at closing prices December 31, 2015.

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

## EEI Index Top 10 Performers

Twelve-month period ending 12/31/2020

Company	Total Return %	Category
NextEra Energy, Inc.	30.2	MR
PG&E Corporation	14.6	R
Xcel Energy Inc.	7.8	R
Duke Energy Corporation	5.0	R
Eversource Energy	4.5	R
Ameren Corporation	4.4	R
WEC Energy Group, Inc.	2.6	R
PSEG, Inc.	2.6	MR
Southern Company	1.0	R
CMS Energy Corporation	-0.2	R

Note: Return figures include capital gains and dividends.  
Source: EEI Finance Department.

## Sector Comparison 2020 Total Shareholder Return

Sector	Total Return %
Technology	47.3%
Consumer Goods	33.2%
Consumer Services	29.8%
Basic Materials	18.3%
Industrials	17.9%
Healthcare	16.0%
Financials	-0.5%
Utilities	-0.6%
<b>EEI Index</b>	<b>-1.2%</b>
Telecommunications	-5.9%
Oil & Gas	-33.2%

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

a 33.4% GDP recovery in Q3 from Q2. Stocks were also lifted late in the year's second half by optimism over COVID-19 vaccine progress, which seemed to offer welcome hope that life in 2021 may slowly return to normal.

Investor sentiment always colors macroeconomic news with confirmation bias. Measured on a year-over-year basis (rather than quarter-to-quarter), U.S. GDP fell 9.0% in Q2 and 2.8% in Q3, hardly a picture of strength. But investors had

their minds set on “recovery” and sequential data gave them the numbers they were looking for.

### Interest Rates Fall to Record Lows

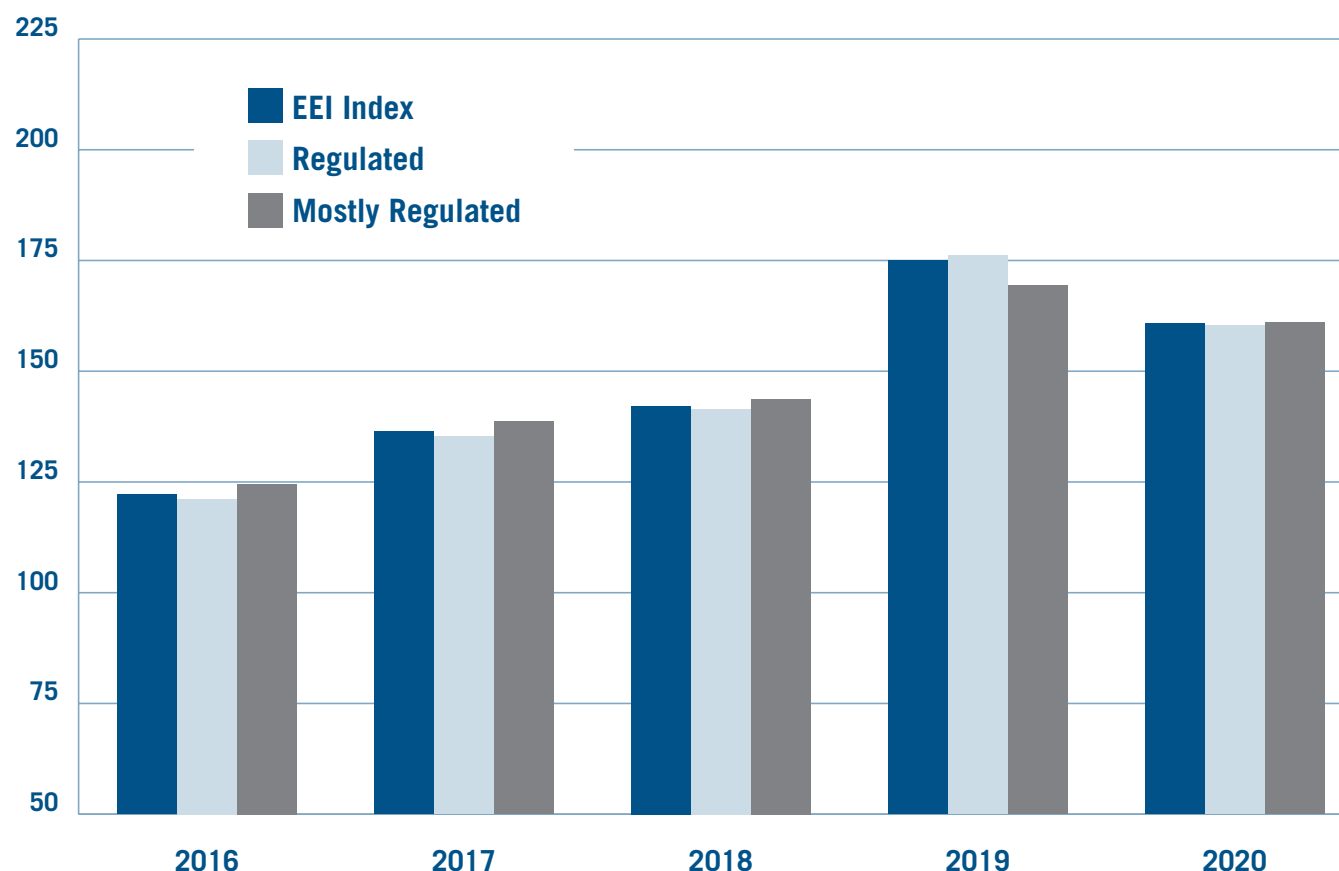
Wall Street analysts scratched their heads a bit over utility shares' 2020 performance since utilities are classically seen as safe-havens in times of market stress. Some cited as potential causes utilities' rich valuations as the year began, concerns over load strength, and dysfunctional credit markets when pandemic news worsened by the day (given the industry's capital raising needs). But 2020 was so atypical that historical patterns may simply be poor guides. Analysts viewed utilities' sluggish second half as a function of market technicals and the strength of money flows into technology and consumer goods and services companies that benefit from both stay-at-home lifestyles and a cyclical economic rebound.

Interest rate moves certainly favored utilities, whose steady dividends make them a bond substitute for income-oriented investors. The Federal Reserve cut its overnight Fed Funds rate from 1.5% in February to near 0% by late March, where it remained through year-end. The 10-year Treasury yield fell from 1.8% in January to under 0.6% in August before drifting back to just over 1% at year-end. The 30-year Treasury yield likewise fell from 2.3% to a range of 1.3% to 1.6% through August before rising to 1.6% at year-end. These rate moves somewhat contradict the stock market's expectation for a fast rebound to pre-COVID-19 economic strength.

## Comparative Category Total Annual Returns 2016–2020

U.S. INVESTOR-OWNED ELECTRIC UTILITIES,  
VALUE OF \$100 INVESTED AT CLOSE ON 12/31/2015

(Dollars)

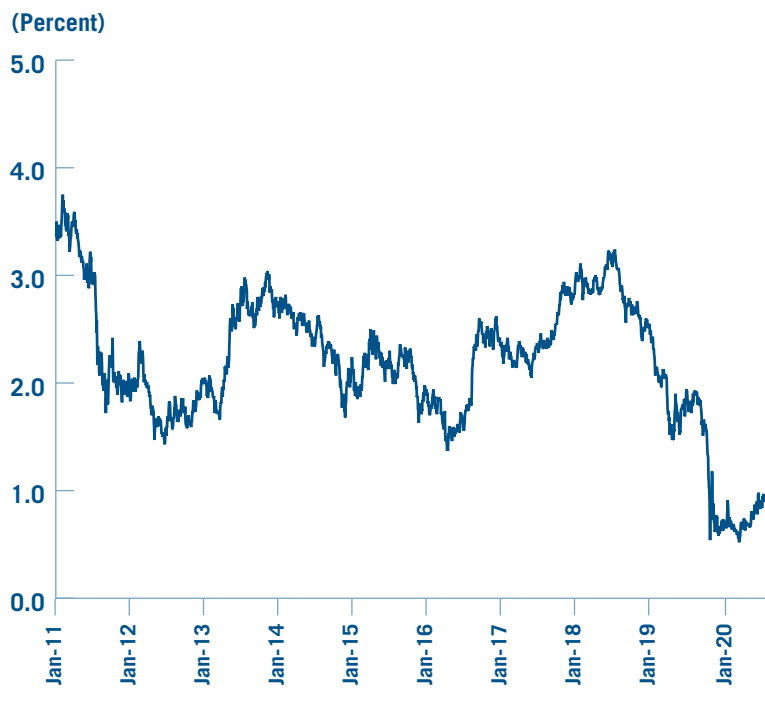


	2016	2017	2018	2019	2020
EEI Index Annual Return (%)	22.21	11.56	4.28	23.06	(8.07)
EEI Index Cumulative Return (\$)	122.21	136.34	142.17	174.95	160.83
Regulated EEI Index Annual Return	21.16	11.66	4.55	24.56	(9.01)
Regulated EEI Index Cumulative Return	121.16	135.29	141.44	176.18	160.30
Mostly Regulated EEI Index Annual Return	24.57	11.32	3.62	17.87	(4.95)
Mostly Regulated EEI Index Cumulative Return	124.57	138.67	143.69	169.37	160.99

- 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, 2015.

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

## 10-Year Treasury Yield 1/1/11 through 12/31/20



Source: U.S. Federal Reserve.

## Pandemic Hits Electricity Demand

Widespread energy efficiency programs and economic deindustrialization have put a stop to secular electricity demand growth, which has been flat for a decade. COVID-19 shutdowns depressed demand further in 2020. U.S. electric output fell 4.7% year-to-year in Q2 and 1.6% in Q3 with a full-year decline of 2.9%. However, analysts noted that weakness was focused on commercial and industrial load, which fell more than 10% year-to-year from Q2 on. After falling 6% in Q1 on mild winter temps, residential demand actually jumped 7.5% in Q2 and roughly 3% to 4% in 2020's second half as people were stuck at home. The rise in higher-margin residential demand helped soften the pandemic's impact on utility earnings.

## Industry Outlook Remains Upbeat

Wall Street research published late in the year showed remarkable thematic stability relative to pre-pandemic thinking. Industry growth stories remained intact. Capex projections ratcheted slightly higher. Earnings visibility extended out to the decade's back half as companies embraced growth largely through regulated investments.

Investors and analysts sharpened their focus on environmental, social and governance (ESG) metrics in 2020 leading to a perceived lift in share price performance for companies that rank well. As leaders of the nation's transition to clean energy, EEI members have a very positive ESG story to tell. Working with member companies, analysts and investors, EEI created the first

## 2020 Returns By Quarter

Index	Q1	Q2	Q3	Q4
EEI Index	(13.6)	1.8	5.6	6.5
Dow Jones Industrial Average	(22.7)	18.5	8.2	10.7
S&P 500	(19.6)	20.5	8.9	12.2
Nasdaq Composite*	(14.2)	30.6	11.0	15.4
Category	Q1	Q2	Q3	Q4
All Companies	(15.8)	(1.0)	1.3	8.8
Regulated	(15.0)	(1.3)	(0.1)	8.6
Mostly Regulated	(18.3)	0.2	6.2	9.3

\* 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.

industry-wide ESG/sustainability reporting template, which is now utilized by virtually all EEI member companies. An enhanced template with additional focus on social topics will be released this year for 2020 reporting.

Earnings growth outlooks for many utilities under analyst coverage rose slightly, in synch with the size and scope of growing capex programs. Industry long-term earnings growth targets cluster around 5% to 6% (as a rough generality), with individual utilities higher or lower depending on specific circumstances. Utilities also contributed to improved outlooks through aggressive operations and maintenance cost management as smart-grid investments pay off. And analysts generally observed that most utilities under their research coverage saw little earnings impact from the COVID-19 shock.

Ongoing capex programs run the gamut and include new renewable generation, new gas-fired generation, gas pipeline upgrades, electric transmission and distribution modernization and expansion, smart-grid deployment, and reliability-related network hardening. Analysts continued to view state regulatory relations as generally fair, balancing the interests of ratepayers, utilities and other stakeholders. Some utilities have successfully advocated for changes to rate design — such as forward test years, rate mechanisms and adjustment clauses — that allow timely recovery of costs associated with big-ticket capital investment programs and offer some protection from lethargic demand.

## 2020 Category Comparison

Category	Return (%)
<b>EEI Index</b>	<b>(8.1)</b>
Regulated	(9.0)
Mostly Regulated	(4.9)

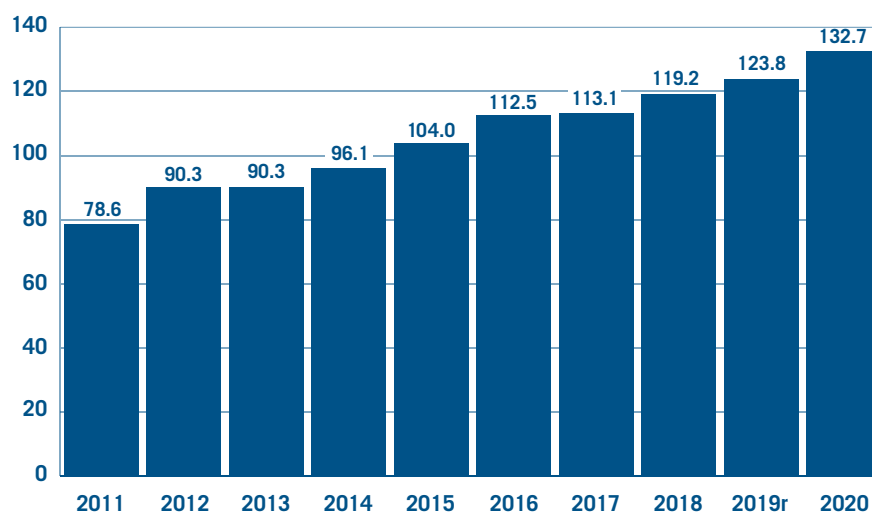
\* Returns shown here are unweighted averages of constituent company returns. The EEI Index return shown in the 2020 Index Comparison table is cap-weighted.

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

## Capital Expenditures 2011–2020

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Billions)



r = revised

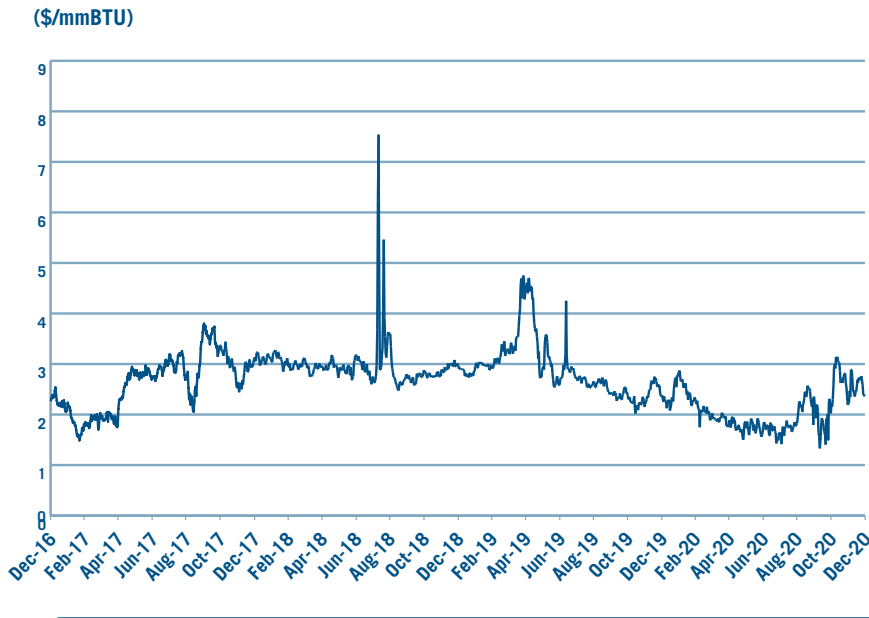
Source: S&P Global Market Intelligence, company reports, and EEI Finance Department.

### Biden Win Boosts Green Themes

Biden campaign messaging included \$2 trillion in clean energy investments, a 100% clean power economy and net-zero U.S. carbon emissions by 2050. Given political

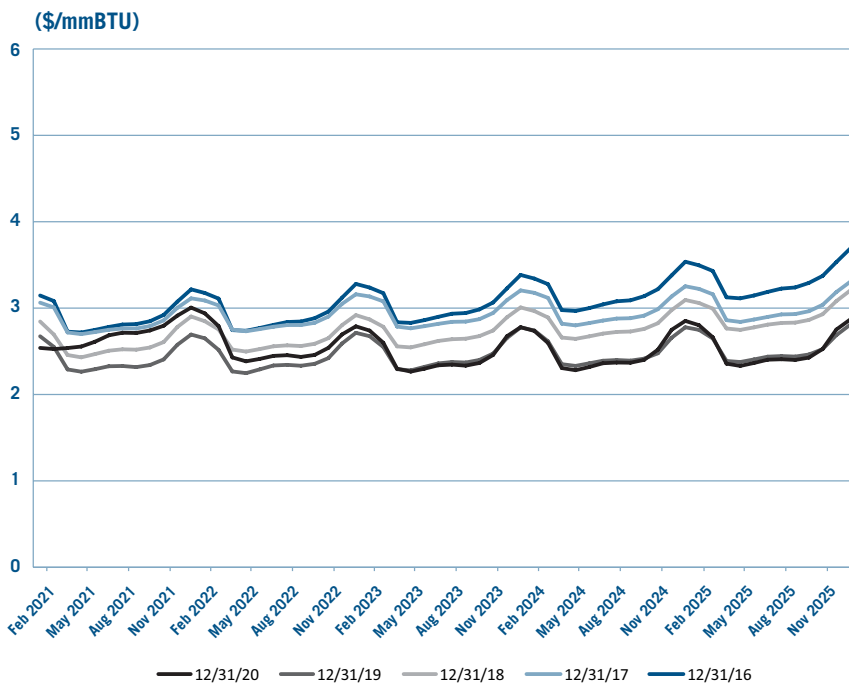
uncertainty over that long a horizon and the challenge of predicting technical innovation, revising long-term industry outlooks to reflect what “might” happen if these plans become policy is impossible with any

## Natural Gas Spot Prices - Henry Hub 12/31/16 through 12/31/20



Source: S&P Global Market Intelligence.

## NYMEX Natural Gas Futures February 2021 through December 2025



Source: S&P Global Market Intelligence.

precision. But the broad contours seem positive for renewable generation of all kinds, for electrification of transportation and potentially for utility capex and demand growth.

The prospect of electric vehicle (EV) adoption gained some analytical traction in 2020 as the first potential secular spur to power demand since air conditioning. Some estimates suggested widespread EV adoption could boost load by 1% annually over the next few decades. Industry chatter late in the year included hydrogen power and renewable natural gas as long-term substitutes for the conventional and more carbon-intensive natural gas used today. Natural gas-focused utility shares were relatively weak in 2020 over concern that terminal values of pipeline investments may be challenged in a post-carbon world. But analysts noted these hypotheticals are beyond the visible horizon and won't effect predictable earnings outlooks. And gas remains the most economical heating fuel in many colder regions, with broad public and regulatory support.

### Attractive Valuations

At year-end 2019, Wall Street viewed utility stock valuations as high. Price weakness in 2020 turned that on its head. With most utility shares in the red for the year, interest rates lower and long-term growth prospects unchanged (if not improved), analysts became broadly bullish. As 2021 began, most saw the group as extraordinarily undervalued with headroom for gains even if interest rates were to rise from today's unusually low levels. Investment programs underpin prospects for ag-



## Market Capitalization at December 31, 2020 (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	151,183	16.90%	AVANGRID, Inc.	AGR	14,066	1.57%	
Duke Energy Corporation	DUK	67,297	7.52%	Alliant Energy Corporation	LNT	12,867	1.44%	
Southern Company	SO	64,993	7.27%	Eversource Energy	EVERG	12,617	1.41%	
Dominion Energy, Inc.	D	62,702	7.01%	CenterPoint Energy, Inc.	CNP	11,790	1.32%	
American Electric Power Company, Inc.	AEP	41,317	4.62%	Pinnacle West Capital Corporation	PNW	9,009	1.01%	
Exelon Corporation	EXC	41,207	4.61%	NiSource Inc.	NI	8,804	0.98%	
Sempra Energy	SRE	36,884	4.12%	OGE Energy Corp.	OGE	6,375	0.71%	
Xcel Energy Inc.	XEL	35,068	3.92%	MDU Resources Group, Inc.	MDU	5,282	0.59%	
Eversource Energy	ES	29,680	3.32%	IDACORP, Inc.	IDA	4,853	0.54%	
Public Service Enterprise Group Inc.	PEG	29,383	3.28%	PNM Resources, Inc.	PNM	3,876	0.43%	
WEC Energy Group, Inc.	WEC	29,026	3.25%	Hawaiian Electric Industries, Inc.	HE	3,864	0.43%	
PG&E Corporation	PCG	24,509	2.74%	Black Hills Corporation	BKH	3,845	0.43%	
Consolidated Edison, Inc.	ED	24,174	2.70%	Portland General Electric Company	POR	3,828	0.43%	
Edison International	EIX	23,746	2.65%	ALLETE, Inc.	ALE	3,215	0.36%	
DTE Energy Company	DTE	23,432	2.62%	NorthWestern Corporation	NWE	2,949	0.33%	
PPL Corporation	PPL	21,680	2.42%	Avista Corporation	AVA	2,737	0.31%	
Entergy Corporation	ETR	19,990	2.23%	MGE Energy, Inc.	MGEE	2,532	0.28%	
Ameren Corporation	AEE	19,289	2.16%	Otter Tail Corporation	OTTR	1,743	0.19%	
CMS Energy Corporation	CMS	17,424	1.95%	Unitil Corporation	UTL	662	0.07%	
FirstEnergy Corp.	FE	16,591	1.85%					
						<b>Total Industry</b>	<b>894,490</b>	<b>100%</b>

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

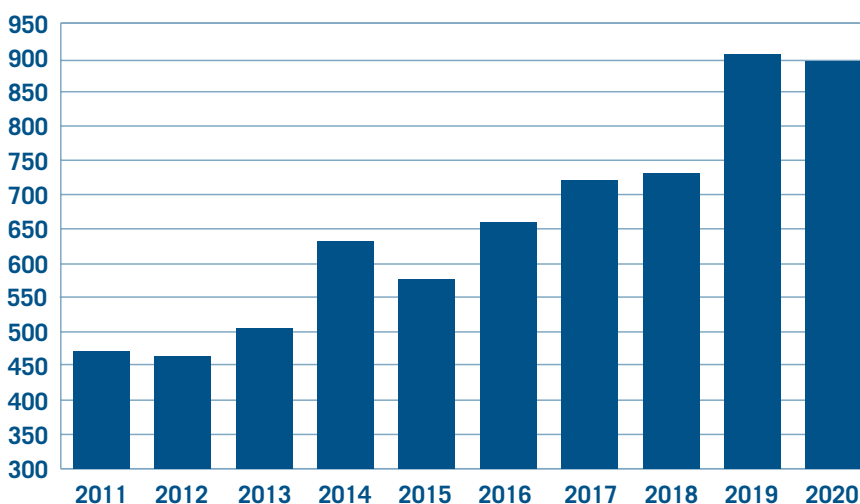
gregate total returns in excess of 8% (5% or more from earnings growth and 3%+ from the dividend). And whether measured by relative PE ratios or dividend yields versus Treasuries or investment-grade bonds, several analysts said utility stocks as 2021 began offered the best value in years.

### Other Risks

Wall Street's ebullient recovery from March lows rests on a premise yet to be fully tested — that pre-crisis economic strength will return and persist, and along with it corporate earnings gains. Utilities face a related risk: that sluggish wage growth in a Covid-impaired economy provokes regulatory pushback on rate relief needed to fund aggressive capex programs, which in turn cools outlooks for dividend and earnings growth. The public's demand for cleaner

## EEI Index Market Capitalization 2011–2020

(\$ Billions)



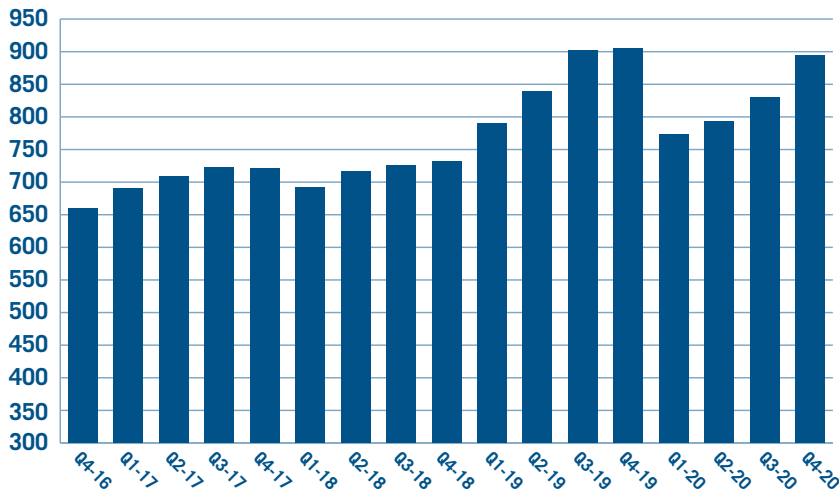
Note: Results are as of December 31 of each year.

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

## EEI Index Market Capitalization

December 31, 2016–December 31, 2020

(\$ Billions)



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

energy along with good local jobs created throughout the utility capex supply chain offer some protection against punitive treatment by regulators, but no guarantee. Stable fuel costs and low interest rates have kept bill pressures muted in recent years, but neither trend can continue indefinitely. Even interest rates, which have confounded rate-rise prophets for 40 years, can't go down forever. And if the V-shaped recovery thesis fails, managing regulatory risk and financing needed capex through customer rates may become more challenging than it has been in recent years.

## Dividends

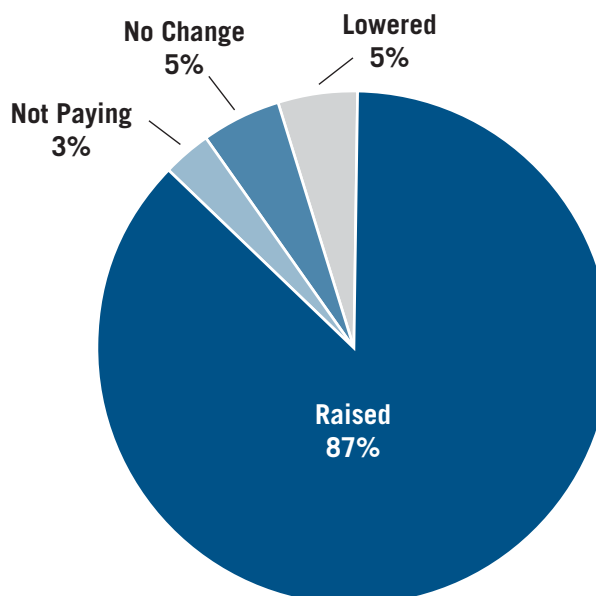
The investor-owned electric utility industry continued its long-term trend of widespread dividend increases in 2020. A total of 34 companies increased or reinstated their dividend compared to 37 in 2019, 39 in 2018, 38 in 2017, 40 in 2016 and 36 to 40 companies annually from 2012 through 2015.

The percentage of companies that raised or reinstated their dividend in 2020 was 87%, only slightly below the record high 93% in both 2019 and 2018 and consistent with the historically high 88% in 2017, 91% in 2016 and 85% in 2015. Only 27 of the 65 utilities tracked by EEI increased their dividend in 2003, just prior to the passage of legislation that reduced dividend tax rates. M&A activity reduced the number of publicly traded utilities included in the EEI Index from 65 in 2003 to 39 at year-end 2020. The record high 93% noted above is based on data beginning in 1988.

As shown in the Dividend Patterns table, 38 of the 39 publicly traded utilities in the EEI Index were paying a common stock dividend as of December 31, 2020. Each company is limited to one action per year in the table. For example, if a company raised its dividend twice during a year, that counts as one in the Raised column. Companies generally use the same quarter each year for dividend changes, with Q1 the most common for electric utilities.

## 2020 Dividend Patterns

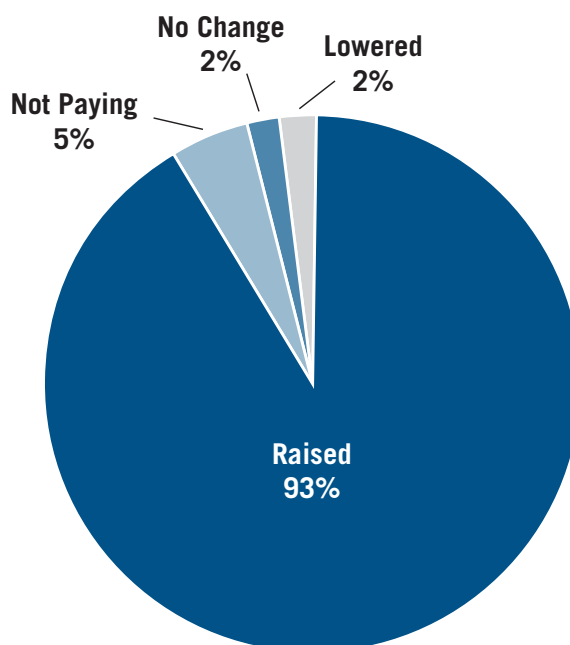
U.S. INVESTOR-OWNED ELECTRIC UTILITIES



Source: EEI Finance Department.

## 2019 Dividend Patterns

U.S. INVESTOR-OWNED ELECTRIC UTILITIES



Source: EEI Finance Department.

## 2020 Increases Average 5.1%

The average dividend increase in 2020 was 5.1%, with a range of 0.6% to 12.0% and a median increase of 5.3%. NextEra Energy (+12.0% in Q1), Sempra Energy (+8.0% in Q1), WEC Energy (+7.2% in Q1) and DTE Energy (+7.2% in Q4) posted the largest percentage increases.

NextEra Energy, headquartered in Juno Beach, Florida, increased its quarterly dividend from \$1.25 to \$1.40 per share during the first quarter. The increase is consistent with its plan, announced in 2018, to target 12% to 14% annual growth in its dividend per share through at least 2020, measured off a 2017

base. NextEra also recorded the industry's highest percentage increase in 2019 (+12.6%), the second-highest in 2018 (+13.0%) and the highest in both 2017 (+12.9%) and 2016 (+13.0%, along with Edison International and DTE Energy).

Sempra Energy, based in San Diego, California, raised its quarter-

## Dividend Patterns 1996–2020

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

	Raised	No Change	Lowered	Omitted*	Reinstated	Not Paying	Total	Dividend Payout Ratio
1996	48	44	2	1	1	2	98	70.7%
1997	40	45	6	2	–	3	96	84.2%
1998	40	37	7	–	–	5	89	82.1%
1999	29	45	4	–	3	2	83	74.9%
2000	26	39	3	1	–	2	71	63.9%
2001	21	40	3	2	–	3	69	64.1%**
2002	26	27	6	3	–	3	65	67.5%
2003	26	24	7	2	1	5	65	63.7%
2004	35	22	1	–	–	7	65	67.9%
2005	34	22	1	1	2	5	65	66.5%
2006	41	17	–	–	–	6	64	63.5%
2007	40	15	–	–	3	3	61	62.1%
2008	36	20	1	–	1	1	59	66.8%
2009	31	23	3	–	–	1	58	69.6%
2010	34	22	–	–	–	1	57	62.0%
2011	31	22	–	1	1	–	55	62.8%
2012	36	14	–	–	1	–	51	64.2%
2013	36	12	1	–	–	–	49	61.5%
2014	38	9	1	–	–	–	48	60.4%
2015	39	7	–	–	–	–	46	67.0%
2016	40	4	–	–	–	–	44	62.9%
2017	38	4	–	1	–	–	43	64.0%
2018	39	1	1	–	–	1	42	63.9%
2019	37	2	–	–	–	1	40	62.6%
2020	34	2	2	–	–	1	39	65.3%

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Average of the Increased Dividend Actions ***</b>	6.8%	7.2%	5.3%	5.7%	5.8%	5.6%	5.6%	5.7%	5.1%	5.1%

<b>Average of the Declining Dividend Actions ***</b>	(100.0%)	NA	(41.0%)	(34.5%)	NA	NA	NA	(79.8%)	NA	(40.6%)
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\* Omitted in current year. This number is not included in the Not Paying column.

\*\* \* Prior to 2000: Total industry dividends/total industry earnings. Starting in 2000: Average of all companies paying dividend.

\*\*\* Excludes companies that omitted or reinstated dividends.

2020 current year figures reflect dividend changes (raised, lowered, etc.) through 12/31/2020 and earnings and dividends through 12/31/2020 (payout ratio).

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

ly dividend from \$0.9675 to \$1.045 per share in Q1, marking its tenth consecutive annual increase. Sempra increased its dividend by more than 10% annually, on average, over the past ten years.

WEC Energy Group, headquartered in Milwaukee, Wisconsin, raised its quarterly dividend from \$0.59 to \$0.6325 in the first quarter. This marked its 310th consecutive quarterly dividend, dating back to 1942, and its 17th straight annual increase. WEC Energy continues to target a dividend payout ratio of 65% to 70% of earnings.

DTE Energy, based in Detroit, Michigan, increased its quarterly dividend from \$1.0125 to \$1.085 per share in Q4. DTE has issued a cash dividend for more than 100 years.

The industry's average and median increases have been relatively consistent in recent years. The average was 5.1% in 2019, 5.7% in 2018 and 5.6% in 2017 and 2016. The median was 4.9% in 2019, 5.5% in 2018 and 2017 and 5.1% in 2016.

CenterPoint Energy (CNP), based in Houston, Texas, lowered its quarterly dividend from \$0.29 to \$0.15 per share in Q2. The decrease was driven by the announcement that Enable Midstream Partners, of which CNP owns 53.7%, planned to cut its distributions by 50% thus impacting CNP's cash flow. CenterPoint subsequently increased its quarterly dividend to \$0.16 per share in Q4.

Dominion Energy, headquartered in Richmond, Virginia, reduced its

Sector Comparison Dividend Payout Ratio For 12-month period ending 12/31/20	
Sector	Payout Ratio (%)
<b>EEI Index Companies*</b>	<b>65.8%</b>
Industrial	66.5%
Utilities	64.3%
Consumer Staples	56.7%
Materials	49.4%
Consumer Discretionary	39.2%
Financial	38.1%
Technology	30.2%
Health Care	28.9%
Energy	NM

\* For this table, EEI (1) sums dividends and (2) sums earnings of all index companies and then (3) divides to determine the comparable DPR.

**Assumptions:**

1. EEI Index Companies payout ratio based on LTM common dividends paid and income before nonrecurring and extraordinary items.
2. S&P sector payout ratios based on 2020E dividends and earnings per share (estimates as of 12/31/2020).

For more information on constituents of each S&P sector, see <http://www.sectorspdr.com/>.

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

quarterly dividend from \$0.94 to \$0.63 per share in Q4. The decrease relates to the near-term cash flow impact of Dominion's sale of its natural gas transmission and storage assets to Berkshire Hathaway Energy, announced in July. Beginning in 2022, Dominion expects annual dividend-per-share growth of 6%.

#### Payout Ratio and Dividend Yield

The industry's dividend payout ratio was 65.8% for the twelve months ended December 31, 2020,

exceeding all other U.S. business sectors. The industry's payout ratio was 65.3% when measured as an un-weighted average of individual company ratios. From 2000 through 2019, the industry's annual payout ratio ranged from 60.4% to 69.6%.

While the industry's net income has fluctuated from year to year, its payout ratio has remained relatively consistent after eliminating non-recurring and extraordinary items from earnings. We use the following

## Sector Comparison, Dividend Yield

### As of December 31, 2020

Sector	Dividend Yield (%)
<b>EEI Index Companies</b>	<b>3.6%</b>
Energy	5.9%
Utilities	3.3%
Consumer Staples	2.6%
Financial	2.1%
Materials	1.8%
Health Care	1.6%
Industrial	1.5%
Technology	0.9%
Consumer Discretionary	0.7%

**Assumptions:**

1. EEI Index Companies' yield based on last announced, annualized dividend rates (as of 12/31/2020); S&P sector yields based on 2020E cash dividends (estimates as of 12/31/2020).

For more information on constituents of each S&P sector, see <http://www.sectorspdr.com/>.

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

## Category Comparison, Dividend Yield

### As of December 31, 2020

Category	Dividend Yield
<b>EI Index</b>	<b>3.6%</b>
Regulated	3.6%
Mostly Regulated	3.4%

**Regulated:** 80% or more of total assets are regulated

**Mostly Regulated:** Less than 80% of total assets are regulated

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

## Category Comparison, Dividend Payout Ratio

Category	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>EI Index</b>	<b>62.8</b>	<b>64.2</b>	<b>61.5</b>	<b>60.4</b>	<b>67.0</b>	<b>62.9</b>	<b>64.0</b>	<b>63.9</b>	<b>62.6</b>	<b>65.3</b>
Regulated	63.4	62.1	60.5	59.4	68.7	61.1	68.7	60.1	62.1	65.3
Mostly Regulated	63.1	69.7	64.7	63.8	62.6	68.0	53.3	72.8	64.1	65.2
Diversified	54.7	53.4	44.7	56.4	64.9	64.6	–	–	–	–

Regulated: 80% or more of total assets are regulated

Mostly Regulated: Less than 80% of total assets are regulated

Diversified: Prior to 2017, less than 50% of total assets are regulated

\*2020 figures reflect earnings and dividends through 12/31/2020.

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

approach when calculating the industry's dividend payout ratio:

1. Non-recurring and extraordinary items are eliminated from earnings.
2. Companies with negative adjusted earnings are eliminated.
3. Companies with a payout ratio in excess of 200% are eliminated.

The industry's average dividend yield was 3.6% on December 31, 2020, trailing only the Energy sector's 5.9%. The year-end yield was 3.0% in 2019 and 3.4% in each of the three previous years. In 2020, the industry's strong dividend activity and lower overall stock prices resulted in the higher average yield. The market cap-weighted EEI Index had a total return of negative 1.2% in 2020.

We calculate the industry's aggregate dividend yield using an unweighted average of the yields of EEI Index companies paying a dividend. The strong yields prevalent among most electric utilities have helped support their share prices over the past decade, particularly given the period's historically low interest rates.

### Business Category Comparison

The Regulated category's dividend payout ratio was 65.3% for the 12 months ended December 31, 2020 compared to 65.2% for the Mostly Regulated category. Among these two categories, the Regulated group produced the highest annual payout ratio in 2020, 2017, 2015, 2011, 2010 and in each year from 2003 through 2008.

The Regulated and Mostly Regulated average dividend yields were 3.6% and 3.4% on December 31, 2020, following yields of 3.0% and 3.1% at year-end 2019. The dividend yield for both at year-ends 2018 and 2017 was 3.4%.

### Biden Proposal on Dividend Tax Rates

Although the new Administration hasn't put forward tax proposals, the Biden campaign proposed corporate and personal tax code changes including an increase in capital gains and dividend tax rates for the highest individual tax bracket, applying ordinary income tax rates for those with incomes over \$1 million. The highest individual income tax rate will likely increase from 37.0% to the pre-Tax Cuts & Jobs Act (TCJA) highest rate of 39.6%. No other income tax bracket would incur a dividend tax rate increase.

The top tax rate for dividends and capital gains is currently 20%, with 2021 income thresholds of \$501,600 for couples and \$445,850 for individuals. For taxpayers below these thresholds, dividends and capital gains are currently taxed at rates of 15% or 0%, depending on a filer's income. A 3.8% Medicare tax that was included in 2010 health care legislation is also applied to all investment income for couples earning more than \$250,000 (\$200,000 for singles).

Low dividend tax rates support the industry's ability to attract capital for investment. Maintaining parity between dividend and capital gains tax rates is crucial to avoid a disadvantage for companies that rely

on a strong dividend to attract investors. The TCJA, which was signed into law in December of 2017, maintained pre-existing tax rates for dividends and capital gains.



## Dividend Summary

### As of December 31, 2020

#### U.S. INVESTOR-OWNED ELECTRIC UTILITIES

Company Name	Stock	Company Category	Annualized Dividends	Payout Ratio	Yield (%)	Last Action	To	From	Date Announced
ALLETE, Inc.	ALE	MR	\$2.47	79.3%	4.0%	Raised	\$2.47	\$2.35	2020 Q1
Alliant Energy Corporation	LNT	R	\$1.52	60.4%	2.9%	Raised	\$1.52	\$1.42	2020 Q1
Ameren Corporation	AEE	R	\$2.06	56.3%	2.6%	Raised	\$2.06	\$1.98	2020 Q4
American Electric Power Company, Inc.	AEP	R	\$2.96	64.9%	3.6%	Raised	\$2.96	\$2.80	2020 Q4
AVANGRID, Inc.	AGR	MR	\$1.76	96.5%	3.9%	Raised	\$1.76	\$1.73	2018 Q3
Avista Corporation	AVA	R	\$1.62	85.1%	4.0%	Raised	\$1.62	\$1.55	2020 Q1
Black Hills Corporation	BKH	R	\$2.26	54.3%	3.7%	Raised	\$2.26	\$2.14	2020 Q4
CenterPoint Energy, Inc.	CNP	R	\$0.64	28.8%	3.0%	Raised	\$0.64	\$0.60	2020 Q4
CMS Energy Corporation	CMS	R	\$1.63	60.8%	2.7%	Raised	\$1.63	\$1.53	2020 Q1
Consolidated Edison, Inc.	ED	R	\$3.06	66.6%	4.2%	Raised	\$3.06	\$2.96	2020 Q1
Dominion Resources, Inc.	D	R	\$2.52	129.7%	3.4%	Lowered	\$2.52	\$3.76	2020 Q4
DTE Energy Company	DTE	MR	\$4.34	54.1%	3.6%	Raised	\$4.34	\$4.05	2020 Q4
Duke Energy Corporation	DUK	R	\$3.86	67.3%	4.2%	Raised	\$3.86	\$3.78	2020 Q3
Edison International	EIX	R	\$2.65	40.7%	4.2%	Raised	\$2.65	\$2.55	2020 Q4
Entergy Corporation	ETR	R	\$3.80	52.2%	3.8%	Raised	\$3.80	\$3.72	2020 Q4
Energy, Inc.	EVRG	R	\$2.14	66.4%	3.9%	Raised	\$2.14	\$2.02	2020 Q4
Eversource Energy	ES	R	\$2.27	59.9%	2.6%	Raised	\$2.27	\$2.14	2020 Q1
Exelon Corporation	EXC	MR	\$1.53	59.2%	3.6%	Raised	\$1.53	\$1.45	2020 Q1
FirstEnergy Corp.	FE	R	\$1.56	84.2%	5.1%	Raised	\$1.56	\$1.52	2019 Q4
Hawaiian Electric Industries, Inc.	HE	MR	\$1.32	75.7%	3.7%	Raised	\$1.32	\$1.28	2020 Q1
IDACORP, Inc.	IDA	R	\$2.84	57.9%	3.0%	Raised	\$2.84	\$2.68	2020 Q4
MDU Resources Group, Inc.	MDU	MR	\$0.85	42.6%	3.2%	Raised	\$0.85	\$0.83	2020 Q4
MGE Energy, Inc.	MGEE	R	\$1.48	56.0%	2.1%	Raised	\$1.48	\$1.41	2020 Q3
NextEra Energy, Inc.	NEE	MR	\$1.40	78.1%	1.8%	Raised	\$1.40	\$1.25	2020 Q1
NiSource Inc.	NI	R	\$0.84	50.3%	3.7%	Raised	\$0.84	\$0.80	2020 Q1
NorthWestern Corporation	NWE	R	\$2.40	77.5%	4.1%	Raised	\$2.40	\$2.30	2020 Q1
OGE Energy Corp.	OGE	R	\$1.61	51.9%	5.1%	Raised	\$1.61	\$1.55	2020 Q4
Otter Tail Corporation	OTTR	R	\$1.48	62.9%	3.5%	Raised	\$1.48	\$1.40	2020 Q1
PG&E Corporation	PCG	R	-	0.0%	0.0%	Lowered	-	\$2.12	2017 Q4
Pinnacle West Capital Corporation	PNW	R	\$3.32	61.5%	4.2%	Raised	\$3.32	\$3.13	2020 Q4
PNM Resources, Inc.	PNM	R	\$1.31	52.0%	2.7%	Raised	\$1.31	\$1.23	2020 Q4
Portland General Electric Company	POR	R	\$1.63	90.3%	3.8%	Raised	\$1.63	\$1.54	2020 Q3
PPL Corporation	PPL	R	\$1.66	86.8%	5.9%	Raised	\$1.66	\$1.65	2020 Q1
Public Service Enterprise Group Incorporated	PEG	MR	\$1.96	55.7%	3.4%	Raised	\$1.96	\$1.88	2020 Q1
Sempra Energy	SRE	MR	\$4.18	45.8%	3.3%	Raised	\$4.18	\$3.87	2020 Q1
Southern Company	SO	R	\$2.56	75.3%	4.2%	Raised	\$2.56	\$2.48	2020 Q2
Unitil Corporation	UTL	R	\$1.50	70.2%	3.4%	Raised	\$1.50	\$1.48	2020 Q1
WEC Energy Group, Inc.	WEC	R	\$2.53	64.4%	2.7%	Raised	\$2.53	\$2.36	2020 Q1
Xcel Energy Inc.	XEL	R	\$1.72	58.9%	2.6%	Raised	\$1.72	\$1.62	2020 Q1
<b>Industry Average</b>				<b>65.3%</b>	<b>3.6%</b>				

#### NOTES

Business Segmentation: Assets as of 12/31/2019

**R = Regulated:** 80% or more of total assets are regulated. **MR = Mostly Regulated:** Less than 80% of total assets are regulated.

Dividend Per Share: Per share amounts are annualized declared figures as of 12/31/2020.

Dividend Payout Ratio: Dividends paid for 12 months ended 12/31/2020 divided by net income before nonrecurring and extraordinary items for 12 months ended 12/31/2020. While net income is after-tax, nonrecurring and extraordinary items are pre-tax, as there is no consistent method of gathering these items on a tax adjusted basis under current reporting guidelines. On an individual company basis, the Payout Ratio in the table could differ slightly from what is reported directly by the company.

“NM” applies to companies with negative earnings or payout ratios greater than 200%.

Dividend Yield: Annualized Dividends Per Share at 12/31/2020 divided by stock price at market close on 12/31/2020.

By Business Segment: Average of Dividend Payout Ratios and Dividend Yields for companies within these business segments.

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

### Credit Ratings

The industry’s average parent company credit rating in 2020 remained at BBB+ for a seventh straight year, although three parent-level downgrades outnumbered one upgrade and caused a slight underlying weakening in general holding company credit quality. There were only 59 total actions — 12 upgrades and 47 downgrades — affecting both parents

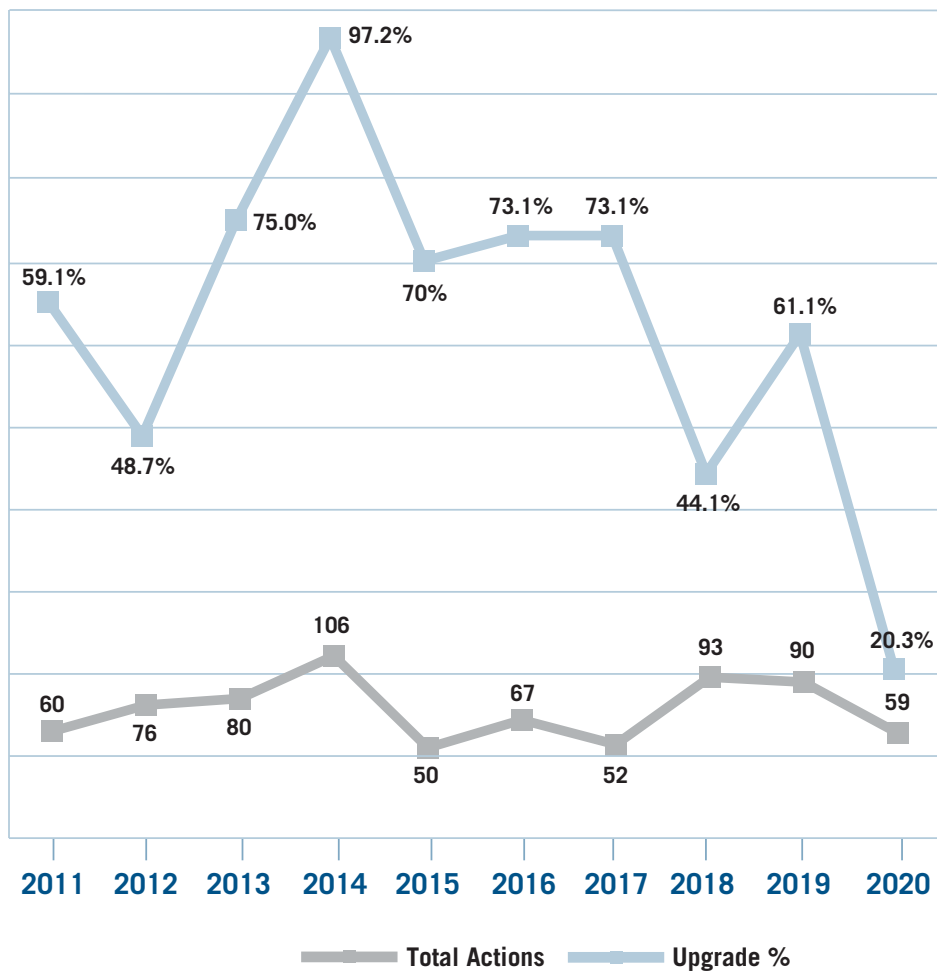
and subsidiaries. This pace was below the 73-action annual average of the previous ten calendar years and the fourth-lowest annual total in our historical dataset (back to 2000).

On December 31, 2020, 59.1% of parent company ratings outlooks were “stable”, 6.8% were “positive” or “watch-positive”, and 2.3% were “developing”. A relatively high 31.8% were “negative” or “watch-negative”, up from 18.2% at year-end 2019

and 23.4% at year-end 2018. While the economic impact of COVID-19 initially caused Standard and Poor’s (S&P) to revise its North American regulated utility industry outlook (including electric, gas and water) to negative from stable, Moody’s and Fitch each maintained a stable outlook for their broad U.S. regulated utility sectors. At year end, all three agencies noted that regulated utilities managed the pandemic well.

## Direction of Rating Actions

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

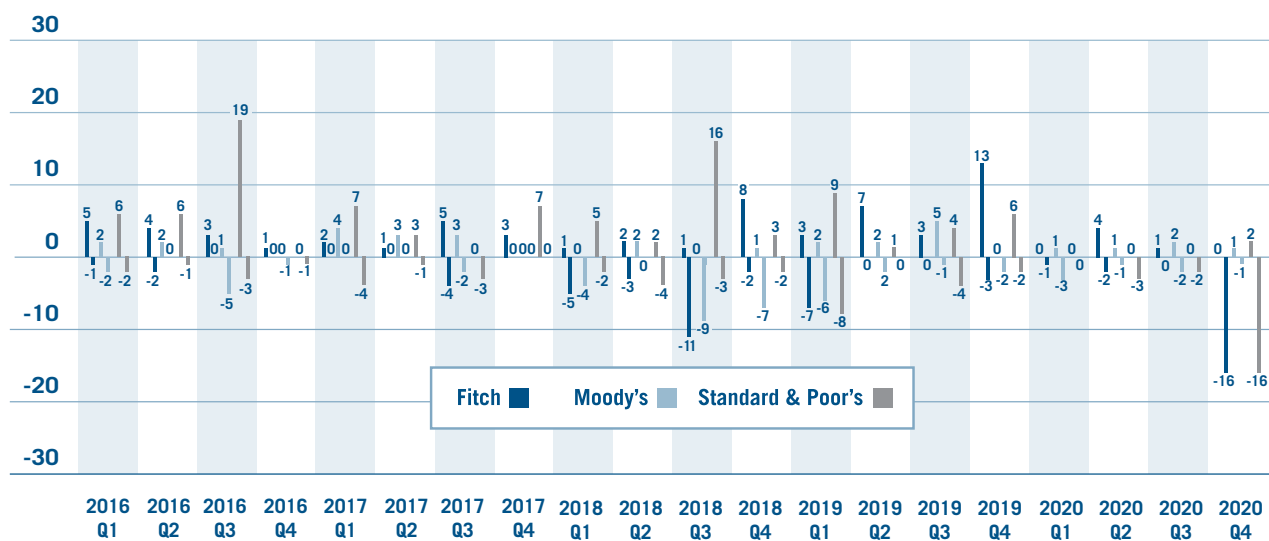


Source: Fitch Ratings, Moody’s, and Standard & Poor’s.

## Credit Rating Agency Upgrades and Downgrades 2016 Q1–2020 Q4

(Number of Occurrences)

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 2016 Q1–2020 Q4

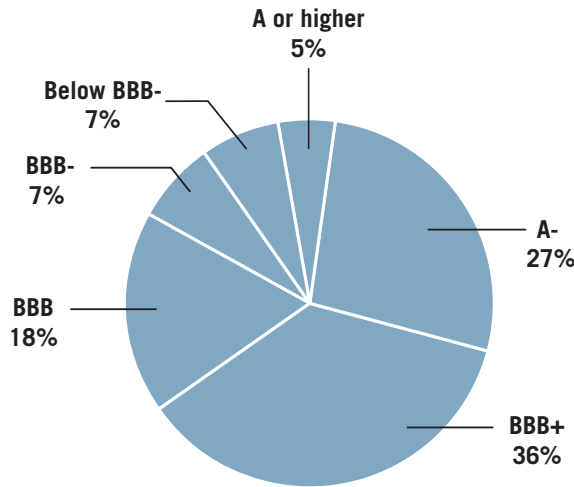
	2016		2017		2018		2019		2020	
	Total Upgrades	Total Downgrades	Total Upgrades	Total Downgrades	Total Upgrades	Total Downgrades	Total Upgrades	Total Downgrades	Total Upgrades	Total Downgrades
<b>Fitch</b>										
Q1	5	(1)	2	0	1	(5)	3	(7)	0	(1)
Q2	4	(2)	1	0	2	(3)	7	0	4	(2)
Q3	3	0	5	(4)	1	(11)	3	0	1	0
Q4	1	0	3	0	8	(2)	13	(3)	0	(16)
<b>Total</b>	<b>13</b>	<b>(3)</b>	<b>11</b>	<b>(4)</b>	<b>12</b>	<b>(21)</b>	<b>26</b>	<b>(10)</b>	<b>5</b>	<b>(19)</b>
<b>Moody's</b>										
Q1	2	(2)	4	0	0	(4)	2	(6)	1	(3)
Q2	2	0	3	0	2	0	2	(2)	1	(1)
Q3	1	(5)	3	(2)	0	(9)	5	(1)	2	(2)
Q4	0	(1)	0	0	1	(7)	0	(2)	1	(1)
<b>Total</b>	<b>5</b>	<b>(8)</b>	<b>10</b>	<b>(2)</b>	<b>3</b>	<b>(20)</b>	<b>9</b>	<b>(11)</b>	<b>5</b>	<b>(7)</b>
<b>S&amp;P</b>										
Q1	6	(2)	7	(4)	5	(2)	9	(8)	0	0
Q2	6	(1)	3	(1)	2	(4)	1	0	0	(3)
Q3	19	(3)	0	(3)	16	(3)	4	(4)	0	(2)
Q4	0	(1)	7	0	3	(2)	6	(2)	2	(16)
<b>Total</b>	<b>31</b>	<b>(7)</b>	<b>17</b>	<b>(8)</b>	<b>26</b>	<b>(11)</b>	<b>20</b>	<b>(14)</b>	<b>2</b>	<b>(21)</b>

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.

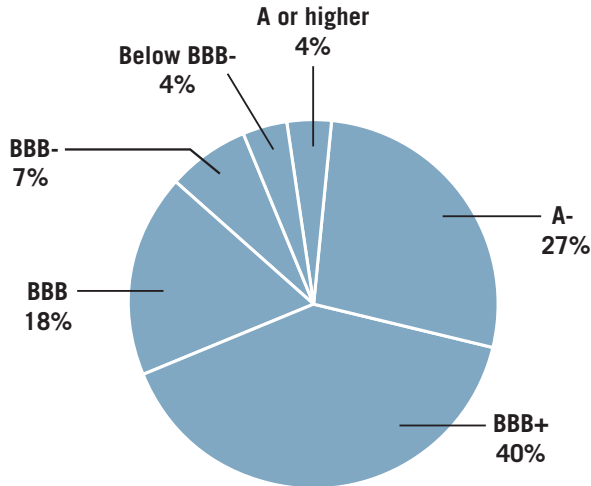
## Bond Ratings December 31, 2020 as rated by Standard & Poor's

U.S. INVESTOR-OWNED ELECTRIC UTILITIES



## Bond Ratings December 31, 2019 as rated by Standard & Poor's

U.S. INVESTOR-OWNED ELECTRIC UTILITIES



Electric utility industry credit quality generally improved over the past decade. Aggregate parent-level credit strengthened in each year other than 2020, 2019 and 2012. And across EEI's larger universe of parents and subsidiaries, the five-year period 2013 through 2017 produced

the five highest upgrade percentages in our historical data. Moreover, upgrades outnumbered downgrades in seven of the past ten calendar years with an annual average upgrade percentage of 62.8%.

EEI captures upgrades and downgrades at both the parent and subsidiary levels. The industry's average credit rating and outlook are the unweighted averages of all S&P parent holding company ratings and outlooks. However, our upgrade/downgrade totals reflect all actions by the three major ratings agencies within a parent holding company, including those at subsidiaries. Our universe of 44 U.S. electric utilities at December 31, 2020 included 39 electric utility holding companies that are publicly traded and five companies that are not listed on U.S. stock exchanges because they are owned by holding companies not primarily engaged in the business of providing retail electric distribution services in the United States.

### Credit Actions at Parent Level

Parent-level ratings actions in 2020 included three downgrades, one upgrade and one reinstatement. By comparison, there were five downgrades and one upgrade in 2019 and six upgrades and two downgrades in 2018.

### [PNM Resources](#)

On April 6, S&P lowered PNM Resources' parent-level rating to BBB from BBB+ due to weakened financial metrics. The agency noted PNM's funds from operations to debt ratio was 15.8% in 2018 and 15.5% in 2019 and said the pandemic's revenue impact may further pressure the company's financials. S&P's stable outlook is based in part on a belief that PNM can securitize costs related to closing its San Juan coal-fired power plant.

**ALLETE**

On April 22, S&P downgraded ALLETE to BBB from BBB+ on deteriorating credit metrics that have pushed funds from operations to debt below 20%. The company's credit metrics were expected to continue to be pressured by weakened economic conditions related to COVID-19 and an elevated capital spending plan. S&P's stable outlook reflects ALLETE's focus on regulated utility operations and a belief it can maintain funds from operations to debt at 18% to 20% for the next one to two years.

**PG&E**

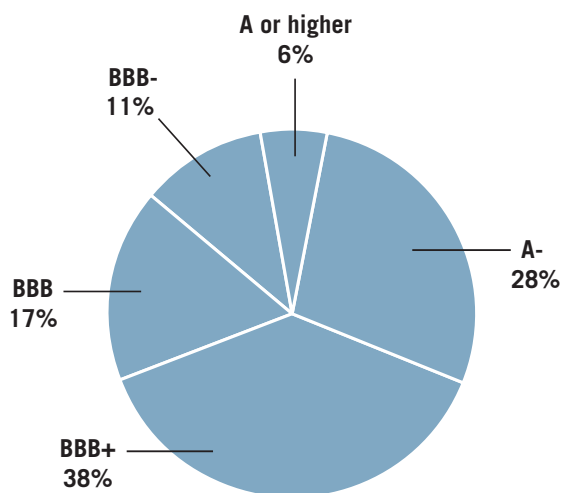
S&P assigned a BB- rating to PG&E on June 15 as the company prepared to emerge from Chapter 11 bankruptcy. S&P's previous rating was D, which last appeared in our quarter-ending tracking on December 31, 2019. S&P did not have a rating assigned to PG&E at quarter-end March 31, 2020. On July 1, PG&E Corporation and subsidiary Pacific Gas & Electric Company emerged from Chapter 11, successfully completing a restructuring process.

**FirstEnergy**

During the fourth quarter, S&P downgraded FirstEnergy's issuer credit rating to BB from BBB following the termination of three executives, including the CEO. The terminations related to legal and other regulatory challenges the company is facing, with S&P citing concerns over internal controls. S&P also lowered the rating for thirteen of FirstEnergy's subsidiaries.

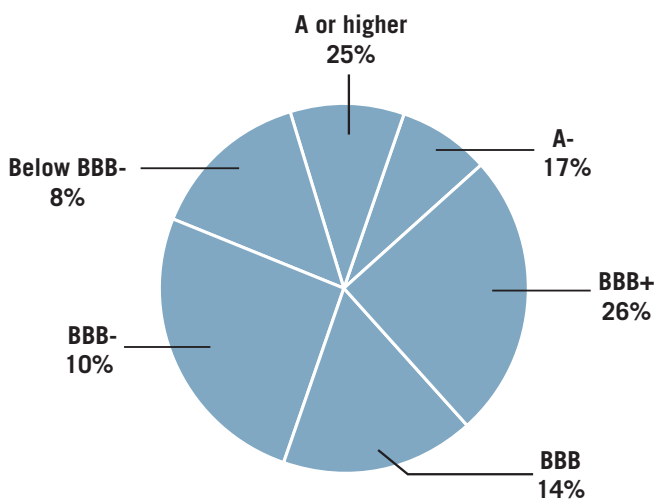
## Bond Ratings December 31, 2018 as rated by Standard & Poor's

U.S. INVESTOR-OWNED ELECTRIC UTILITIES



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

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

**DPL**

On November 3, S&P upgraded the issuer credit rating for DPL, Inc. to BB+ from BB based on an upgrade for its parent company, AES Corp., which reflected an improved financial risk profile. S&P noted that AES has de-risked its business portfolio

by focusing on rate-based utilities and long-term contracted businesses while also narrowing its geographical scope to 13 countries from 29. S&P also upgraded DPL's principal subsidiary, Dayton Power and Light Co. (DP&L). The outlooks for both DPL and DP&L remain developing,

reflecting potential for another upgrade in the coming months.

### Ratings Activity Slows in 2020

The 59 rating changes during 2020 (upgrades plus downgrades) was the fourth-lowest total for any year back to our dataset's inception on January 1, 2000. By comparison, there were 90 actions in 2019 and an annual average of 73 over the last ten calendar years. The previous two calendar years were very active, ranking with 2014 as the most active of the last decade. As a result, the slowdown in 2020 is not surprising. Although COVID-19 was referenced in some of 2020's downgrades, it was cited only as a factor that could exacerbate existing trends. Its impact began only after much of the first quarter's actions had occurred and became secondary to other considerations as the year wore on.

The industry's 12 upgrades in 2020 were outnumbered by 47 downgrades, for an upgrade percentage of 20.3%, which made 2020 only the second year since 2013 with more downgrades than upgrades. In 2019, the industry's 55 upgrades outnumbered 35 downgrades for a 61.1% upgrade percentage, up from 44.1% in 2018. The five-year period

2013 through 2017 produced the five-highest upgrade percentages in our historical data. Upgrades outnumbered downgrades in seven of the past ten calendar years, with an annual average upgrade percentage of 62.8%.

Rating Agency Activity table presents quarterly activity by all three ratings agencies. Following are full-year totals for 2020:

- Fitch (5 upgrades, 19 downgrades)
- Moody's (5 upgrades, 7 downgrades)
- Standard & Poor's (2 upgrades, 21 downgrades)

### Merger Benefits Support Upgrades

Several of the year's upgrades were based on favorable impacts on subsidiaries from recently completed mergers. Four went to Dominion Energy subsidiaries acquired in January 2019 through Dominion's purchase of SCANA. On January 30, 2020, Moody's upgraded Dominion Energy South Carolina (DESC) to Baa2 from Baa3, citing an \$875 million equity infusion received from its parent company, the retirement of

approximately \$1.0 billion of debt and a pending rate case proceeding. On May 29, Fitch upgraded DESC to BBB+ from BBB, Public Service Company of North Carolina (PSNC) to BBB+ from BBB, and SCANA to BBB from BBB-. Cited reasons for DESC's upgrade included resolution of legal and regulatory issues, an approved regulatory plan, an upcoming base rate case, the merger with Dominion Energy, improved credit metrics and a favorable service territory. Reasons cited for PSNC's upgrade included Dominion's ownership upon merger approval, a supportive regulatory environment, improving credit metrics, demand and capex growth, and limited commodity risk.

On April 13, Fitch upgraded NextEra Energy subsidiary Gulf Power to A from A-, reflecting better than expected financial performance driven by a reduction in operating expenses. In addition, NextEra injected \$400 million of equity into Gulf Power in the first two months of 2020, which strengthened Gulf Power's capital structure. Specific key drivers that Fitch cited for the upgrade included Gulf Power's transformation (which includes the modernization of its generation

## Rating Agency Activity

### U.S. INVESTOR-OWNED ELECTRIC UTILITIES

Total Ratings Changes	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Fitch</b>	25	26	23	14	11	16	15	33	36	24
<b>Moody's</b>	11	20	17	85	12	13	12	23	20	12
<b>Standard &amp; Poor's</b>	30	30	40	7	27	38	25	37	34	23
<b>Total</b>	<b>66</b>	<b>76</b>	<b>80</b>	<b>106</b>	<b>50</b>	<b>67</b>	<b>52</b>	<b>93</b>	<b>90</b>	<b>59</b>

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

fleet, lower operating costs and the creation of a transmission interconnection with FPL), benefits from integration with FPL, a limited impact from the coronavirus, a material jump in capex, constructive regulation and a general expectation that credit metrics will strengthen.

On May 27, Moody's upgraded Jersey Central Power & Light (JCP&L) to A3 from Baa1, projecting that JCP&L's improved financial profile will remain stable for the next two to three years as New Jersey's state regulatory environment remains supportive. Moody's expects JCP&L, a FirstEnergy subsidiary, to maintain its ratio of cash flow to debt in the low 20% range for a sustained period of time.

Mississippi Power, a Southern Company subsidiary, received upgrades from both Moody's and Fitch during Q3. On August 27, Moody's upgraded Mississippi Power to Baa1 from Baa2, reflecting an improved relationship with state regulators and a stronger financial profile. On September 25, S&P raised Mississippi Power's rating to BBB+ from BBB, citing a significant improvement in its regulatory construct.

### **Deteriorating Metrics, Regulatory Risk Drive Downgrades**

Many of the year's downgrades point to actual or projected negative impacts on key credit metrics. Increased regulatory risk was cited as a primary underlying driver for several and one downgrade resulted from increased business risk from an acquisition. Although the impact of COVID-19 was frequently referenced in individual company down-

grades, it was mentioned only as an additional factor that could exacerbate an existing trend.

On February 19, Fitch downgraded CenterPoint Energy Houston Electric (CEHE) to BBB+ from A- following CEHE's rate case settlement with the Public Utilities Commission of Texas. Fitch believes the settlement signals a more challenging regulatory environment in Texas for CEHE. On March 4, Moody's downgraded CEHE to Baa1 from A3 noting that financial measures will weaken more than originally projected following 2017's tax reform (as unprotected deferred taxes are refunded to customers) along with an anticipated lower return in its pending final rate order. Although Moody's views the Texas regulatory environment as supportive of credit quality, the agency noted that CEHE's ratio of cash flow pre-working capital to debt is falling into the 15% to 16% range, down from around 19% historically.

On March 17, Moody's downgraded Consolidated Edison (ConEd) to Baa2 from Baa1 and subsidiary Consolidated Edison Company of New York (CECONY) to Baa1 from A3. Moody's noted that despite \$1.7 billion of planned equity through 2022, ConEd's key credit ratios will decline as a result of up to \$3.8 billion of new debt planned through 2022 and weaker cash flow at CECONY. Following the approval of a recent rate order, CECONY is expected to generate a ratio of cash flow to debt between 14% and 16% over the next three years, in-line with Moody's Baa1 peer ratios. ConEd's roughly

\$2.0 billion of debt is structurally subordinate to that of its operating companies, with approximately 85% of consolidated revenue represented by CECONY. As a result, Moody's downgraded ConEd's rating in-step with CECONY's, despite ConEd's relatively strong and stable financial profile for a utility holding company focused mostly on transmission and distribution.

On April 6, Fitch downgraded DPL to BB from BB+ citing a potential weakening of credit metrics due to regulatory challenges in Ohio. On April 15, Fitch downgraded DTE Energy to BBB from BBB+ referencing the increased leverage and business risk associated with a recent midstream acquisition.

On June 9, Moody's downgraded Sempra Energy to Baa2 from Baa1 citing consolidated financial metrics that have remained below Moody's Baa1 downgrade threshold for the past few years and that are expected to remain below the threshold through 2022. The agency said it expects Sempra's cash flow to debt ratio will remain in the 16% range, which is more appropriate for a Baa2 rating given Sempra's consolidated risk profile.

On August 20, Moody's downgraded Ohio Power to A3 from A2 and Public Service of Oklahoma to Baa1 from A3. The downgrades for both of these American Electric Power subsidiaries reflected weakened financial metrics from large capital programs with increased use of leverage.

On October 8, S&P downgraded Entergy New Orleans to BBB from

## S&P Utility Credit Ratings Distribution by Company Category

### U.S. INVESTOR-OWNED ELECTRIC UTILITIES

	2016		2017		2018		2019		2020	
	#	%	#	%	#	%	#	%	#	%
<b>Regulated</b>										
A or higher	2	6%	2	6%	1	3%	1	3%	1	3%
A-	10	28%	12	34%	11	32%	11	31%	11	32%
BBB+	13	36%	10	29%	11	32%	11	31%	10	29%
BBB	8	22%	7	20%	7	21%	8	23%	7	21%
BBB-	3	8%	4	11%	4	12%	2	6%	2	6%
Below BBB-	0	0%	0	0%	0	0%	2	6%	3	9%
<b>Total</b>	<b>36</b>	<b>100%</b>	<b>35</b>	<b>100%</b>	<b>34</b>	<b>100%</b>	<b>35</b>	<b>100%</b>	<b>34</b>	<b>100%</b>
<b>Mostly Regulated</b>										
A or higher	1	8%	1	7%	2	15%	1	10%	1	10%
A-	2	17%	2	14%	2	15%	1	10%	1	10%
BBB+	7	58%	7	50%	7	54%	7	70%	6	60%
BBB	0	0%	2	14%	1	8%	0	0%	1	10%
BBB-	1	8%	1	7%	1	8%	1	10%	1	10%
Below BBB-	1	8%	1	7%	0	0%	0	0%	0	0%
<b>Total</b>	<b>12</b>	<b>100%</b>	<b>14</b>	<b>100%</b>	<b>13</b>	<b>100%</b>	<b>10</b>	<b>100%</b>	<b>10</b>	<b>100%</b>

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.

BBB+ over severe storm and hurricane risk in the utility's service territory. S&P said its negative outlook for this Entergy subsidiary reflects its small service territory, ongoing exposure to severe storms and hurricanes, and the agency's expectation of weaker financial measures partly from higher capital spending and elevated leverage.

S&P downgraded two generation subsidiaries based on potential asset divestitures. On August 6, PSEG Power was downgraded to BBB from BBB+ after its parent, Public Service Enterprise Group, announced plans to explore a sale of its merchant, non-nuclear power assets. In its announcement of that decision, PSEG

cited decreasing profit margins at PSEG's fossil fuel and solar assets. On November 4, Exelon Generation Company was also downgraded to BBB from BBB+ after its parent Exelon Corp. confirmed it is conducting a strategic review of its corporate structure to create value and position the business for success. This may include the possibility of separating Exelon Generation from utility operations.

### Ratings by Company Category

S&P Utility Credit Rating Distribution by Company Category table presents the distribution of credit ratings over time by company category (Regulated and Mostly Regulated) for the investor-owned

electric utilities. 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, 2020, the average rating for both the Regulated and Mostly Regulated categories was BBB+.

### Credit Impact of COVID-19

In April 2020, S&P revised its ratings outlook for the North America regulated utility industry to negative from stable with the possibility of a one-notch decline in the industry's median credit rating, but also said it expects the industry to remain a high credit quality, investment-grade industry. Prior to the coronavirus outbreak in North America, about 25% of utilities had either a negative out-



look or were on CreditWatch with negative implications. S&P viewed the economic impact of COVID-19 as a source of incremental pressure that could lead to additional downgrades and negative outlooks.

In its February 2021 update, S&P maintained its negative outlook for the industry, reflecting the weakening of credit quality in 2020 as downgrades outpaced upgrades. But S&P said that COVID-19 was not the direct culprit, as the industry has generally handled the pandemic well. S&P instead cited regulatory issues caused by COVID-19's broader impact on the U.S. economy, companies' practice of strategically managing financial measures close to their downgrade threshold with little or no cushion, as well as some specific governance matters. S&P's universe of North American utilities consists of about 250 water, gas and electric utilities.

Moody's and Fitch each maintained their stable outlook for electric utilities. In March, Moody's reported that the U.S. regulated utility sector (electric, gas and water) is better positioned than many industries to withstand the economic fallout from COVID-19. In addition to benefiting from relatively stable residential customer demand, utilities can rely on a variety of cost recovery tools provided by state regulators. Moody's stated that market volatility is the biggest risk for utilities because the sector requires external capital to meet sizeable liquidity needs. While Moody's expects utilities to generally retain unfettered access to the capital markets, it noted that the continued spread of the coro-

## Long-Term Credit Rating Scales

### U.S. INVESTOR-OWNED ELECTRIC UTILITIES

	Moody's	Standard & Poor's	Fitch
	Aaa	AAA	AAA
<b>Investment Grade</b>	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
<b>Speculative Grade</b>	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
<b>Default</b>	C	D	D

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

navirus and mounting pressures on commercial and industrial customers could ultimately weigh on utility credit quality. In a November sector update, Moody's observed that many businesses closed or curtailed operations after the initial coronavirus outbreak, causing a sharp decline in commercial and industrial electricity sales beginning in late March. By contrast, residential electricity sales increased because of the large number of people remaining at home as well as higher-than-normal summer temperatures. Going forward, Moody's expects that higher residential demand will mitigate the loss of revenues and cash flow from commercial and industrial customers as residential sales generate a higher gross margin per kilowatt-hour.

Fitch's 2021 Outlook for North American Utilities, Power & Gas report (released December 2020) noted its stable outlook is based on the pandemic's benign direct impact on the industry and a generally favorable regulatory environment. Utilities have aggressively managed O&M costs in 2020; in combination with higher residential sales, this more than offset the impact of commercial and industrial sales declines. Fitch's stable outlook is further supported by low interest rates (given the industry's capital-intensive nature), low commodity costs, and a likely return to modest secular sales growth as the economic recovery gains strength.

# Business Strategies

## Business Segmentation

The industry's regulated business segments — regulated electric and natural gas distribution — grew their combined assets by \$83.4 billion, or 5.6%, in 2020, extending a multi-year trend and driving a \$110.4 billion, or 6.3%, increase in total industry assets. Regulated assets comprised 80.8% of the industry total, slightly below the 81.0% at year-end 2019. The Regulated Electric segment's share of total industry assets increased to 68.7% at year-end 2020 from 68.2% at year-end 2019, rising \$82.5 billion, or 6.6%. The industry's three other primary business

segments also grew assets in 2020. Competitive Energy assets rose by \$9.7 billion, or 4.9%, driven largely by growth in merchant renewable generation. Natural Gas Distribution assets rose by \$896 million, or 0.4%, while Natural Gas Pipeline assets rose \$2.6 billion, or 8.0%. A record-high \$132.7 billion of capital expenditures and generally constructive regulatory relations supported the significant growth in Regulated Electric assets.

Each primary business segment had lower revenue in 2020 as energy demand was broadly suppressed by the COVID-19 pandemic. The Regulated Electric business segment's revenue fell by \$2.1 billion, or 0.8%,

as power demand was 2.9% lower in 2020 than in 2019. Competitive Energy revenue declined by \$9.7 billion, or 18.6%, Natural Gas Distribution revenue fell by \$1.5 billion, or 3.3%, and Natural Gas Pipeline revenue was down by \$825 million, or 15.5%. As a result, total industry revenue declined by \$13.8 billion, or 3.8%, from the prior year.

## 2020 Revenue by Segment

Regulated Electric revenue decreased slightly in 2020, falling by \$2.1 billion, or 0.8%, to \$251.4 billion from \$253.5 billion in 2019. Despite the drop, the segment's share of total industry revenue rose to 69.4% from 67.5% in 2019, re-

## Business Segmentation—Revenues

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Millions)	2020	2019r	Difference	% Change
<b>Regulated Electric</b>	<b>251,443</b>	<b>253,505</b>	<b>(2,061)</b>	<b>-0.8%</b>
<b>Competitive Energy</b>	42,463	52,150	(9,688)	-18.6%
<b>Natural Gas Distribution</b>	45,054	46,592	(1,539)	-3.3%
<b>Natural Gas Pipeline</b>	4,499	5,324	(825)	-15.5%
<b>Other</b>	18,592	18,218	375	2.1%
<b>Discontinued Operations</b>	—	—	—	0.0%
<b>Eliminations/Reconciling Items</b>	(10,966)	(10,894)	(72)	0.7%
<b>Total Revenues</b>	<b>351,085</b>	<b>364,895</b>	<b>(13,810)</b>	<b>-3.8%</b>

r = revised

Note: Difference and percent change columns may reflect rounding. Totals may reflect rounding.

## Business Segmentation—Assets

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Millions)	12/31/2020	12/31/2019 <sup>r</sup>	Difference	% Change
<b>Regulated Electric</b>	1,326,815	1,244,310	82,505	6.6%
<b>Competitive Energy</b>	206,563	196,867	9,695	4.9%
<b>Natural Gas Distribution</b>	233,005	232,109	896	0.4%
<b>Natural Gas Pipeline</b>	35,283	32,677	2,607	8.0%
<b>Other</b>	129,298	117,514	11,785	10.0%
<b>Discontinued Operations</b>	1	3,960	(3,959)	-100.0%
<b>Eliminations/Reconciling Items</b>	(63,662)	(70,500)	6,839	-9.7%
<b>Total Assets</b>	<b>1,867,303</b>	<b>1,756,936</b>	<b>110,367</b>	<b>6.3%</b>

r = revised

Note: Difference and percent change columns may reflect rounding. Totals may reflect rounding.

maining well above its level near the beginning of the industry's migration back to a regulated focus (its share was 51.9% in 2005).

Natural Gas Distribution revenue fell by \$1.5 billion, or 3.3%, to \$45.1 billion from \$46.6 billion in 2019. This followed annual increases of 4.4% in 2019, 3.0% in 2018, 17.6% in 2017 and 8.9% in 2016; these gains were due in part to the completion in 2016 of four large acquisitions of natural gas distribution businesses.

Total regulated revenue — the sum of the Regulated Electric and Natural Gas Distribution segments — decreased by \$3.6 billion, or 1.2%, to \$296.5 billion in 2020. The industry's focus on regulated operations has driven a steady growth in these two business segments' share of industry revenue. Regulated revenue in total account-

ed for 81.9% of industry revenue in 2020, up from 79.9% in 2019 and well above 2005's 65.3% share.

Eliminations and reconciling items were added back to total revenue to arrive at the denominator for the segment percentage calculations shown in the graphs *Revenue Breakdown 2020 and 2019*.

### 2020 Assets by Segment

Regulated Electric assets increased by \$82.5 billion, or 6.6%, during 2020. The segment's share of total industry assets increased to 68.7% at year-end 2020 from 68.2% at year-end 2019. Competitive Energy assets increased by \$9.7 billion, or 4.9%, while Natural Gas Distribution assets edged higher by \$896 million, or 0.4%. Although a relatively small piece of the entire industry, Natural Gas Pipeline assets experienced an increase of \$2.6 billion, or 8.0%.

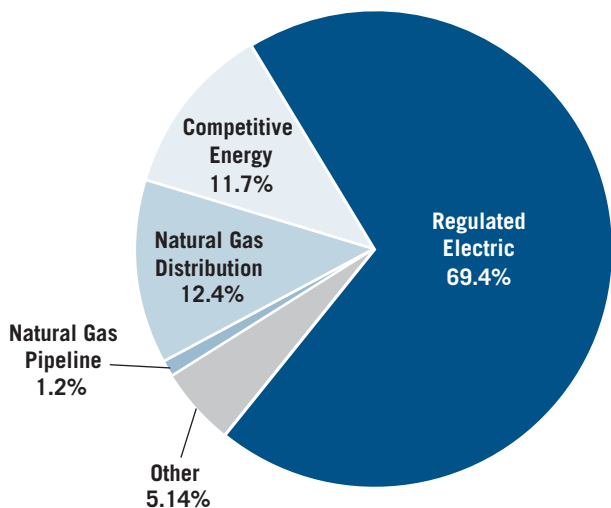
Total regulated assets (Regulated Electric and Natural Gas Distribution) grew by \$83.4 billion, or 5.6% in 2020, maintaining a slightly lower share of total industry assets at year-end, at 80.8%, relative to the 81.0% share at year-end 2019. This aggregate measure has risen steadily from 61.6% at year-end 2002, underscoring the significant regulated rate base growth and widespread divestitures of non-core businesses over the 18-year period. Twenty-seven of 44 companies (61.4%) either increased regulated assets as a percent of total assets or maintained a 100% regulated structure in 2020.

### Regulated Electric

Regulated Electric segment operations include the generation, transmission and distribution of electricity under state regulation for residential, commercial and indus-

### Revenue Breakdown 2020

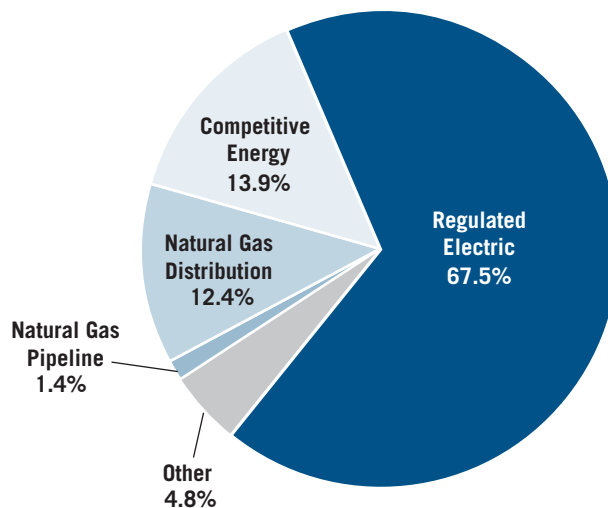
U.S. INVESTOR-OWNED ELECTRIC UTILITIES



Source: EEI Finance Department and company annual reports.

### Revenue Breakdown 2019r

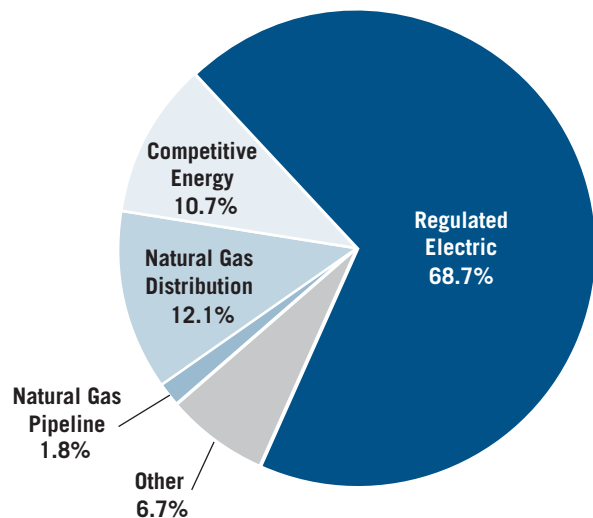
U.S. INVESTOR-OWNED ELECTRIC UTILITIES



Source: EEI Finance Department and company annual reports.

### Asset Breakdown As of December 31, 2020

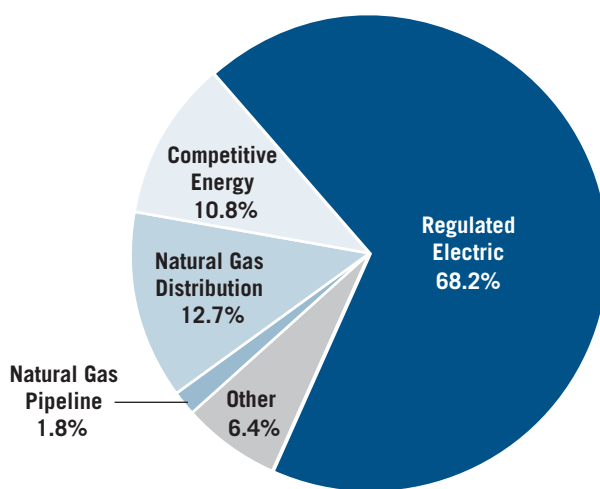
U.S. INVESTOR-OWNED ELECTRIC UTILITIES



Source: EEI Finance Department and company annual reports.

### Asset Breakdown As of December 31, 2019r

U.S. INVESTOR-OWNED ELECTRIC UTILITIES



Source: EEI Finance Department and company annual reports.

trial customers. Regulated Electric revenue was slightly lower in 2020, falling by \$2.1 billion, or 0.8%. Twenty-nine companies, or 66% of the industry, had lower Regulated Electric revenue versus the prior year. Regulated Electric revenue fell by 0.5% in 2019, was unchanged in 2018, grew 0.8% in 2017 and declined slightly in 2016 (-0.1%) and in 2015 (-2.6%).

Annual electric output decreased by 2.9% in 2020 in a unique year that was impacted by the COVID-19 pandemic. On a weather-adjusted basis, electric output was down 2.0% in 2020 versus 2019. Electric output declined by 1.7% in 2019 and has risen in only six of the last 13 years. Prior to this extended period, a year-to-year output decline was a rare event in an industry that typically experienced low-single-digit percent demand growth. Energy efficiency initiatives, demand-side management programs and the off-shoring of formerly U.S.-based manufacturing and heavy industry are all forces that have suppressed the growth of electricity demand since the late 20th century.

Regulated Electric assets increased by \$82.5 billion, or 6.6%, in 2020, achieving the largest asset growth in dollar terms of all business segments. The industry's record-high \$132.7 billion of capital expenditures in 2020 and generally constructive regulatory relations supported the increase in regulated assets. The 2020 capital expenditure total represents the ninth consecutive annual record high, with this expansion well represented across the industry's four primary business segments. Asset

growth is also evident in the industry's property, plant and equipment in service, which rose 6.5% from year-end 2019 and 34.0% over the level at year-end 2015. Such strong growth in assets reflects the magnitude of the industry's build-out of new renewable and clean generation, new transmission, reliability-related infrastructure and other capital projects in recent years.

### Competitive Energy

Competitive Energy assets increased by \$9.7 billion, or 4.9%, to \$206.6 billion in 2020 from \$196.9 billion in 2019 driven largely by new renewable generation. Although the segment's assets are on the rise, its revenue experienced a sharp decline of \$9.7 billion, or 18.6%, from \$52.2 billion in 2019 to \$42.5 billion in 2020, its lowest annual total in data going back to 2000. With the segment's 2020 asset growth, its total assets have returned to about their level a decade ago; the segment's year-end 2010 assets were \$208.1 billion and its annual revenue peaked at \$110.9 billion in 2008. Competitive Energy covers the generation and/or sale of electricity in competitive markets, including both wholesale and retail transactions. Wholesale buyers are typically regional power pools, large industrial customers and electric utilities seeking to supplement generation capacity. Competitive Energy also includes the trading and marketing of natural gas. Of the 21 companies that maintain Competitive Energy operations, 13 (62%) grew these assets during 2020 and 24% had revenue gains from this segment.

NextEra Energy (NEE), a world leader in renewable generation,

produced the largest Competitive Energy segment asset growth among all companies, increasing its NextEra Energy Resources assets (which includes its wholesale power generation and energy-related services business) by \$4.1 billion, or 8.0%. NEE's two regulated electric segments, FPL and Gulf Power, collectively grew assets by \$5.3 billion, or 7.7%, providing balanced growth across NEE's regulated and unregulated businesses. CMS Energy had the highest percentage increase for this segment, growing assets by \$749 million, or 58.7%.

### Natural Gas

Natural Gas Distribution assets rose by \$896 million, or 4.9%, to \$233.0 billion at year-end 2020 from \$232.1 billion at year-end 2019. The segment's revenue declined by \$1.5 billion, or 3.3%, to \$45.1 billion in 2020 from \$46.6 in 2019 after revenue growth of 4.4% in 2019, 3.0% in 2018, 17.6% in 2017 and 8.9% in 2016 that was produced in part by four large gas acquisitions completed in 2016. Overall, only seven of the 27 companies (26%) that report gas distribution revenue showed a year-to-year increase in 2020. This followed increases at 70%, 86% and 93%, respectively, of reporting companies in 2019, 2018 and 2017. Natural Gas Distribution includes the delivery of natural gas to homes, businesses and industrial customers throughout the United States.

Natural Gas Pipeline assets increased by \$2.6 billion, or 8.0%, to \$35.3 billion at year-end 2020 from \$32.7 billion at year-end 2019. The gains were driven by Berkshire Hathaway Energy's \$13.4 billion, or

## List of Companies by Category at December 31, 2020

### Regulated (35)

Alliant Energy Corporation	Edison International	Pinnacle West Capital Corporation
Ameren Corporation	Energy Corporation	PNM Resources, Inc.
American Electric Power Company, Inc.	Eversource Energy	Portland General Electric Company
Avista Corporation	FirstEnergy Corp.	PPL Corporation
Black Hills Corporation	IDACORP, Inc.	<i>Puget Energy, Inc.*</i>
CenterPoint Energy, Inc.	<i>IPALCO Enterprises, Inc.*</i>	Sempra Energy
<i>Cleco Corporate Holdings LLC*</i>	NiSource Inc.	Southern Company
CMS Energy Corporation	NorthWestern Corporation	Unitil Corporation
Consolidated Edison, Inc.	MGE Energy, Inc.	WEC Energy Group, Inc.
Dominion Energy, Inc.	OGE Energy Corp.	Xcel Energy Inc.
<i>DPL Inc.*</i>	Otter Tail Corporation	
Duke Energy Corporation	PG&E Corporation	

### Mostly Regulated (9)

ALLETE, Inc.	Exelon Corporation	NextEra Energy, Inc.
AVANGRID, Inc.	Hawaiian Electric Industries, Inc.	Public Service Enterprise Group Incorporated
<i>Berkshire Hathaway Energy*</i>	MDU Resources Group, Inc.	
DTE Energy Company		

Note:\* Non-publicly traded companies.

220.1%, increase due to its acquisition of Dominion Energy's natural gas transmission and storage business for approximately \$9.7 billion (part of which was settled in early 2021). Despite the segment's overall increase at the industry level, six of the nine companies that report this segment had asset declines. The Natural Gas Pipeline business concentrates on the transmission and storage of natural gas for local distribution companies, marketers and traders, electric power generators and natural gas producers. Added together, the Natural Gas Distribution and Natural Gas

Pipeline segments increased assets by \$3.5 billion, or 1.3%, in 2020 and produced revenue of \$49.6 billion, down from \$51.9 billion in 2019. In percentage terms, the contribution to total industry revenue from these two natural gas activities barely changed, falling to 13.6% in 2020 from 13.8% in 2019.

### 2020 Year-End List of Companies by Category

Early each calendar year, EEI updates our list of investor-owned electric utility holding companies organized by business category. The

list is based on previous year-end business segmentation data presented in 10-Ks. Our categories are as follows: Regulated (80% or more of holding company assets are regulated) and Mostly Regulated (less than 80% of holding company assets are regulated).

We use assets rather than revenue for determining category membership because we believe assets provide a clearer picture of strategic trends; fluctuating commodity prices for natural gas and power can impact revenue so greatly that

a company's strategic approach to business segmentation may be distorted by reliance on revenue data alone. Comparing the list of companies from year to year reveals company migrations between categories and indicates the general trend in industry business models. We also base our quarterly category financial data during the year on this list.

There was minimal movement between categories in 2020. The Regulated category remained at 35 companies as a result of one addition and one deletion. Sempra Energy was added as its regulated asset percentage rose above 80% while El Paso Electric was removed due to its acquisition by Infrastructure Investments Fund (IIF), an infrastructure fund advised by J.P. Morgan Investment Management.

The Mostly Regulated category was reduced from ten to nine companies due to Sempra's migration to the Regulated category. The increase in Sempra's regulated percentage resulted from asset growth at its regulated utility segments SDG&E, SoCalGas, and Sempra Texas Utilities.

The total number of parent companies in the EEI universe fell from 45 at year-end 2019 to 44 at year-end 2020, a result of the acquisition of El Paso Electric. At year-end 2020, the EEI universe included 35 Regulated and nine Mostly Regulated utility holding companies. (*see List of Companies by Category at December 31, 2020*).



## Mergers and Acquisitions

M&A activity involving whole U.S. utility operating companies with regulated service territories fell during a pandemic-impaired 2020 to its slowest pace in two decades. Only one deal was announced, AVANGRID’s October 20 bid for PNM Resources. One was completed, El Paso Electric’s acquisition in July by institutional investors. Attention turned from M&A to the pandemic, as companies focused on mitigating impacts on customers while state commissions concentrated on oversight of utilities’ pandemic-related needs. Other constraints to

active M&A were utilities rich valuations entering 2020, which raised prices for both strategic and financial buyers, and a perception that the bar for regulatory approval has climbed higher; six mergers have been withdrawn since 2011 after encountering resistance from state regulators and other stakeholders. Two decades of M&A activity reduced the number of investor-owned utilities to 39 as 2020 began from 58 ten years earlier and more than 70 at the turn of the century; this shrinking pool of potential buyers and sellers is another reason for the slowed pace of M&A.

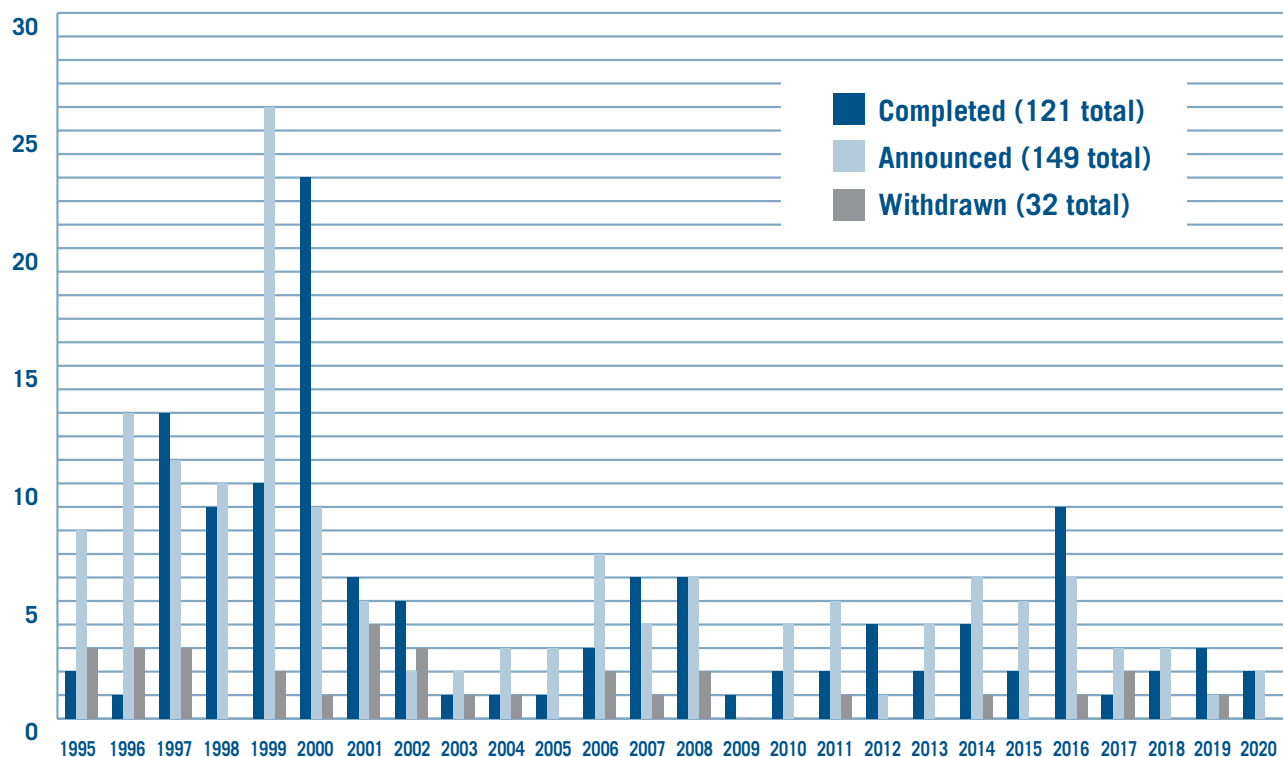
Yet 2020 was eventful in related areas of corporate strategy.

Renewable generation costs continued to fall. Public sentiment and political mandates for clean energy continued to rise. These trends were mirrored by a big jump in investors’ attention to ESG metrics, with carbon reduction targets viewed as especially important. Companies with strong ESG profiles and strategies emphasizing growth through clean energy investments appeared to gain a share price boost. Utilities broadly sought to improve and promote their ESG characteristics. Numerous companies — including NiSource, Dominion, PPL, PSE&G, Exelon, DTE and CenterPoint — made moves to re-

## Status of Mergers & Acquisitions 1995–2020

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(Number of Mergers & Acquisitions)



Source: EEI Finance Department.

structure and focus on developing state-regulated, clean energy infrastructure as their primary path to shareholder value creation.

Several multi-year tailwinds for M&A were also strengthened by these same forces, which analysts viewed as potential energy for renewed activity once the pandemic passes. While wind and solar fuel are cost free, building clean energy infrastructure is not. The size of the nation's clean energy investment needs means smaller companies who lack renewables development experience and big balance sheets may benefit from larger parents with the deep expertise and lower capital costs. Economies of scale can help reduce development and operating costs and constrain upward pressure on customer bills. And mergers can be pitched as supportive of ESG goals. Filling in geographical footprints or increasing regulatory diversity also remained cited as potential deal drivers.

Shareholders have a legal right to be contentious, but utility M&A cannot be. The need for buy-in from key stakeholders and regulators means utility M&A cannot be hostile or confrontational, only transformational. These hurdles prohibit the forced deals seen in other industries, but most utility industry observers see potential for more combinations that will show tangible benefits for ratepayers, communities and shareholders. After a strange 2020, the consensus view sees M&A resuming its recent measured, moderate pace.

## Status of Announced Mergers & Acquisitions 1995–2020

### U.S. INVESTOR-OWNED ELECTRIC UTILITIES

Year	Completed	Announced	Withdrawn
1995	2	8	3
1996	1	13	3
1997	13	11	3
1998	9	10	–
1999	10	26	2
2000	23	9	1
2001	6	5	4
2002	5	2	3
2003	1	2	1
2004	1	3	1
2005	1	3	–
2006	3	7	2
2007	6	4	1
2008	6	6	2
2009	1	–	–
2010	2	4	–
2011	2	5	1
2012	4	1	–
2013	2	4	–
2014	4	6	1
2015	2	5	–
2016	9	6	1
2017	1	3	2
2018	2	3	–
2019	3	1	1
2020	2	2	0
<b>Totals</b>	<b>121</b>	<b>149</b>	<b>32</b>

Source: EEI Finance Department.

### Announced Transactions

#### *NiSource Sells Columbia Gas of Massachusetts to Eversource*

On February 26, Eversource Energy and NiSource announced an agreement to sell NiSource's Columbia Gas of Massachusetts subsidiary to Eversource for \$1.1 billion in cash. The transaction was completed in mid-October. Sale proceeds enabled NiSource to eliminate a previously planned 2020 block equity issuance and focus on long-

term growth opportunities across its remaining operating companies. Following the sale, NiSource established a five to seven percent long-term growth rate goal for per-share operating earnings and dividends, driven by renewable investments that replace fossil generation. Eversource noted its strong track record of investing in infrastructure and opportunities for pipeline replacements and upgrades in the Columbia Gas of Massachusetts system. Eversource

said the transaction should be accretive to earnings per share in the first 12 months after closing. Eversource Energy is New England's largest energy delivery company, with approximately 4 million electric and natural gas customers in Connecticut, Massachusetts and New Hampshire.

#### *Dominion Sells Gas Assets to Berkshire Hathaway*

On July 5, 2020 Dominion Energy said it agreed to sell its natural gas transmission and storage assets to an affiliate of Berkshire Hathaway in a transaction valued at \$9.7 billion, including the assumption of \$5.7 billion of existing debt. Dominion cited an improved ESG profile as a key motivation for the sale, noting it plans to invest up to \$55 billion in emissions reduction technologies over the next 15 years, including zero-carbon generation and energy storage, gas distribution line replacement and renewable natural gas. It also said it expects to retire more than four gigawatts of coal- and oil-fired electric generation by 2025. The sale advances Dominion's strategic repositioning into a pure-play state-regulated utility; after the sale it expects that up to 90 percent of its operating earnings will come from its portfolio of electric and natural gas state-regulated utility companies in Virginia, the Carolinas, Ohio and Utah with gas transmission and storage eliminated from its reporting and operating structure. Dominion expects the repositioning to be credit positive given the reduction of nearly \$6 billion of debt and the increased percentage of cash flow from state-regulated utilities. It also said it would use \$3 billion of the sale pro-

## Merger Impacts 1995–2020

### U.S. INVESTOR-OWNED ELECTRIC UTILITIES

Date	No. of Utilities	Change
12/31/95	98	—
12/31/96	98	—
12/31/97	91	(7.14%)
12/31/98	86	(5.49%)
12/31/99	83	(8.79%)
12/31/00	71	(14.46%)
12/31/01	69	(2.82%)
12/31/02	65	(5.80%)
12/31/03	65	—
12/31/04	65	—
12/31/05	65	—
12/31/06	64	(1.54%)
12/31/07	61	(4.69%)
12/31/08	59	(3.28%)
12/31/09	58	(1.69%)
12/31/10	56	(3.45%)
12/31/11	55	(1.79%)
12/31/12	51	(7.27%)
12/31/13	49	(3.92%)
12/31/14	48	(2.04%)
12/31/15	47	(2.08%)
12/31/16	44	(6.38%)
12/31/17	43	(2.27%)
12/31/18	42	(2.33%)
12/31/19	40	(4.76%)
12/31/20	39	(2.50%)

#### Number of Companies Declined by 60% since Dec.'95

Note: Based on completed mergers in the EEI Index group of electric utilities.

Source: EEI Finance Department.

ceeds in a stock repurchase program. The announcement came the same day Dominion and Duke jointly cancelled the Atlantic Coast Pipeline (ACP) after legal challenges to the project's federal and state permits resulted in cost increases and timing delays that threatened the project's economic viability.

#### **NRG Offers to Buy Direct Energy**

While neither company is an investor-owned regulated utility, NRG's July 24 \$3.6 billion all-cash bid to acquire U.S. retail energy provider Direct Energy from U.K.-based energy conglomerate Centrica showcases themes in the competitive power market. With operations in 50 states and six Canadian provinces, Direct Energy is one of North America's largest retail providers of electricity, natural gas, and energy-related products and services. NRG said the acquisition builds on and complements its integrated generation and retail supply model, better matching its power generation with customer demand. It also broadens NRG's Texas presence into states where it does not currently operate, supporting its objective to geographically diversify by adding three million customers outside of Texas. And it provides NRG the ability to expand its renewable power purchase agreement strategy outside of Texas. NRG said the transaction will allow the combined company to reduce costs and leverage best practices.

U.K.-based Centrica cited themes similar to those shaping U.S. utility strategies. The sale creates a simpler, leaner company with predictable and stable cash flows focused on enabling a lower-carbon future in its

core home markets of the U.K. and Ireland. The sale also boosts balance sheet strength with proceeds to be used to reduce debt and support its defined benefit pension plan.

#### **PPL to Exit U.K. Business**

In another strategic repositioning, Pennsylvania-based PPL Corporation announced on August 10 that it would like to sell its U.K. utility distribution business, Western Power Distribution (WPD), and become a purely U.S. utility holding company focused on advancing the nation's clean energy goals with rate-regulated assets. PPL observed that, while WPD is the premier distribution network operator (DNO) group in the U.K., it continues to be undervalued by the market as part of PPL. Shareholders would benefit from a simplified corporate structure with sale proceeds used to strengthen PPL's balance sheet and enhance long-term earnings growth, potentially through strategic M&A in the U.S. and through returning capital to shareowners.

WPD, which serves about eight million customers in central and southwest England and south Wales, is expected to play a critical role in supporting the U.K.'s transition to net-zero carbon emissions by 2050, providing a new owner with significant investment opportunities and regulated asset growth potential.

#### **AVANGRID Seeks to Buy PNM Resources**

The only 2020 announcement that made EEI's list of whole company deals was the October 20 news that AVANGRID offered to acquire PNM Resources for \$50.30 in cash, creating an equity value of approxi-

mately \$4.3 billion and enterprise value of \$8.3 billion. The proposed transaction implies a 19% premium to PNM's pre-announcement price.

AVANGRID said the transaction is consistent with its parent IBERDROLA Group's disciplined growth strategy, calling the proposed buyout a friendly transaction focused on regulated businesses and renewables in states with legal and regulatory stability and predictability. PNM called the move a strategic fit that will help it invest in clean energy distribution and transmission and expand its position in renewables. Both companies emphasized their cultural fit and mutual commitment to environmental, social and governance issues that impact all stakeholders.

The companies said the combination will create a larger and more diversified regulated utility and renewable energy company with electric and gas utilities in complementary geographies, offering enhanced operational and regulatory diversification. If approved, the combined company will serve more than four million electric and natural gas customers through ten regulated utilities in New York, Connecticut, Maine, Massachusetts, New Mexico, and Texas. And it would become the nation's third-largest renewables company with operations in 24 states.

The companies said PNM provides a platform for AVANGRID to expand its renewables business in the Southwest U.S. beyond its existing 1.9-gigawatt capacity wind projects in New Mexico and Texas and 200 megawatts of wind and solar capacity in Arizona.

The companies said the combined company's robust financial profile will provide flexibility to pursue enhanced growth opportunities, particularly in electric transmission, renewable energy, energy efficiency and new grid technologies. Through AVANGRID's parent company, Iberdrola, S.A., the combined company will have access to extensive financial resources to support this growth profile.

The merger needs approval from state regulators in Texas and New Mexico in addition to FERC and several other federal agencies.

#### Other Simplifications through Business Spin-Offs

Other companies that disclosed moves to simplify their businesses included PSE&G, Exelon, DTE and CenterPoint.

- On July 31, Public Service Enterprise Group (PSE&G) said it's exploring strategic alternatives for PSEG Power's non-nuclear generating fleet, which includes more than 6,750 megawatts of fossil generation and a 467-megawatt solar portfolio. It said the move would accelerate its transformation into a primarily regulated electric and gas utility, reduce business risk and earnings volatility, improve its credit profile and enhance its ESG position through clean energy investments, methane reduction, and zero-carbon generation.
- Exelon confirmed in October that it is exploring ways to separate its nuclear, solar and wind generation business from its regu-

lated electric segment and focus on regulated utility operations

- Also in October, DTE Energy said it would spin-off DTE Midstream, its non-utility natural gas pipeline, storage and gathering business. DTE said the transaction would transform it into a predominantly pure-play regulated electric and natural gas utility. Under the plan, DTE Energy shareholders will retain their current shares of DTE Energy stock and receive a pro-rata dividend of shares of the new Midstream company in a transaction that is expected to be tax-free. DTE Energy is targeting to complete the spin-off by mid-year 2021.
- In December, CenterPoint said it would seek to sell its Arkansas and Oklahoma natural gas distribution utilities to finance a \$3 billion increase in regulated electric system capex, including new solar and wind generation, without issuing new equity.

#### **Completed Transactions**

Three deals announced in 2019 were completed in 2020. Only El Paso's acquisition by financial investors is included in EEI's list of transactions involving U.S. utilities with regulated service territories.

#### Canadian Pension Fund Acquires Pattern Energy

Canadian investment funds have been active buyers of renewable assets in recent years, attracted to the steady returns which are generally far above the yields available in public bond markets. On March 16, 2020, the Canada Pension Plan Investment

Board (CPPIB) completed its acquisition of renewable energy generator Pattern Energy. Announced in November 2019, the all-cash transaction at \$26.75 per share created an enterprise value of approximately \$6.1 billion including net debt. The deal price represented a 15% premium to Pattern's price before reports of buyer interest emerged in August 2019. Pattern Energy is an independent power company running a portfolio of 28 renewable energy projects with 4.4 GW of operating capacity in the United States, Canada and Japan. Pattern went public in 2013 with a focus on wind generation assets in the first wave of so-called "yieldcos". Yet these somewhat opaque investment vehicles fell out of investor favor beginning in 2015 through a self-reinforcing cycle in which investors questioned their ability to fund growth as their stock prices sagged. Pattern was one of several who produced steady earnings and dividends in the years that followed but never returned to investor favor. Pattern's dividend yield reached 10% in 2018, roughly triple the yields available in the bond market.

#### Canadian utility ENMAX Acquires Emera Maine

On March 24, Calgary, Canada-based ENMAX and Nova Scotia's Emera completed their plan for ENMAX to buy Emera Maine, Emera's regulated electric transmission and distribution subsidiary in Maine, for \$959 million USD or \$1,286 million Canadian (CAD). The deal closed almost one year to the day after its March 25, 2019 announcement date. Including assumed debt, the transaction had an

# Mergers & Acquisitions Announcements Updated through December 31, 2020

## U.S. INVESTOR-OWNED ELECTRIC UTILITIES

Ann'cd	Buyer	Seller/Acquired/Merged	Status	New Company	Completed Date	Months to complete	Bus.	Terms	Est. Trans Value (\$MM)
10/21/20	AVANGRID	PNM Resources	PN				EE	AGR to pay \$50.30/share in cash (roughly 10% premium) for PNM common stock	4,300.0
7/5/20	Berkshire Hathaway Energy	Dominion Energy Natural Gas Transportation and Storage	C		11/1/2020	4	EG	\$5.7 billion debt + \$4.0 billion cash	9,700.0
6/3/19	JP Morgan Investment Management	El Paso Electric	C		7/29/20	13	EE	JPMorgan pays \$68.25/share in cash for each share of El Paso Electric Co. common stock	4,285.7
5/21/2018	NextEra Energy, Inc.	Gulf Power Company	C		1/1/2019	7	EE	NEE to pay \$4.35 billion in cash to acquire Gulf Power Company from Southern Company	4,350.0
4/23/2018	CenterPoint Energy	Vectren Corporation	C		2/1/2019	10	EG	CNP pays \$72.00/share in cash for each share of Vectren common stock	6,000.0
1/3/2018	Dominion Energy, Inc.	SCANA Corporation	C		1/1/2019	12	EE	\$6.7B debt + \$7.9 stock (per share value of \$55.35, roughly 31% premium)	14,600.0
8/21/2017	Sempra Energy	Oncor Electric Delivery Company	C		3/8/2018	6	EE	\$9.5B cash	9,450.0
7/19/2017	Hydro One Limited	Avista Corporation	W		1/23/2019			\$5.3B cash (per share value of \$53.00, roughly 24% premium)	5,300.0
7/7/2017	Berkshire Hathaway Energy	Oncor Electric Delivery Company	W		8/21/2017			\$9.0B cash	9,000.0
9/28/2016	DTE Energy	Appalachia Gathering System / Stonewall Gas Gathering	C		10/20/2016	1	EG	Undisclosed	1,300.0
7/29/2016	NextEra Energy	Oncor Electric Delivery Company	W		10/31/2017			\$9.5B debt + additional cash and common stock	11,178.0
5/31/2016	Great Plains Energy	Westar Resources	C	Eergy, Inc.	6/5/2018	24	EE	\$3.6B debt + \$8.6 stock and cash (per share value of \$60.00)	12,200.0
2/9/2016	Fortis Inc.	ITC Holdings Corp.	C		10/14/2016	8	EE	\$4.4B debt + \$6.9B common shares and cash (per share value of \$44.90, roughly 33% premium)	11,300.0
2/9/2016	Algonquin Power & Utilities	Empire District Electric Company	C		1/1/2017	11	EE	\$1.6B debt + additional debt and equity (per share value of \$34.00, roughly 21% premium)	2,400.0
2/1/2016	Dominion Resources	Questar Corporation	C		9/16/2016	8	EG	\$1.5B debt + \$2.4B cash + \$500M equity (per share value of \$25.00, roughly 30% premium)	4,400.0
10/26/2015	Duke Energy	Piedmont Natural Gas	C		10/3/2016	12	EG	\$3.3B debt + \$1.0B cash + \$625M equity (per share value of \$60.00, roughly 40% premium)	4,900.0
9/4/2015	Emera	TECO Energy, Inc.	C		7/1/2016	10	EE	\$6.5B debt + \$3.9B equity (per share value of \$27.55, roughly 48% premium)	10,400.0
8/24/2015	Southern Company	AGL Resources	C		7/1/2016	10	EG	\$4.1B debt + \$8.0B equity (per share value of \$66.00, roughly 36% premium)	12,060.4
7/12/2015	Black Hills Corporation	SourceGas Holdings	C		2/12/2016	10	GG	\$760M debt + \$1.13B cash	1,890.0
2/25/2015	Iberdrola USA	UIL	C	AVANGRID, Inc.	12/16/2015	10	EE	\$1.8B debt + \$0.6B cash + \$2.4B equity (per share value of \$52.75, roughly 25% premium, of which \$10.50 will be cash)	4,756.0
12/3/2014	NextEra Energy	Hawaiian Electric	W		7/18/2016			NEE to acquire HE for \$2.6B equity + \$1.4B debt (fixed exchange ratio of 0.2413 NEE shares)	3,963.0
10/20/2014	Macquarie-led Consortium	Cleco	C		4/13/2016	18	EE	\$3.4B equity (all Cleco shares at \$55.37 / share in cash (~15% premium)) + \$1.3 debt	4,700.0
6/23/2014	Winsconsin Energy	Integrys	C	WEC Energy Group, Inc.	6/30/2015	12	EE	WEC to acquire TEG for \$5.758B equity + \$3.374B debt (fixed exchange ratio of 1.128 WEC shares + \$18.58)	9,100.0
5/1/2014	Berkshire Hathaway Energy	AltaLink (Canadian)	C		12/1/2014	7	ET	BHE to acquire AL for \$3.2B cash + \$2.7B debt	5,927.0
4/30/2014	Exelon	Peppo	C		3/23/2016	24	EE	EXC to acquire POM for \$6.8B in cash (\$27.25 per POM share)	12,337.0
3/3/2014	UIL Holdings	Philadelphia Gas Works	W		12/4/2014			UIL to acquire assets & liabilities of PGW from city of Philadelphia for \$1.86 billion in cash	1,860.0
12/12/2013	Fortis Inc.	UNS Energy	C		8/15/2014	8	EE	Fortis pays \$60.25 / share (31% premium to announcement day's close) + \$1.8B in debt	4,578.1
11/4/2013	Avista	Alaska Energy & Resources Company	C		7/1/2014	8	EE	AVA to acquire Alaska Energy & Resources Company for \$145MM equity + \$24.5MM debt	169.5
5/29/2013	MidAmerican Energy Holdings Co.	NV Energy	C	Berkshire Hathaway Energy	12/19/2013	7	EE	MidAmerican pays \$23.75 / share + assume \$4.8 billion debt	10,494.3
5/25/2013	TECO Energy, Inc.	New Mexico Gas Intermedate, Inc.	C		9/2/2014		EE	TECO will pay \$950 million, including assume \$200 million debt to Continental Energy Systems LLC	950.0
2/20/2012	Fortis Inc.	CH Energy Group	C		6/27/2013	16	EE	Fortis pays \$65.00/share cash & assumes approx. \$687.37 MM debt.	1,609.7
5/27/2011	Fortis Inc.	Central Vermont Public Service Corp	W		7/11/2011		EE	Fortis pays approx. \$35.10/share cash & assumes approx. \$226.4 mill in debt.	701.6
1/8/2011	Duke Energy	Progress Energy	C		7/3/2012	18	EE	0.87083 Duke shares (after 1-3 reverse split) for each Progress share + assume \$12.1 billion net debt.	32,000.0
7/11/2011	Gaz Metro LP	Central Vermont Public Service Corp	C		6/27/2012	12	GE	Gaz Metro pays \$35.25/share for each CVPS share & assumes \$226 million debt.	704.2
10/16/2010	Northeast Utilities	NSTAR	C		4/10/2012	18	EE	1.312 NU shares for each NSTAR shr, plus \$3.36 bill assume debt	7,566.7
4/28/2011	Exelon Corp.	Constellation Energy Group Inc.	C		3/12/2012	11	EE	CEG receive 0.93 shares of EXC for each CEG share. EXC assumes approx. \$2.9 bill net debt	10,623.2

4/19/2011	AES Corporation	DPL Inc.	C	11/28/2011	7	EE	AES pays 30.00/share cash & assumes approx \$1.1 billion of net debt	4,613.2
4/28/2010	PPL Corp.	E.ON U.S.	C	11/1/2010	6	EE	\$6.83 billion cash + \$764.0 million in assumed debt	7,625.0
3/12/2010	Emera Inc	Maine & Maritimes	C	12/21/2010	9	EE	\$76 mm cash + \$28.6 mm debt + \$13.8mm postretirement benefits	117.4
2/10/2010	FirstEnergy	Allegheny Energy	C	2/25/2011	12	EE	\$4.3 billion in equity + \$4.7 billion in assumed debt	9,273.2
9/17/2008	Berkshire Hathaway	Constellation Energy Group Inc.	W	12/17/2008		PE	\$4.7 bill cash + \$4.4 bill net debt and adjustments	9,152.5
7/25/2008	Sempra Energy	EnergySouth Inc.	C	10/1/2008	3	EG	\$499 million cash + 283 million debt	771.9
7/1/2008	MDU Resources Group, Inc.	Intermountain Gas Co.	C	10/1/2008	3	EG	\$245 million cash + \$82 million debt	327.0
6/25/2008	Duke Energy	Catamount Energy Corp.	C	9/15/2008	3	EP	\$240 million cash + \$80 million assumed debt	320.0
2/15/2008	Unifil Corp.	Northern Utilities / Granite State Gas Transmission	C	12/1/2008	10	EG	\$160 million cash	160.0
1/12/2008	PNM Resources, Inc.	Cap Rock Holding Corp.	W	7/22/2008		EE	\$202.5 million	202.5
10/26/2007	Macquarie Consortium	Puget Energy	C	2/6/2009	16	EE	\$3.5 billion cash + \$3.02 billion net debt	6,520.2
6/25/2007	Iberdrola S.A.	Energy East Corp.	C	9/16/2008	15	EE	\$4.5 billion cash + \$4.1 billion net debt	8,600.0
2/26/2007	KKR & Texas Pacific Group	TXU Corp. <sup>1</sup>	C	10/10/2007	8	PE	\$31.8 billion cash + \$12.1 billion net debt	43,882.0
2/7/2007	Black Hills Corp. / Great Plains Energy Inc. <sup>2</sup>	Aquila Inc. (CO elec. util. + CO, KS, NE, IA gas utils.)	C	7/14/2008	17	EG	\$940 million cash + working capital and other adjustments	940.0
7/8/2006	MDU Resources Group, Inc.	Cascade Natural Gas Corporation	C	7/2/2007	12	EG	\$305.2mm in cash + (\$173.6 in debt - \$13.0 in cash equivalents)	465.8
7/8/2006	WPS Resources Corporation	Peoples Energy Corporation	C	2/21/2007	7	EG	\$2.47 billion	2,472.4
7/5/2006	Macquarie Consortium	Duquesne Light Holdings	C	5/31/2007	10	EE	\$1.59 billion cash + \$1.09 billion total debt	2,674.4
6/22/2006	Gaz Metro LP	Green Mountain Power Corp.	C	4/12/2007	10	EE	\$187 million in cash + (\$100.8 debt - \$9.1mm in cash equivalents)	279.5
5/11/2006	ITC Holdings Corp	Michigan Electric Transmission Co.	C	10/10/2006	5	EE	\$485.6mm cash + \$70mm common stock + \$311mm assumed debt	866.6
4/25/2006	Babcock and Brown Infrastructure	NorthWestern Corp.	W	7/24/2007		EE	\$2.2 billion cash	2,200.0
2/27/2006	National Grid	KeySpan Corp.	C	8/24/2007	18	EE	\$7.4 billion cash + \$4.5 billion long-term debt	11,877.5
12/19/2005	FPL Group Inc.	Constellation Energy Inc.	W	10/25/2006		EE	\$11.3 billion equity + \$4.1 billion net debt and pension liabilities	15,311.5
5/24/2005	MidAmerican Energy Holdings Co.	Pacificorp	C	3/21/2006	10	EE	\$5.1 billion cash + \$4.3 billion in net debt and preferred stock	9,300.0
5/9/2005	Duke Energy Corp.	Cinergy Corp.	C	4/3/2006	11	EE	\$9.1 billion equity + \$5.5 billion net debt and pension liabilities	14,600.0
12/20/2004	Exelon Corp.	Public Service Enterprise Group	W	9/14/2006		EE	\$12.3 billion in equity + \$13.4 billion in net debt and pension liabilities	25,700.0
7/25/2004	PNM Resources	TNP Enterprises	C	6/6/2005	12	EE	\$189 million in stock and cash and \$835 million in debt	1,024.0
2/3/2004	Ameren Corp	Illinois Power <sup>3</sup>	C	10/1/2004	8	EE	\$1.9 billion in debt, pref stock, & other liab + \$400 million in cash	2,300.0
11/24/2003	Saguaro Utility Group L.P.	UniSource Energy	W	12/30/2004		PE	\$850 million cash + \$2 billion in debt	2,850.0
11/3/2003	Exelon Corp.	Illinois Power	W	11/22/2003		EE	\$275 million cash + \$1.8 billion in debt + \$150 million promissory note	2,225.0
4/30/2002	Aquila Inc	Cogentrix Energy Inc	W	8/2/2002		EIPP	\$415 million cash + \$1.125 billion in assumed debt	1,540.0
4/29/2002	Ameren Corp	CILCORP <sup>4</sup>	W	1/31/2003	9	EE	\$541 million cash + \$781 in assumed debt + \$41 million in pref stock	1,400.0
10/8/2001	Northwest Natural Gas	Portland General	W	5/16/2002		GE	\$1.55 billion cash + \$250mm in stock	1,800.0
9/20/2001	Duke Energy	Westcoast Energy	C	3/14/2002	6	EG	Equity + cash valued at \$27.90 per Westcoast share	8,500.0
9/10/2001	Dominion Resources	Louis Dreyfus Natural Gas	C	11/1/2001	2	EG	\$890mm cash + \$900mm stock + \$505mm debt	2,295.0
2/20/2001	Energy East	RGS Energy	C	6/28/2002	16	EE	\$1.4 bill. cash & equity + \$1.0 bill. net debt	2,400.0
2/12/2001	PEPCO	Connectiv	C	8/1/2002	18	EE	\$2.2 bill cash & equity + \$2.8 bill. net debt	5,000.0
11/9/2000	PNM	Western Resources <sup>5</sup>	W	1/8/2002		EE	Stock transfer	4,442.0
10/2/2000	NorthWestern	Montana Power <sup>6</sup>	C	2/15/2002	16	EE	\$1.1 billion in cash	1,100.0
9/5/2000	National Grid Group	Niagara Mohawk	C	1/31/2002	16	EE	\$19 per share	8,900.0
8/8/2000	FirstEnergy	GPU Inc.	C	11/7/2001	15	EE	\$35.60 per share	12,000.0
7/31/2000	FPL Group	Energy	W	4/2/2001		EE	1/1 - FPL, 0.585/1 - ETR	27,000.0
7/17/2000	AES Corporation	IPALCO	C	3/27/2001	8	IPPE	\$25 per share	3,040.0
6/30/2000	NS Power	Bangor Hydro	C	10/10/2001	16	EE	\$26.50 per share	206.0

<sup>4</sup> Ameren purchased CILCORP from AES Corporation. AES Corp acquired CILCORP in October 1999.

<sup>5</sup> PNM purchased Western Resources' electric operations including generation, transmission, and distribution.

<sup>6</sup> NorthWestern Corporation purchased Montana Power's electric and natural gas transmission and distribution assets.

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

<sup>1</sup> TXU (now Energy Future Holdings Corp.) was acquired by the Texas Energy Future Holdings Limited Partnership (TEF) on 10/10/2007.

TEF was formed by a group of investors led by Kohlberg Kravis Roberts and Texas Pacific Group to facilitate the merger.

<sup>2</sup> Aquila was divided with Black Hills Corp. acquiring the electric utility in Colorado and NG utilities in CO, IA, KS, and NE. Great Plains Energy Inc. acquired the MI electric utility, stock, and other corporate assets.

<sup>3</sup> Ameren purchased Illinois Power from Dynegy Corporation. Dynegy Corp acquired Illinois Power in February 2000.

C = Completed  
W = Withdrawn  
PN = Pending  
E = Electric  
G = Gas  
O = Oil  
IPP = Independent Power Producer  
P = Privatized

aggregate enterprise value of \$1.3 billion USD (\$1.8 billion CAD) on closing. ENMAX, with \$5.6 billion CAD in assets and revenue of \$2.4 billion CAD, provides electricity, natural gas, renewable energy and other services to approximately 670,000 residential and commercial customers across Alberta, Canada. The company is wholly owned by the City of Calgary, Alberta. Nova Scotia-based Emera serves 2.5 million customers in Canada, the U.S. and the Caribbean with more than \$32 billion CAD in assets and approximately \$6.5 billion in revenue. Its U.S. subsidiaries include Tampa Electric, TECO People's Gas and New Mexico Gas in addition to Emera Maine, which provides transmission and distribution services to approximately 150,000 residential, commercial and industrial customers in Maine.

While the deal was relatively small by industry standards, it showcased political and regulatory challenges often attendant with utility M&A. Local politicians and stakeholders in Calgary criticized the planned \$1.8 billion expenditure and assumption of new debt by a city-owned entity when city budgets were being cut and local commercial property prices were in steep decline. Maine politicians and stakeholders worried about potential rate hikes, job cuts and the influence Calgary's city government could have over Emera Maine's management. Maine regulators rejected the deal in early March 2020, but gave it their blessing a few weeks later when ENMAX agreed to a negotiated settlement that offered a range of benefits to Maine ratepayers.

### *Infrastructure Fund Buys El Paso Electric*

On July 29, Infrastructure Investments Fund (IIF), an infrastructure fund advised by J.P. Morgan Investment Management, completed its purchase of west Texas and southern New Mexico regulated utility El Paso Electric. On June 3, 2019 the utility announced it had agreed to be purchased by IIF for \$68.25 per share, a cash deal valued at \$4.3 billion including debt. The purchase price was a 17% premium to El Paso's closing price before the announcement, representing a PE multiple of nearly 29 times 12-month earnings through March 31, 2019. El Paso said IIF's renewable energy expertise will help the utility navigate a rapidly changing industry that requires significant long-term investments in renewable energy and sustainability. The agreement left El Paso independently operated with headquarters in El Paso and its workforce remaining in place. Other benefits included \$21 million in rate credits over 36 months and a \$100 million commitment to fund economic development in El Paso's service area over the next 20 years. IIF, which calls itself a long-term owner of utilities, said El Paso would be its flagship investment in the U.S. Analysts cited the strong customer growth and need for investment in El Paso's service territory as points of attraction for IIF.

El Paso Electric is a regional electric utility providing generation, transmission and distribution service to more than 400,000 retail and wholesale customers in a 10,000-square mile area of the Rio

Grande valley in west Texas and southern New Mexico. When the deal was announced, IIF owned 19 portfolio companies located primarily in the United States, Western Europe and Australia, including 11 energy, utility and electric generation companies. IIF has significant experience developing renewable energy sources, with \$3 billion in renewable power generation assets that collectively provide 3.4 GW of renewable capacity.



## Construction

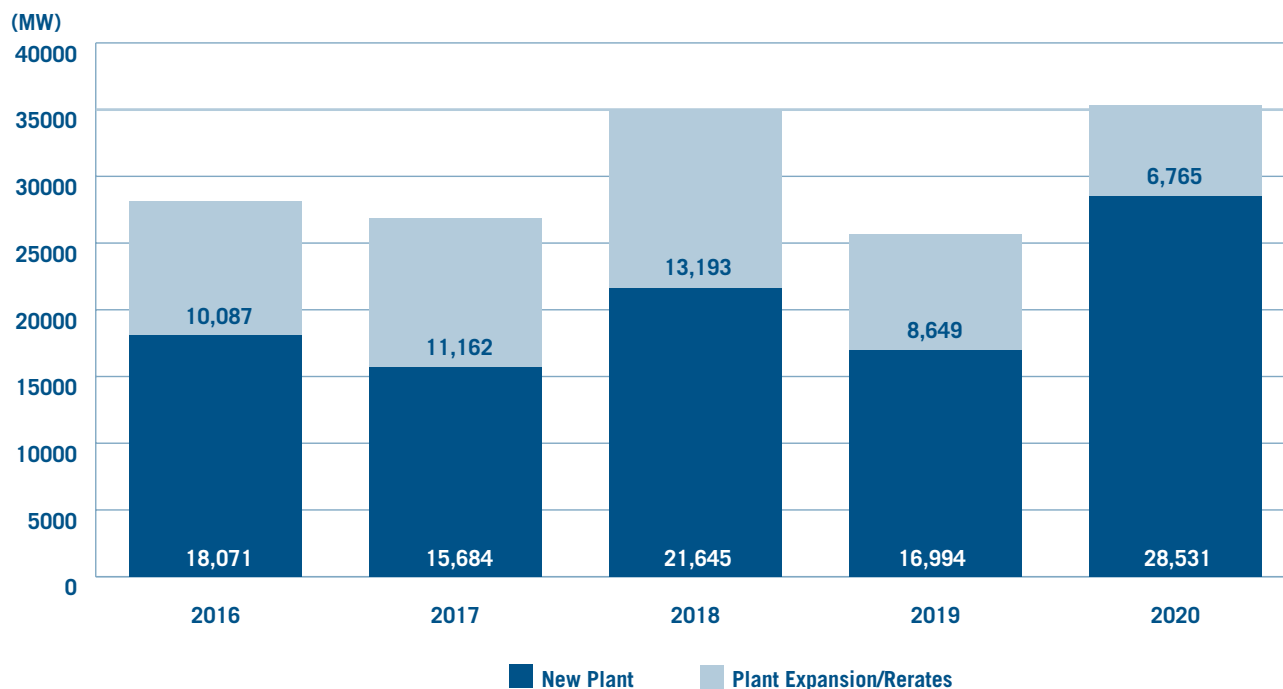
The electric utility industry brought 35,296 MW of new capacity online in 2020; this was a 38% increase over 2019's 25,643 MW, which was the lowest annual total since 2016. New plants comprised 81% of 2020's total; expansions and rerates contributed the remaining 19%. Capacity added by new plants increased 68% versus last year while capacity from plant expansions and rerates declined 22%. Wind powered new capacity additions and accounted for 15,621 MW or 44% of the 2020 total. Solar was second at 10,978 MW, or 31%. Natural gas contributed 8,302 MW, or 24%.

The nation's aggressive build-out of renewable energy is evident in wind and solar's 75% share of 2020's added capacity and the 65% and 77% growth in each fuel's added capacity versus their respective 2019 totals. Investor-owned utilities that brought the most renewable capacity online, either as new plants or expansions at existing facilities, were NextEra Energy (2,179 MW of solar and 2,563 MW of wind), Berkshire Hathaway Energy (857 MW of wind), Duke Energy (637 MW, all solar), Alliant Energy (549 MW of wind and 3 MW of solar), CMS Energy (525 MW, all wind capacity), Xcel Energy (401 MW of wind), Southern Company (392 MW of wind and 50 MW of solar), ALLETE (380 MW of wind capacity), and

Dominion Energy (343 MW of solar and 12 MW of wind).

Approximately 76% of 2020's added natural gas capacity is combined-cycle while 21% is combustion turbine. New plants accounted for 4,061 MW, or 49%, of the gas capacity brought online in 2020, while 4,241 MW, or 50%, resulted from expansions at existing facilities and 5% came from rerates. Entergy led natural gas additions with 1,993 MW of new combined-cycle capacity and 299 MW powered by gas turbines; nearly all was new build, only 49 MW of the total came from expansions. AES was next, at 1,333 MW, a mix of expansions (693 MW) and new build (640 MW). Duke Energy added 830 MW of combus-

### New Capacity Online 2016–2020



Note: Includes all new capacity placed on the grid by investor-owned utilities, independent power producers, municipals, co-ops, government authorities and corporations. Totals may reflect rounding.

Source: Hitachi ABB Power Grids; EEI Finance Department, March 2021

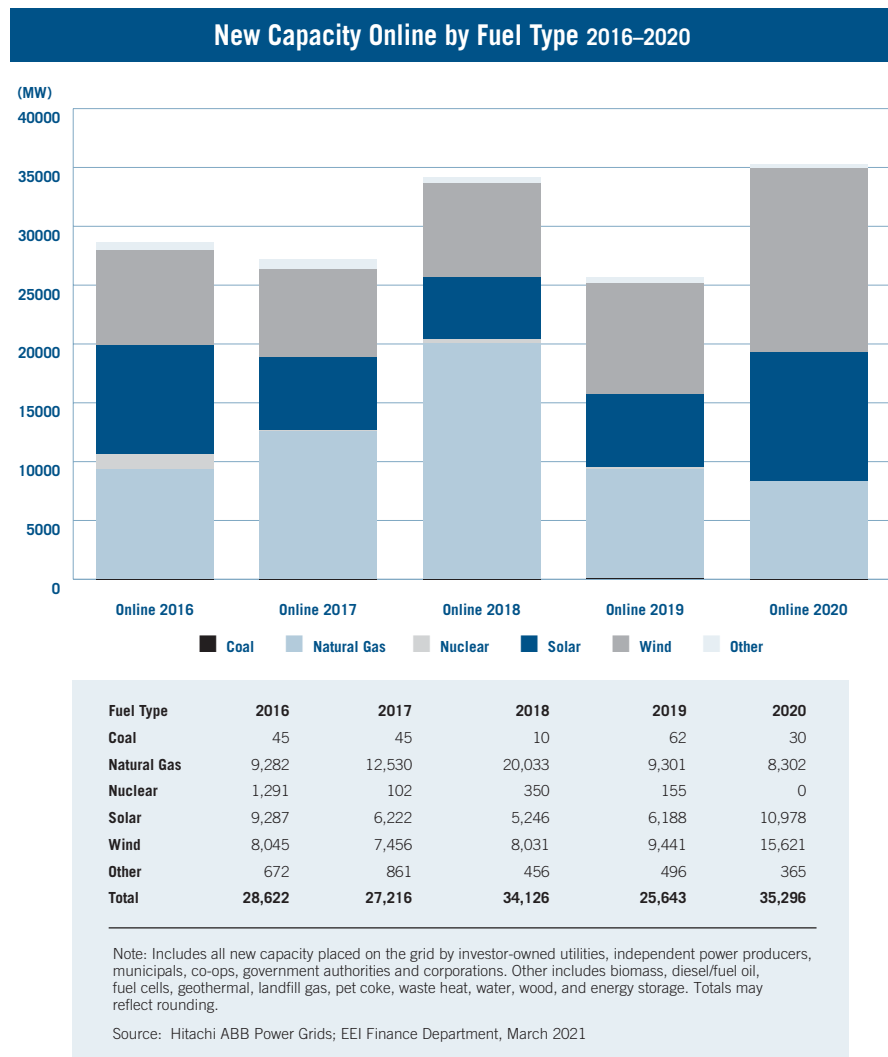
tion turbine and combined-cycle capacity through expansions. Alliant added 700 MW of combined-cycle power through an expansion project.

**New Capacity Online by Region**

The Southwest Power Pool (SPP) saw the largest year-to-year increase in new capacity added in percentage terms, at 214%; 3,296 MW of wind capacity and 59 MW of solar came online in 2020 in contrast to 954 MW of wind and 42 MW of solar in 2019. The Western Electricity Coordinating Council (WECC) experienced the second-largest year-to-year growth in percentage terms, at 102%, boosted by 3,253 MW of new wind capacity, 2,610 MW of solar, and 1,572 MW of natural gas. Hawaii (HCC) saw 59% growth from 2019’s level, driven by 270 MW of new solar capacity and 28 MW of wind. Capacity added in the Midwest Reliability Organization (MRO) region rose 42% above the total added in 2019, supported by 700 MW of additional gas generation, 3,631 MW of new wind, and 294 MW of solar. Capacity added in the Reliability First Corporation (RFC) region was down 19% versus 2019, largely because new gas additions declined 59%, to 1,218 MW from 2,945 MW in 2019. The Northeast Power Coordinating Council (NPCC) also saw a drop in new capacity additions, at 11% against 2019 levels, mostly because natural gas capacity additions fell 55%, from 1,494 MW in 2019 to 675 MW in 2020.

**Announcements by Region and Fuel Type**

New capacity announced in 2020 totaled 66,386 MW, up 26% from 52,648 MW in 2019. Renewable



generation accounted for 94% of 2020’s total, with solar contributing 73%, wind 20%, hydro 1% and natural gas the remaining 6%. No new coal capacity was announced.

The Western Electricity Coordinating Council (WECC) produced the highest regional total for announced new capacity in 2020, at 23,608 MW; nearly all is renewable generation, with approximately 83% solar, 11% wind and 6% natural gas. In 2019, the Northwest Power Coordinating Council led with 12,091 MW of new capacity, including 7,342 MW of solar and

4,641 MW of wind. In 2020, solar power again accounted for nearly all of Hawaii’s announced new capacity.

Announced natural gas capacity was 13% lower in 2020 versus 2019, confirming the industry’s consensus expectation for a leveling off in new natural gas generation build-out.

**Projected Capacity Additions**

In early 2021, projected new capacity over the five-year period 2021 through 2025 totaled 330,556 MW; this represents an 8.6% increase over the total for the 2020 through 2024 five-year period projected one

## New Capacity Online by Region (MW) 2020

Region	Online 2017	Online 2018	Online 2019	Online 2020
ASCC	111	1	25	6
FRCC	2,408	2,532	See SERC	See SERC
HCC	48	136	187	297
MRO	1,998	3,116	3,257	4,634
NPCC	529	2,948	1,704	1,520
RFC	5,358	10,606	3,475	2,828
SERC	3,720	6,428	6,966	9,209
SPP	3,411	1,947	1,072	3,364
TRE	6,522	2,882	5,189	5,811
WECC	3,111	3,530	3,768	7,627
<b>Total</b>	<b>27,216</b>	<b>34,126</b>	<b>25,643</b>	<b>35,296</b>

Note: Data includes new plants and expansions of existing plants, including nuclear uprates. Totals may reflect rounding.

Source: Hitachi ABB Power Grids; EEI Finance Department, March 2021

## Stage of Announced Capacity Additions (MW) 2021–2025

Fuel	Proposed	Feasibility	Application			Under		Total
			Pending	Permitted	Site Prep	Construction	Testing	
Coal	106	0	0	454	0	0	0	560
Natural Gas	20,090	876	10,099	13,183	—	13,392	722	58,362
Nuclear	4,773	1,900	—	197	—	2,200	—	9,070
Wind	57,970	3,200	15,464	8,130	412	12,062	1,821	99,059
Solar	95,482	200	24,173	20,086	565	17,480	1,026	159,012
Other	1,546	1,897	194	568	5	278	5	4,493
<b>Total</b>	<b>179,967</b>	<b>8,073</b>	<b>49,930</b>	<b>42,618</b>	<b>982</b>	<b>45,412</b>	<b>3,574</b>	<b>330,556</b>

Notes: Other includes biomass, diesel/fuel oil, fuel cells, geothermal, landfill gas, pet coke, waste heat, water, wood, and energy storage. Totals may reflect rounding. Data includes new plants and expansions of existing plants, including nuclear uprates. Data includes projects with an expected online date up to 2025.

Source: Hitachi ABB Power Grids; EEI Finance Department, March 2021

## Announced New Capacity by Region and Fuel Type in 2020 (MW)

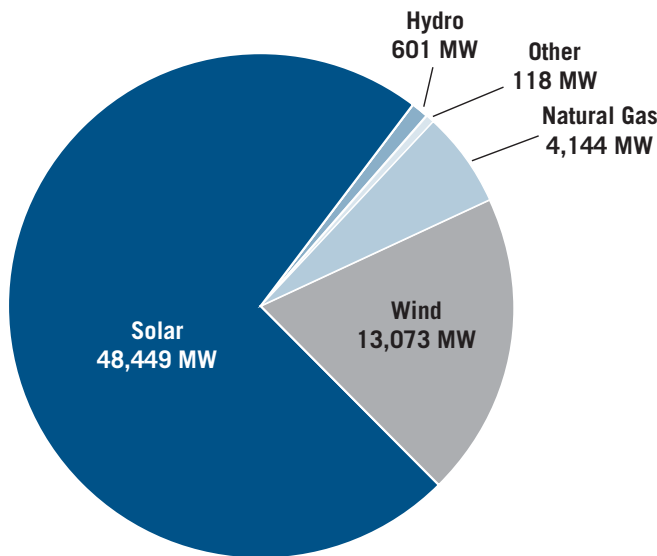
Fuel Type	Electric Reliability Council of Texas	Hawaiian Coordinating Council	Midwest Reliability Organization	Northeast Power Coordinating Council	Reliability First	SERC Reliability Corp	Southeast Power Pool Inc.	Western Electricity Coordinating Council	Total
Coal	—	—	—	—	—	—	—	—	—
Natural Gas	264	—	45	143	129	2,219	33	1,311	4,144
Nuclear	—	—	—	—	—	—	—	—	—
Wind	649	—	1,995	3,291	1,354	2,574	486	2,524	13,073
Solar	3,941	216	991	3,189	10,994	8,294	1,112	19,707	48,449
Hydro	—	—	—	600	—	—	—	1	601
Other	—	46	2	3	3	—	—	65	118
<b>Total</b>	<b>4,854</b>	<b>262</b>	<b>3,033</b>	<b>7,226</b>	<b>12,480</b>	<b>13,087</b>	<b>1,631</b>	<b>23,608</b>	<b>66,385</b>

Notes: Data includes new plants and expansions of existing plants announced, including nuclear uprates in 2019 for years 2020–2025. Other includes biomass, diesel/fuel oil, fuel cells, geothermal, landfill gas, pet coke, waste heat, water, wood, and energy storage. Totals may reflect rounding.

Source: Hitachi ABB Power Grids; EEI Finance Department, March 2021

## 2020 New Capacity Announcements by Fuel Type

U.S. INVESTOR-OWNED ELECTRIC UTILITIES



Notes: Data includes new plants and expansions of existing plants announced, including nuclear uprates in 2019 for years 2020–2025. Other includes biomass, diesel/fuel oil, fuel cells, geothermal, landfill gas, pet coke, waste heat, water, wood, and energy storage. Totals may reflect rounding.

Source: Hitachi ABB Power Grids; EEI Finance Department, March 2021

year ago. Projected capacity is overwhelmingly renewable generation; solar represents 48% of the total and wind 30%. Natural gas generation accounts for 18% and nuclear 3%. More than half, at 54%, of the 331 GW total was in the proposal stage in early 2021; that included 59% of projected wind capacity and 60% of projected solar capacity. Only 14% of the 331 GW total was under construction, 13% was in the permitted stage and 15% was in the application pending stage.

### Retirements

As of March 2021, 98 GW of capacity was scheduled to retire between 2021 through 2025. While annual coal retirements are expected to taper off from a 14 GW peak in 2019, they still dominate at 38% of total planned retirements through 2025, followed by gas at 35% and fuel oil at 18%. Gas retirements are expected to peak in 2022 at 12,170 MW, the fuel’s highest annual retirement total during the 2016–2025 ten-year period.

Wind and solar retirements remain minimal given their recent buildout; no solar is slated for retirement while wind retirements, at a mere 0.2% of the total, result from four plants that started operation in 1999, 2003 and 2004 in Minnesota. Hydro retirements are also minimal, at only 0.1% of the total, and are largely associated with small turbines in California, Utah, Maine and New Hampshire (including some that were operational as far back as 1907), as well as the Cornell plant in Wisconsin.

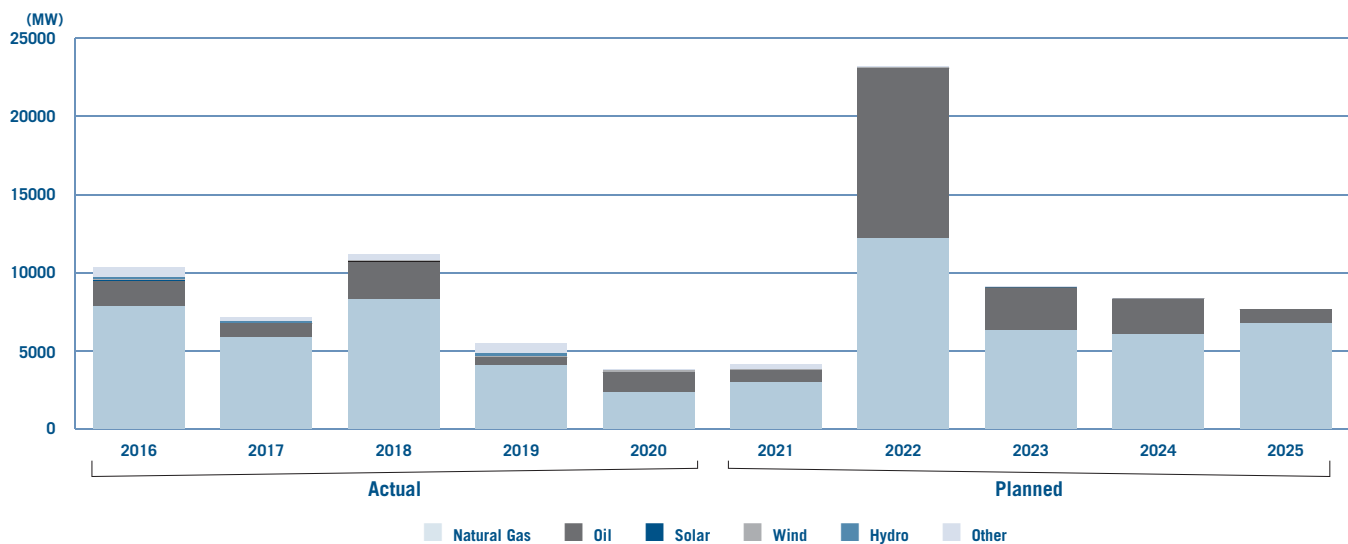
### Energy Storage

Energy storage continues to be a fast-growing area for the industry. Electric companies own, operate, or utilize approximately 25 GW of storage capacity, or about 96 percent of all energy storage in the United States. Since 2015, total installed energy storage capacity in the U.S. has increased about 13 percent, from nearly 23 GW to about 26 GW. Pumped hydro accounts for the majority, at about 22 GW, or roughly 84 percent of the total. Yet battery storage is, by far, the fastest-growing storage technology, increasing sixfold from 540

MW in 2015 to about 3,373 MW in 2020. Between 2015 and 2020, battery energy storage grew from two percent of total energy storage capacity to about 13 percent.

Energy storage is expected to continue its rapid growth from 2021 through 2025. Approximately 31 GW of new battery and pumped hydro energy storage is projected to come online, increasing total capacity 120 percent by 2025. Electric companies will remain the main drivers of this growth, accounting for 24.5 GW, or nearly 79 percent, of anticipated new installations over

## Actual and Planned Retirements 2016–2025

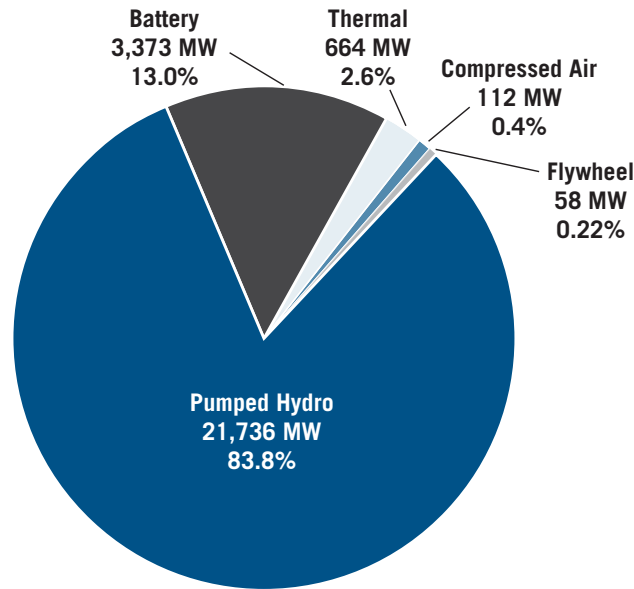


	Actual					Planned					Total
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Natural Gas	7,811	5,887	8,270	4,075	2,307	2,996	12,170	6,287	6,022	6,738	34,213
Oil	1,652	854	2,424	492	1,332	721	10,882	2,748	2,293	930	17,574
Solar	35	—	1	—	—	—	—	—	—	—	—
Wind	89	60	80	106	75	53	98	—	—	1	152
Hydro	127	125	54	156	2	9	—	38	6	2	55
Other	619	204	352	693	96	329	84	70	6	1.3	491
<b>Total</b>	<b>10,333</b>	<b>7,130</b>	<b>11,181</b>	<b>5,522</b>	<b>3,812</b>	<b>4,108</b>	<b>23,234</b>	<b>9,143</b>	<b>8,327</b>	<b>7672.3</b>	<b>52,485</b>

Notes: Other includes biomass, diesel/fuel oil, fuel cells, geothermal, landfill gas, pet coke, waste heat, water, wood, and energy storage. Totals may reflect rounding. 2015-2019 is actual plants retired. 2020-2024 data is from announced retirements as of March 2020. Source: Hitachi ABB Power Grids; EEI Finance Department, March 2020

## Total Installed Energy Storage Capacity by Technology - 25,943 MW

U.S. INVESTOR-OWNED ELECTRIC UTILITIES



Source: EEI 2021 Data, GTM Research/ESA U.S. Energy Storage MonitorReport; Dept. of Energy's Energy Storage Database; Hitachi ABB Power Grids 2021.

the next five years. Battery storage is expected to maintain its leading pace; total battery capacity is projected to increase ten-fold from about 3.4 GW in 2020 to over 34 GW by 2026. Based on ABB data, 422 MW of pumped storage hydro-power is expected to come online by 2025 through both a new project and an uprate at an existing facility.

### Transmission and Distribution

According to EEI's Property & Plant Capital Investment Survey, investor-owned electric utilities and stand-alone transmission companies invested \$23.4 billion in transmission assets in 2019, a 5.4% increase over the \$22.2 billion invested in 2018. The increase reflects the industry's efforts to meet changing customer ex-

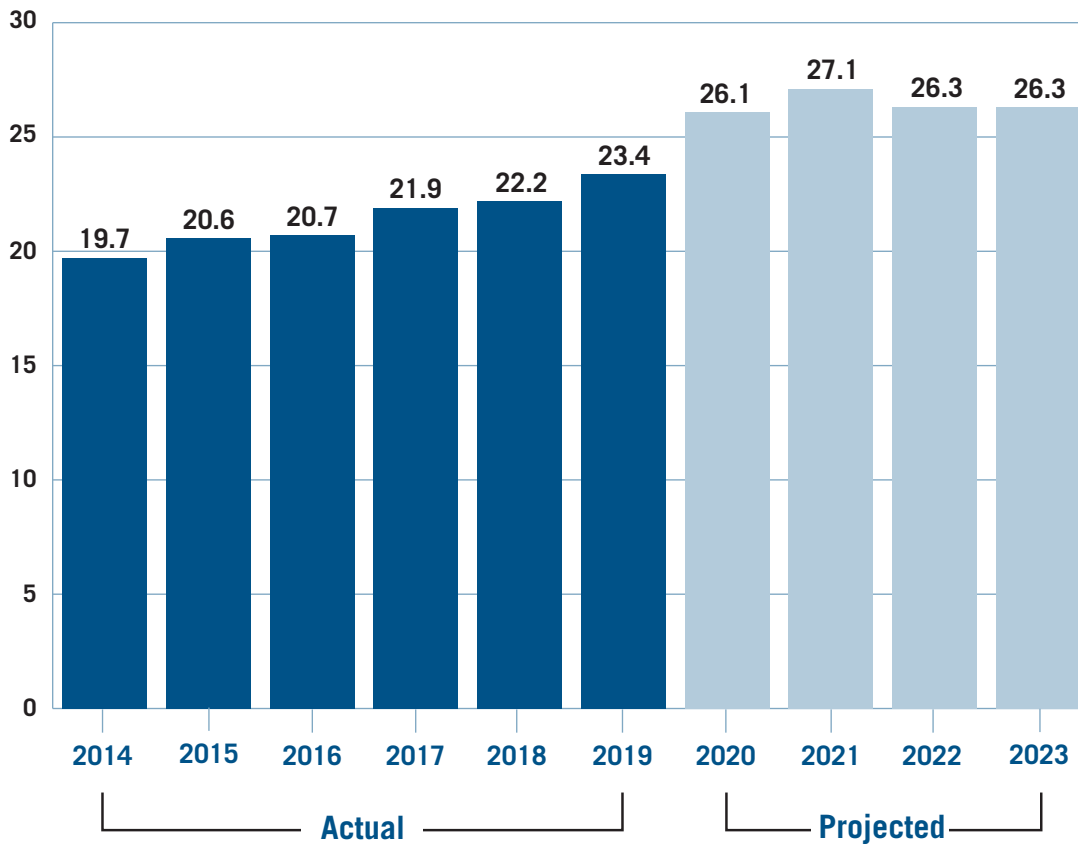
pectations while providing low-cost, reliable, and increasingly clean service. EEI members continue to invest in the transmission system in order to provide access to clean energy; to increase the reliability, security and resiliency of the energy grid; and to reduce congestion so that lower priced resources can meet customer needs now and in the future.

EEI member companies are spending a significant and growing amount of resources on adaptation, hardening, and resilience (AHR) initiatives. In recent years, it is estimated that EEI's member companies have invested around \$20 billion per year in AHR for transmission and distribution infrastructure. Specific examples of AHR investments in the

electric grid include undergrounding power lines, installing cement poles, and elevating or relocating transformers. AHR is increasingly becoming an important way that electric companies fulfill their mission of supplying customers with reliable, affordable and increasingly sustainable energy. Electric companies also are developing weather predictive services, risk modeling, fire spread modeling, deployment of sensors and high-definition cameras, communication networks, satellite data damage assessment, and other real or near real time situational awareness instruments that can help them better predict and prepare for extreme weather event and wildfires.

## Actual & Projected Transmission Investment\* 2014–2023

(\$ Billions)



r = revised

\*Investment of investor-owned electric companies and stand-alone transmission companies. Actual Investment figures were obtained from the EEI Property & Plant Capital Investment Survey supplemented with FERC Form 1 data. Projected investment figures were obtained from the EEI Transmission Capital Budget & Forecast Survey supplemented with data obtained from company 10-k reports and investor presentations.

Source: EEI Business Analytics.

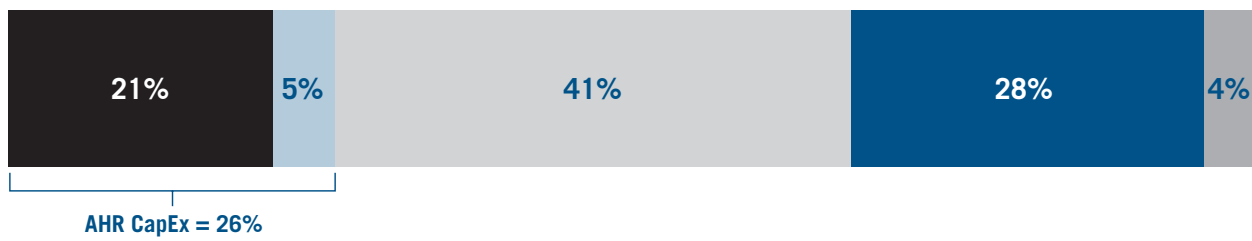
Updated November 2020.

# Adaptation, Hardening, and Resilience (AHR) as Drivers of T&D Investment Based on 2020 Survey Results

## Distribution



## Transmission



- AHR: Hardening & Resilience**
- AHR: Advanced Technology**
- Expansion/Growth**
- Replacement/Maintenance**
- Other**

Source: EEI Financial Analysis and Business Analytics; EEI member company survey, regulatory filings, and investor presentations; and S&P Global Market Intelligence.



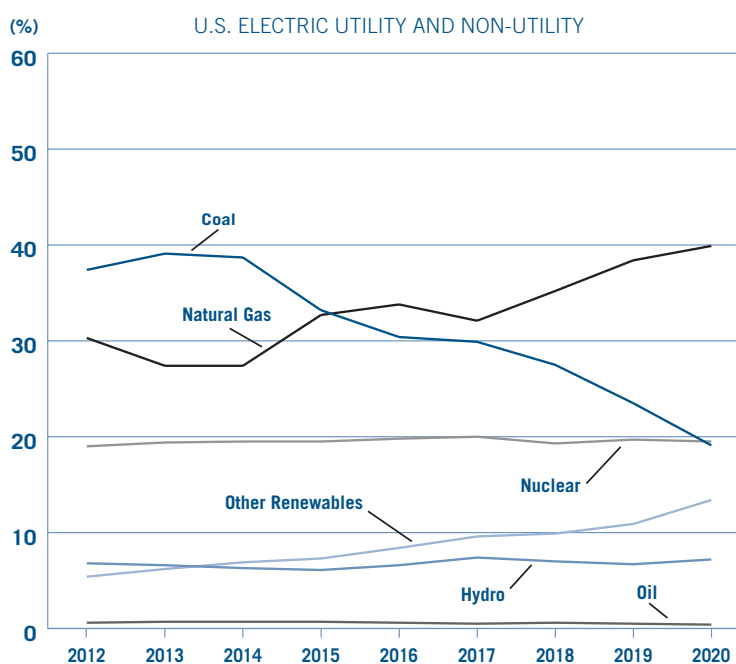
## Fuels Analysis

### Net Generation and Electricity Sales

Total electric power industry net generation in 2020 amounted to 4,050,825 gigawatt hours (GWh), a decrease of 2.7% from 2019's net generation. Total nationwide retail electricity sales decreased 3.9% in 2020 as the COVID-19 pandemic impacted commercial and industrial electricity demand across most of the country. Total retail sales declined in 45 states when compared to 2019 levels. Indiana and Wyoming experienced the largest percentage declines at 8.6% and 8.5%, respectively. Arizona produced the largest year-to-year percentage increase of any state, at 4.6%.

Total sales to commercial customers decreased 6.3% as the pandemic caused office buildings to temporarily close and commercial businesses to severely curtail services; this is the

## Fuel Sources for Net Electric Generation (in Percent of total electric generation) 2012–2020



**U.S. Electric Utility:** Owns and/or operates facilities within the United States, its territories, or Puerto Rico for the generation, transmission, distribution, or sale of electric energy primarily for use by the public. This includes investor-owned utilities, public power, and cooperatives.

**Non-Utility Power Producer:** Non-utility power producers include qualifying cogenerators, qualifying small power producers, and other non-utility generators (including independent power producers) without a designated franchised service area.

Source: U.S. Department of Energy, Energy Information Administration (EIA), March 2021.

## Fuel Sources for Net Electric Generation

### U.S. ELECTRIC UTILITY AND NON-UTILITY

	2019	2020
<b>Coal</b>	23.5%	19.1%
<b>Gas</b>	38.4%	39.9%
<b>Nuclear</b>	9.7%	19.5%
<b>Oil</b>	0.5%	0.4%
<b>Hydro</b>	6.7%	7.2%
<b>Renewables</b>	10.9%	13.4%
<b>Biomass</b>	1.4%	1.4%
<b>Geothermal</b>	0.4%	0.4%
<b>Solar</b>	1.8%	3.3%
<b>Wind</b>	7.3%	8.3%
<b>Other fuels</b>	0.5%	0.5%
<b>Total</b>	100%	100%

Note: Totals may not equal 100% due to rounding.

**U.S. Electric Utility:** Owns and/or operates facilities within the United States, its territories, or Puerto Rico for the generation, transmission, distribution, or sale of electric energy primarily for use by the public. This includes investor-owned utilities, public power, and cooperatives.

**Non-Utility Power Producer:** Non-utility power producers include qualifying cogenerators, qualifying small power producers, and other non-utility generators (including independent power producers) without a designated franchised service area.

Source: U.S. Department of Energy, Energy Information Administration (EIA). March 2021.

largest year-to-year percentage drop in annual commercial sales since the Energy Information Administration's (EIA) predecessor organizations began compiling electricity sales data in 1949. Commercial sales fell more than 10% in Mississippi, Pennsylvania and Hawaii; Hawaii experienced the largest percentage decrease of any state, at 14.2%. Sales increased 2.4% in Nevada, the only state in which commercial electricity sales did not decline.

Total electricity sales to retail industrial customers fell 8.3% in 2020 in response to the year's shutdowns. Industrial sales declined in 41 states, with Oregon, Michigan and Washington experiencing declines of more than 15%. North Dakota saw the largest increase in industrial sales, at 6%.

U.S. electricity sales to residential customers increased 1.5% as government mandates forced people to stay at home and most employers supported working from home when possible. Arizona (+11.5%) and Nevada (+10.8%) had the largest percentage increases in residential demand among all states. Arkansas (-3.3%) and North Dakota (-3.1%) were the two states that experienced a decrease in residential demand of more than 3%.

### **Coal**

Net generation from coal-fired plants decreased 19.8% in 2020 and accounted for 19.1% of the total electricity generated nationwide. The year's 773,805 GWh of coal-fired generation was the lowest annual total for coal since 1973; 2020 also marked the first year coal gener-

ation was neither the leading nor the second-largest contributor to total electric generation. The coal fleet's capacity factor for the year was only 40% compared with 72% in 2008, according to EIA data.

Even though electric utilities paid an average \$1.97 per million British Thermal Units (MMBtu) for coal in 2020, 11 cents less than in 2019, coal remains the most expensive fuel for electricity production when all costs are considered. According to ABB/Hitachi Power Grids, the modeled 2020 total production cost from coal was \$32.10/MWh, 39% higher than the cost of producing electricity from natural gas. Fuel-related costs for coal were the highest of all fuel types in 2020, at \$21.33/MWh, a decrease of 5% versus 2019.

The retirement of approximately 58 GW of coal generating capacity from 2016 through 2020 is another factor contributing to declining coal generation. While the rate of coal plant retirements is expected to slow, another 37 GW of coal capacity throughout the U.S. is expected to shut down by the end of 2025.

### **Natural Gas**

Natural gas accounted for the most generation of all the fuel types in 2020 – a 39.9% share of total generation at utility scale facilities and a 2% increase over 2019 generation total, driven largely by capacity additions and the lower cost of natural gas.

In 2020, natural gas prices were the lowest in decades, at an average of \$2.64/MMBtu. This led to a 15% drop in the average cost to produce electricity from natural gas to

\$23.13/MWh. The fuel cost of coal was 15% higher than that of natural gas in 2020, contributing to natural gas being the leading generation fuel that year.

### **Nuclear**

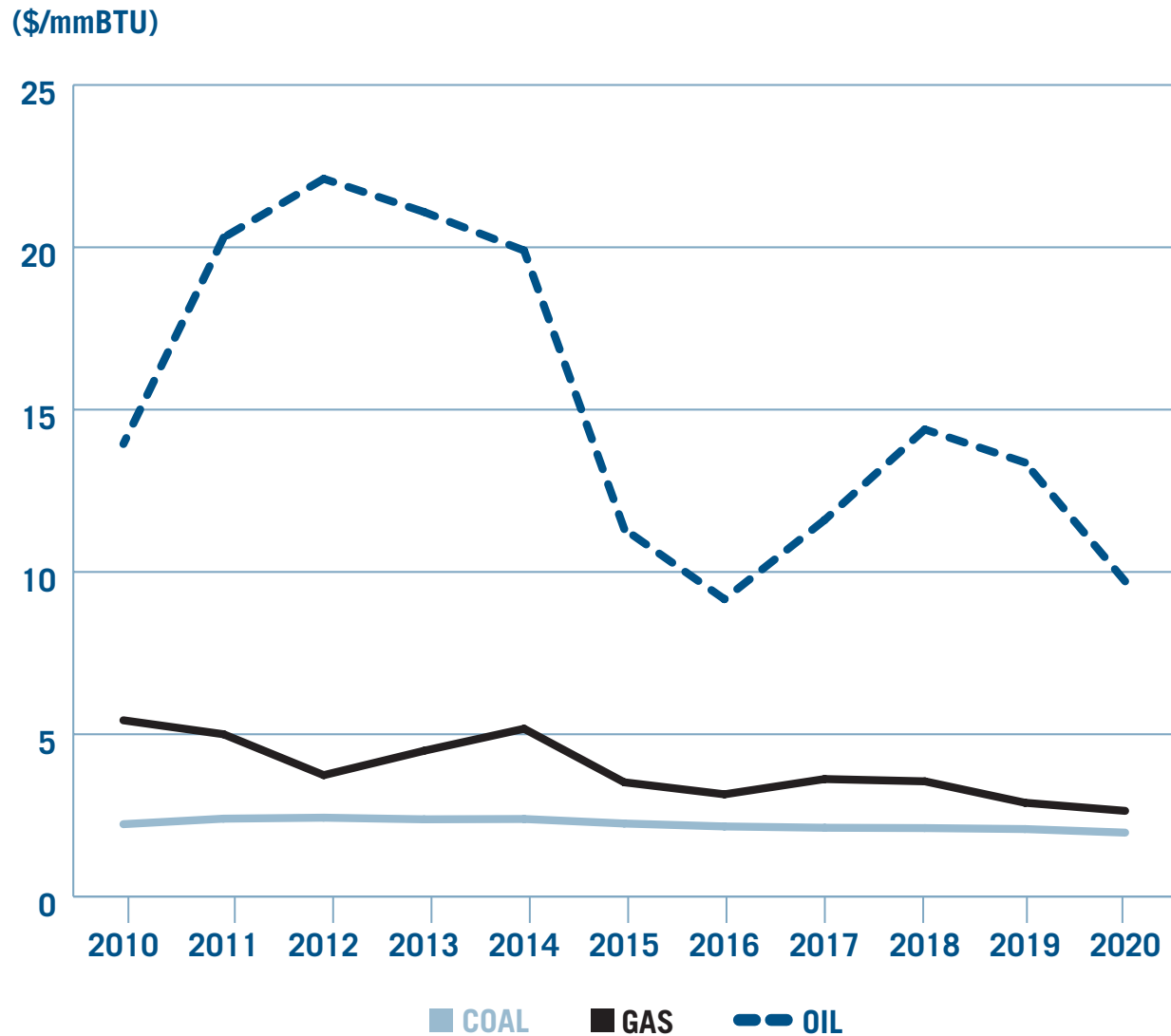
Nuclear power output decreased 2.4% in 2020 and accounted for 19.5% of total electric power generation, slightly exceeding its 19.4% share in 2019 and nearly matching its 19.6% annual average since 2001. New nuclear plants have been made uneconomical by high construction costs and lengthy permitting and building processes. However, nuclear generation has the highest capacity factor of all generation, at 92.5%. In other words, nuclear power plants ran at their maximum power output more than 92.5% of the time in 2020; this is about 1.5 to 2 times more than natural gas and coal plants, according to EIA data.

While approximately 4.8 GW of nuclear capacity was retired from 2016 through 2020, an additional 8.8 GW will be retired from 2021 through 2025. Enhancements to existing nuclear generation, however, are ongoing. Upgrades scheduled online in 2022 at two reactors at Southern Company's Vogtle nuclear generation station in Georgia, which will augment nameplate capacity by 2,320 MW, are the only new nuclear capacity built over the last three decades.

In 2020, the Nuclear Regulatory Commission (NRC) approved upgrades at two nuclear facilities: a 17 MW upgrade at Tennessee Valley Authority's Watts Bar plant unit 2 in Tennessee, operational in 2020, and

# Average Cost of Fossil Fuels 2010–2020 in \$/MMBtu

U.S. ELECTRIC UTILITIES

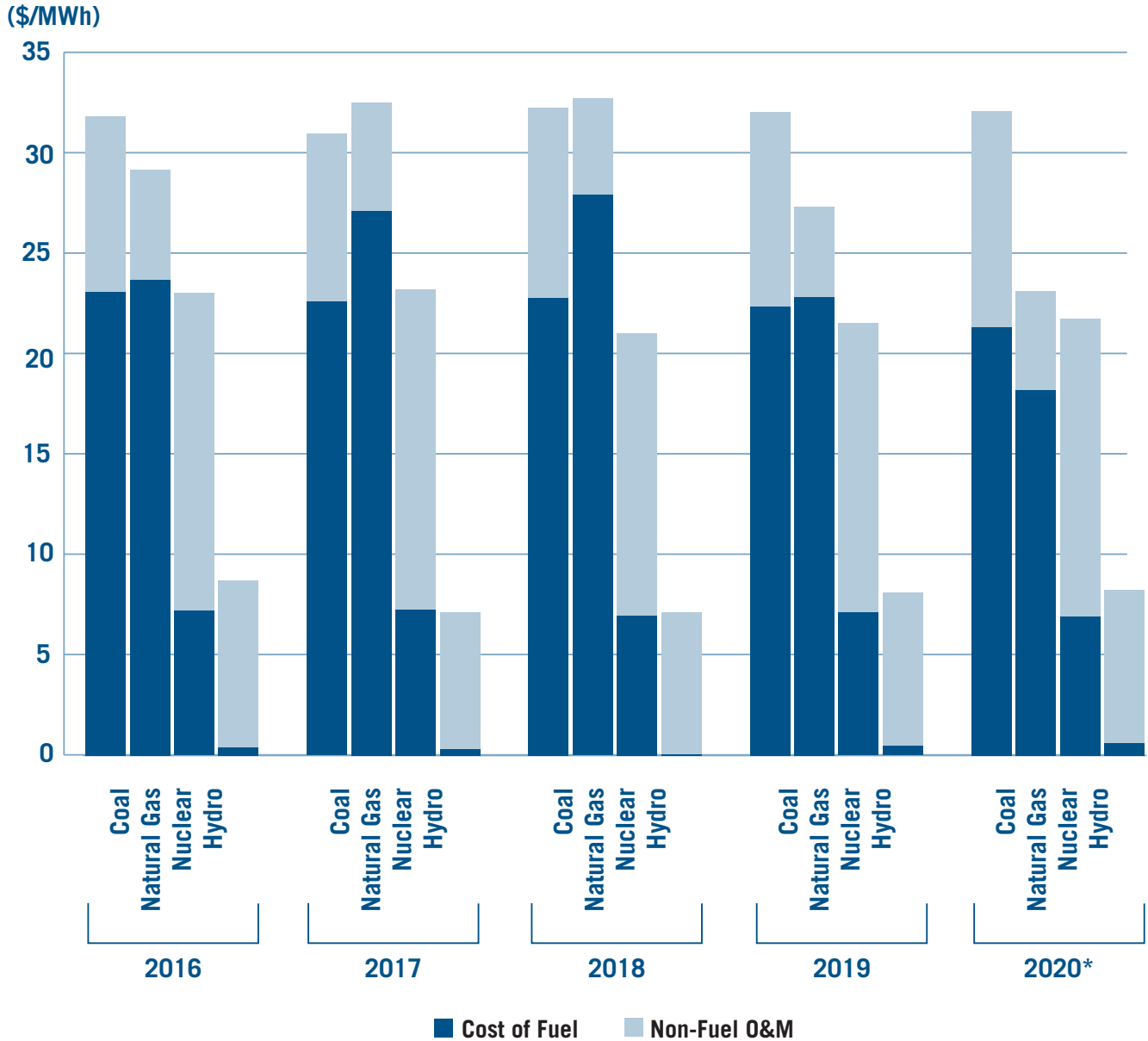


**U.S. Electric Utility:** Owns and/or operates facilities within the United States, its territories, or Puerto Rico for the generation, transmission, distribution, or sale of electric energy primarily for use by the public. This includes investor-owned utilities, public power, and cooperatives.

Source: U.S. Department of Energy, Energy Information Administration (EIA), March 2021.

# Average Cost to Produce Electricity 2016–2020

U.S. ELECTRIC UTILITY AND NON-UTILITY



**U.S. Electric Utility:** Owns and/or operates facilities within the United States, its territories, or Puerto Rico for the generation, transmission, distribution, or sale of electric energy primarily for use by the public. This includes investor-owned utilities, public power, and cooperatives.

**Non-Utility Power Producer:** Non-utility power producers include qualifying cogenerators, qualifying small power producers, and other non-utility generators (including independent power producers) without a designated franchised service area.

\*2020 results are preliminary. All years based on modeled data from Hitachi ABB Power Grids March 2021.

a 77 MW uprate at Southern's Farley plant units 1 and 2 in Alabama set to go into operation in 2021. In February 2021, the NRC approved uprates for Duke Energy's South Carolina Oconee Nuclear Station units 1, 2, and 3; these are expected to add 14 MW of generating capacity at each unit for a 42 MW total.

## Renewables

The nation's fuel mix has changed markedly over the past decade. EEI member companies have been leaders in implementing this change by shifting from coal to natural gas generation and by growing renewable generation capacity, primarily solar and wind. Many states are evolving the Renewable Portfolio Standards established as far back as the 1990s to a higher percentage, or to goals that require electricity generation from clean sources or more specifically, net zero emissions.

America's investor-owned electric companies are leading the clean energy transformation. They are united in their commitment to get the energy they provide as clean as they can as fast as they can, without compromising on the reliability or affordability that their customers value. Today, carbon emissions from the U.S. power sector are at their lowest level in more than 40 years—and continue to fall. At the same time, 40 percent of the nation's electricity now comes from carbon-free sources, including nuclear energy, hydro-power, wind, and solar energy.

Electricity generated from carbon-free sources accounted for 1,624,155 MWh, or 40.1%, of total electric

power industry generation in 2020. Generation from all renewable energy sources made up 834,236 MWh or 20.6% of the total, compared to 763,629 MWh, or 18.3% of the total, in 2019. Conventional hydroelectric generation increased 1.1% as a result of more precipitation during the year and accounted for 291,111 MWh, or 7.2%, of total electric power generation. Generation from wind power increased 14.1% to 337,510 MWh, or 8.3% of the year's total, producing a 257% increase in wind generation over the past 10 years; in 2010, wind generation was only 94,652 MWh. Generation from all photovoltaic and solar thermal sources increased about 45% in 2020 and produced 132,632 MWh, or 3.3%, of total electricity generated. Universal solar accounted for about 90,891 MWh, or 68%, of all solar generation in 2020, up 26% from 2019 when it accounted for 67% of total solar generation.

The 47 EEI members that account for approximately 87% of EEI-member generation have set near- and long-term greenhouse gas (GHG) reduction goals, with many targeting reductions of 80% or more by 2050 or sooner. More than half aspire to net-zero emissions by 2050 or an earlier target date.

## States with Renewable Energy, Clean Energy and Greenhouse Gas Reduction Goals and Targets

State	Greenhouse Gas Reduction Targets	100% Clean Energy Target	RPS Target
Arizona	The Arizona Corporation Commission (ACC) is considering a greenhouse gas reduction mandate or goal of 100% by 2050.		15% by 2025, 4.5% distributed generation.  The ACC is considering replacing the RPS with a greenhouse gas reduction target. Timeline for approval not specified.
California		✓ 2045	50% by 2026 60% by 2030 100% by 2045
Colorado		✓ 2050	30% by 2020 3% distributed generation 1.5% customer sited 100% by 2050
Connecticut			28% by 2022, increasing 2% annually to 44% by 2030, plus 4% energy efficiency
Delaware			40% by 2035, 10% solar
Hawaii		✓ 2045	30% by 2020 70% by 2040 100% by 2045
Illinois			25% by 2026, 18.75% wind, 1.5% solar, 0.25% distributed generation
Indiana			10% by 2025 (goal)
Iowa			105 MW; 1 GW wind goal by 2010
Kansas			20% by 2020 (goal)
Maine		✓ 2050	50% by 2030, goals of 80% by 2030 and 100% by 2050
Maryland			30.8% by 2021 (7.5% solar) 50% by 2030 (14.5% solar, 1,200 MW offshore wind)
Massachusetts	100% by 2050		35% by 2030, +1% annually
Michigan			15% by 2021
Minnesota			31.5% by 2020 (Xcel Energy), 26.5% by 2025 (all other IOUs), 1.5% solar
Missouri			15% by 2021, 2% solar
Montana			15% by 2015
Nebraska			No state goal but Nebraska's two largest public power districts have renewable goals
Nevada		✓ 2050	24% by 2021 50% by 2030, 2.4 multiplier for solar. 100% by 2050 (goal)
New Hampshire			21.6% by 2021 (.7% solar) 25.2% by 2025
New Jersey		✓ 2050	35% by 2025 50% by 2030, 5.1% from solar by 2021 then declines to 1.1% by 2033. 100% clean energy by 2050 (goal)
New Mexico		✓ 2045	50% by 2030 80% by 2040 100% by 2045 (IOUs)
New York		✓ 2040	70% by 2030 100% by 2040
North Carolina	70% by 2030, 100% by 2050 (goal)	✓ 2050	12.5% by 2021 for investor owned utilities, 0.2% solar by 2018.
Ohio			8.5% by 2026
Oklahoma			15% by 2015 (goal)
Oregon			25% by 2025 50% by 2040 (large utilities)
Pennsylvania			18% by 2021, 0.5% solar by 2021
Rhode Island			38.5% by 2035
South Carolina			2% by 2021, 0.25% from distributed generation (goal)
South Dakota			10% by 2015 (goal)
Tennessee			Tennessee Valley Authority's goal is 60% clean energy by 2030
Texas			5,880 MW by 2015 10,000 MW by 2025. 500 MW non-wind (goal)
Vermont			55% by 2017 75% by 2032. Additional 12% energy efficiency by 2032.
Virginia		✓ 2050	Dominion Energy Inc.: 14% by 2021, 100% by 2045. Appalachian Power Co. and all retail providers: 6% by 2021, 100% by 2050.
Washington	100% by 2030	✓ 2045	15% by 2020 100% by 2045
Wisconsin		✓ 2050	Varies by electric company. Total of 10% by 2015.

Notes: the table depicts finalized and proposed state actions. Goal indicates there is no explicit compliance requirement.

Updated March 2021.

# Industry Financial Performance

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## Income Statement

- Energy Operating Revenues declined 1.7% versus last year. Nationwide electricity demand fell 2.9% as COVID-19 restrictions depressed commercial and industrial load. Mild winter weather also constrained energy demand for heating. With people homebound from March through year-end, residential electricity demand gained about 1%. The average retail price of electricity nationwide also rose about 1%, according to EIA data. Only 10 of the 44 utilities included in EEI's industry consolidated data experienced revenue growth in 2020.
- Falling coal and natural gas prices drove Total Energy Operating Expenses down 11.2%. Total Electric Generation Cost was almost 10% lower; its two components, electric fuel expense and cost of purchased power, each showed declines across nearly all companies who report these metrics. Growth in zero-fuel-cost renewable generation may also have contributed to lower fuel expense. Gas Cost fell almost 21%; it was sharply lower for nearly all companies.
- Operations and Maintenance (O&M) costs rose 1.2%, roughly the same as 2019's 1.0% increase. Utilities are benefitting from smart-grid investment productivity and have worked hard to constrain O&M-related expenses in recent years; that focus continued during the pandemic as a means of addressing revenue declines. But these costs are also driven by essential reliability needs. Of the 42 utilities who report O&M as a line item, 25 reported a decline and year-to-year comparisons varied widely.
- Depreciation & Amortization (D&A) expenses rose 7.5%. This metric increased for 41 of the 44 constituent companies, reflecting the industry's ongoing widespread and diverse investments in new clean generation, transmission, distribution and grid modernization.
- Operating Income rose less than 1%. Lower fuel costs and the industry's cost management efforts partly offset lower revenue and higher Depreciation and Amortization expenses. Operating Income rose for 20 companies and declined for the other 24.
- Total Other Recurring and Non-Recurring Revenue show the influence of a few company-specific situations. Together, these metrics added \$3.5 billion to consolidated pre-tax income compared to last year.

- Interest Expense rose only 2.2%, less than last year's 8.2%. This was the result of declines at a few large utilities and falling interest rates during the year. Most companies had slightly higher interest costs due to rising levels of long-term debt required to finance capital spending.
- The large jump in Asset Write-downs and offsetting decline in Other Non-Recurring Expenses were driven by actions at just a few companies. These two items together had little impact on the year-to-year change in consolidated industry figures.
- Net income Before Taxes increased 9.4%. Net Income rose 4.2% as Provision for Taxes jumped 25.7%. These figures are driven by the industry's largest companies and mask a wide variation in company-specific results. Pre-Tax Income rose at 19 companies and declined at 25. Net Income likewise rose at 20 and fell at 24. The year-to-year change in both metrics showed considerable variation across companies.
- The industry's Common Dividend payments rose 5.8% versus 2019. Utilities' reliable stock dividends offer a welcome source of income for savings-oriented investors, especially given the near-zero short-term rates and meager bond yields available during 2020.

## Consolidated Income Statement

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

12 Months Ended

(\$ Millions)	12/31/2020	12/31/2019r	% Change
<b>Energy Operating Revenues</b>	\$351,085	\$357,127	(1.7%)
<b>Energy Operating Expenses</b>			
Total Electrical Generation Cost	80,661	89,208	(9.6%)
Gas Cost	11,986	15,112	(20.7%)
<b>Total Energy Operating Expenses</b>	<b>92,647</b>	<b>104,320</b>	<b>(11.2%)</b>
<b>Revenues less energy operating expenses</b>	<b>258,438</b>	<b>252,807</b>	<b>2.2%</b>
<b>Other Operating Expenses</b>			
Operations & Maintenance	93,907	92,824	1.2%
Depreciation & Amortization	56,966	52,979	7.5%
Taxes (not income) - Total	21,075	20,428	3.2%
Other Operating Expenses	15,390	16,091	(4.4%)
<b>Total Operating Expenses</b>	<b>279,986</b>	<b>286,641</b>	<b>(2.3%)</b>
<b>Operating Income</b>	<b>71,099</b>	<b>70,486</b>	<b>0.9%</b>
<b>Other Recurring Revenue</b>			
Partnership Income	2,329	1,621	43.7%
Allowance for Equity Funds Used for Construction	2,027	1,801	12.5%
Other Revenue	9,869	4,625	113.4%
<b>Total Other Recurring Revenue</b>	<b>14,226</b>	<b>8,047</b>	<b>76.8%</b>
<b>Non-Recurring Revenue</b>			
Gain on Sale of Assets	566	3,049	(81.4%)
Other Non-Recurring Revenue	-	117	(100.0%)
<b>Total Non-Recurring Revenue</b>	<b>566</b>	<b>3,167</b>	<b>(82.1%)</b>
Interest Expense	27,178	26,583	2.2%
Other Expenses	453	149	203.3%
Asset Writedowns	8,657	3,470	149.5%
Other Non-Recurring Expenses	7,518	13,034	(42.3%)
Total Non-Recurring Expenses	16,175	16,504	(2.0%)
<b>Net Income Before Taxes</b>	<b>42,085</b>	<b>38,463</b>	<b>9.4%</b>
Provision for Taxes	3,336	2,653	25.7%
Dividends on Preferred Stock of Subsidiary	-	-	NM
Other Minority Interest Expense	-	-	NM
Minority Interest Expense	-	-	NM
Trust Preferred Security Payments	-	-	NM
Other After-tax Items	-	-	NM
Total Minority Interest and Other After-tax Items	-	-	NM
<b>Net Income Before Extraordinary Items</b>	<b>38,749</b>	<b>35,810</b>	<b>8.2%</b>
Discontinued Operations	(122)	1,243	(109.8%)
Change in Accounting Principles	-	-	NM
Early Retirement of Debt	-	-	NM
Other Extraordinary Items	-	-	NM
Total Extraordinary Items	(122)	1,243	(109.8%)
<b>Net Income</b>	<b>38,627</b>	<b>37,053</b>	<b>4.2%</b>
Preferred Dividends Declared	597	376	58.8%
Other Preferred Dividends after Net Income	2	2	0.0%
Other Changes to Net Income	(3)	(3)	0.0%
Net Income Attributable to Noncontrolling Interests	(533)	60	NA
<b>Net Income Available to Common</b>	<b>38,558</b>	<b>36,612</b>	<b>5.3%</b>
<b>Common Dividends</b>	<b>29,503</b>	<b>27,876</b>	<b>5.8%</b>

r = revised NM = not meaningful

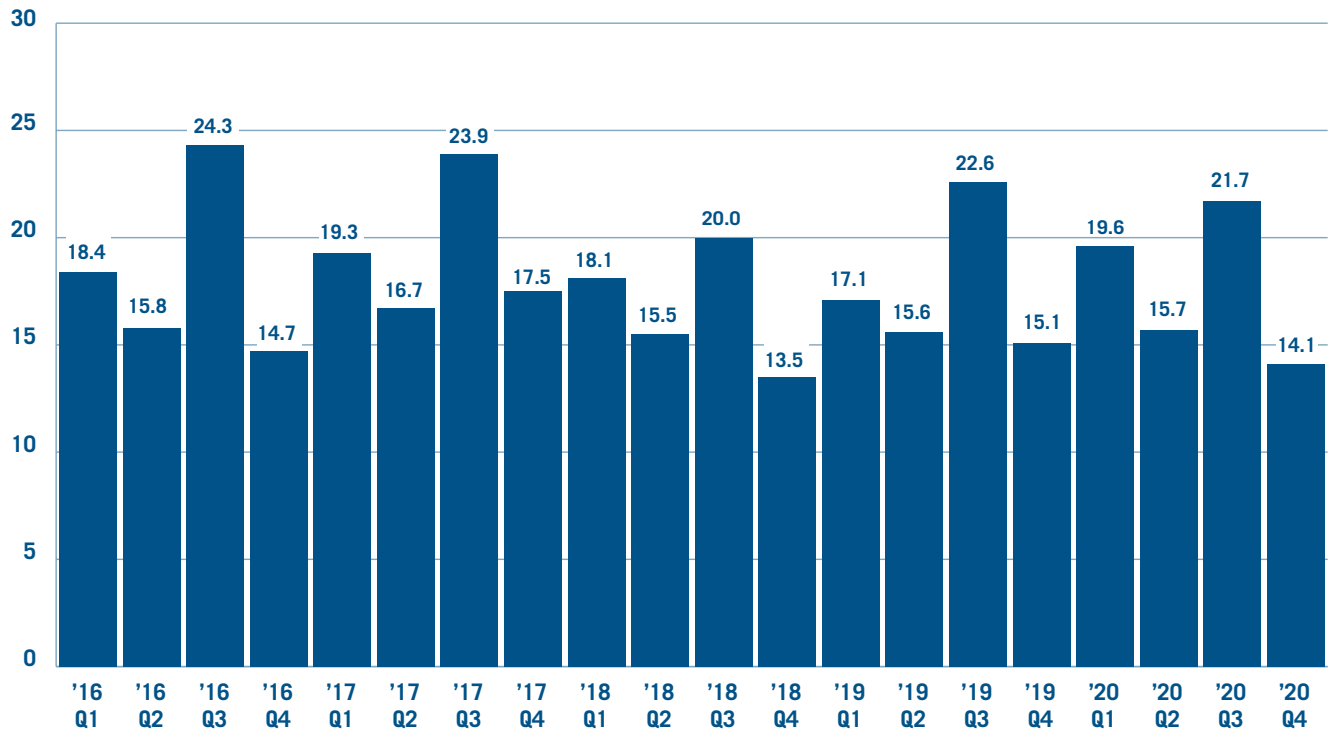
Source: S&amp;P Global Market Intelligence and EEI Finance Department.



## Quarterly Net Operating Income

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Billions)

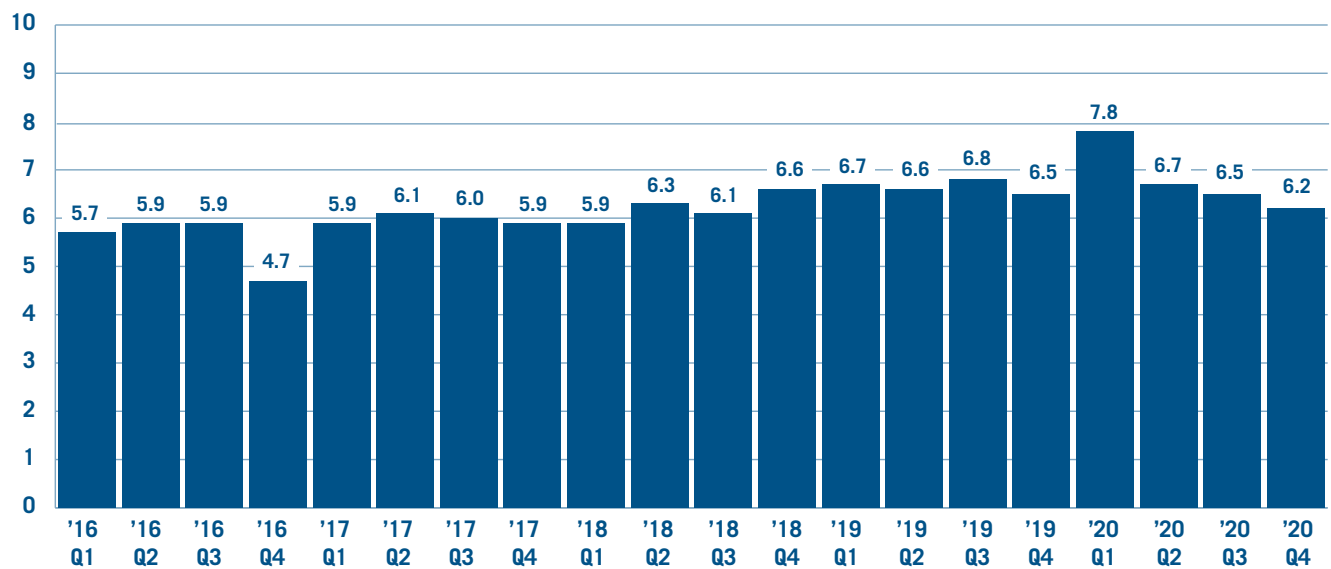


Source: S&P Global Market Intelligence and EEI Finance Department.

## Quarterly Interest Expense

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Billions)



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

## Individual Non-Recurring and Extraordinary Items 2011–2020

## U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Millions)	2011	2012	2013	2014	2015	2016	2017	2018	2019r	2020
Net Gain (Loss) on Sale of Assets	891	311	414	996	789	767	1,012	5,272	3,049	566
Other Non-Recurring Revenue	946	264	78	296	(4)	888	493	131	117	–
<b>Total Non-Recurring Revenue</b>	<b>1,837</b>	<b>576</b>	<b>492</b>	<b>1,292</b>	<b>785</b>	<b>1,655</b>	<b>1,505</b>	<b>5,403</b>	<b>3,167</b>	<b>566</b>
Asset Writedowns	(2,743)	(5,646)	(4,276)	(8,762)	(5,189)	(17,487)	(4,166)	(4,121)	(3,470)	(8,657)
Other Non-Recurring Charges	(851)	(3,136)	(3,510)	(2,675)	(1,764)	(3,109)	(5,630)	(17,841)	(13,034)	(7,518)
<b>Total Non-Recurring Charges</b>	<b>(3,594)</b>	<b>(8,783)</b>	<b>(7,786)</b>	<b>(11,437)</b>	<b>(6,953)</b>	<b>(20,596)</b>	<b>(9,796)</b>	<b>(21,962)</b>	<b>(16,504)</b>	<b>(16,175)</b>
Discontinued Operations	(1,011)	(4,317)	(88)	295	(1,148)	(732)	(1,554)	602	1,243	(122)
Change in Accounting Principles	–	–	–	–	–	–	–	–	–	–
Early Retirement of Debt	–	–	–	–	–	–	–	–	–	–
Other Extraordinary Items	960	–	–	–	–	–	–	–	–	–
<b>Total Extraordinary Items</b>	<b>(51)</b>	<b>(4,317)</b>	<b>(88)</b>	<b>295</b>	<b>(1,148)</b>	<b>(732)</b>	<b>(1,554)</b>	<b>602</b>	<b>1,243</b>	<b>(122)</b>
<b>Total Non-Recurring and Extraordinary Items</b>	<b>(1,808)</b>	<b>(12,524)</b>	<b>(7,381)</b>	<b>(9,850)</b>	<b>(7,316)</b>	<b>(19,674)</b>	<b>(9,844)</b>	<b>(15,957)</b>	<b>(12,094)</b>	<b>(15,731)</b>

r = revised

Note: Figures represent net industry totals. Totals may reflect rounding.

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

## Top Net Non-Recurring and Extraordinary Gains (Losses) 2020

## U.S. INVESTOR-OWNED ELECTRIC UTILITIES

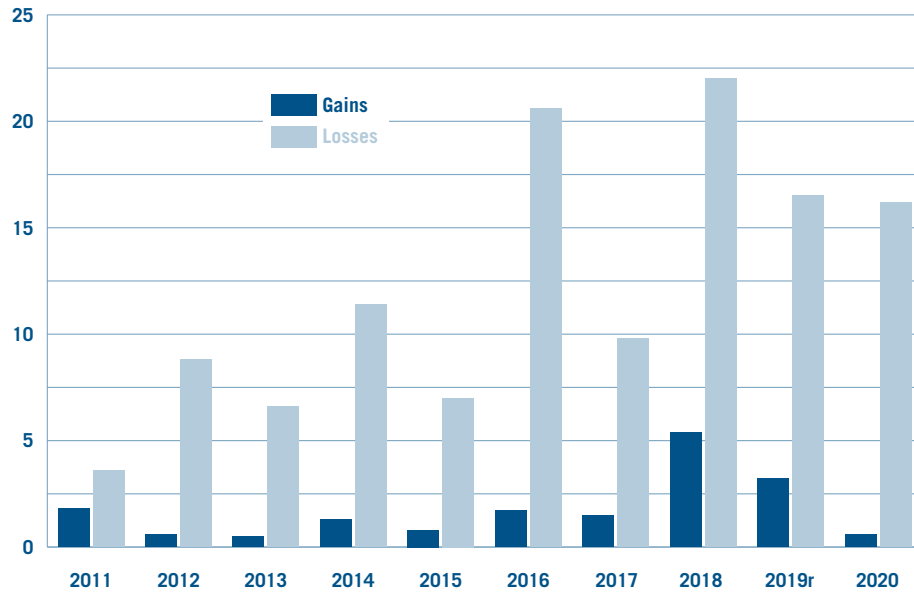
(\$ Millions)	Gains	Losses	Net Total
<b>Company</b>			
<b>Duke Energy</b>	10	3,111	3,101
<b>PG&amp;E Corp</b>	–	2,623	2,623
<b>Dominion Energy</b>	61	2,233	2,172
<b>CenterPoint Energy</b>	–	1,951	1,951
<b>Edison International</b>	282	1,698	1,416
<b>NextEra Energy</b>	403	1,520	1,117
<b>OGE Energy</b>	–	780	780
<b>NiSource</b>	(411)	244	654
<b>Exelon Corp</b>	24	591	567
<b>Southern Company</b>	65	531	466

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

### Aggregate Non-Recurring and Extraordinary Items 2011–2020

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Billions)



	2011	2012	2013	2014	2015	2016	2017	2018	2019r	2020	Total
<b>Gains</b>	1.8	0.6	0.5	1.3	0.8	1.7	1.5	5.4	3.2	0.6	22.9
<b>Losses</b>	3.6	8.8	6.6	11.4	7.0	20.6	9.8	22.0	16.5	16.2	132.4
<b>Total</b>	<b>(1.8)</b>	<b>(8.2)</b>	<b>(6.2)</b>	<b>(10.1)</b>	<b>(6.2)</b>	<b>(18.9)</b>	<b>(8.3)</b>	<b>(16.6)</b>	<b>(13.3)</b>	<b>(15.6)</b>	<b>(109.5)</b>

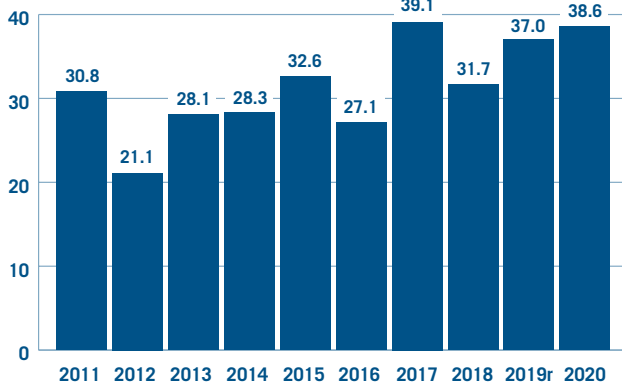
r = revised Note: Totals may reflect rounding.

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

### Net Income 2011–2020

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Billions)



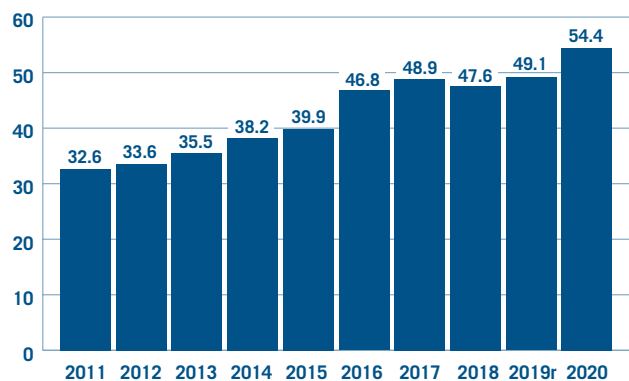
r = revised

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

### Net Income Before Non-Recurring and Extraordinary Items 2011–2020

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Billions)



r = revised

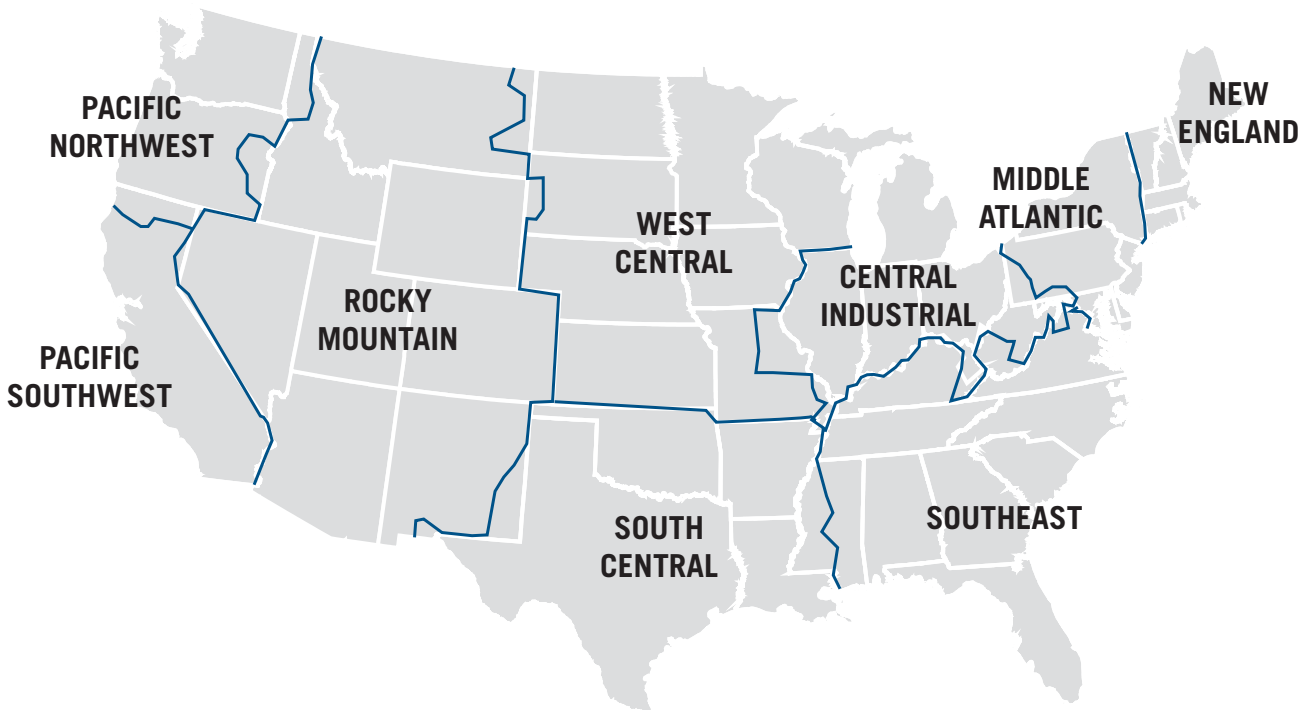
Source: S&P Global Market Intelligence and EEI Finance Department.

<b>U.S. Electric Output (GWh)</b> Periods Ending December 31			
<b>Region</b>	<b>2020</b>	<b>2019</b>	<b>% Change</b>
New England	114,308	117,133	(2.4%)
Mid-Atlantic	408,677	428,514	(4.6%)
Central Industrial	630,703	660,478	(4.5%)
West Central	321,004	329,870	(2.7%)
Southeast	984,921	1,027,445	(4.1%)
South Central	756,856	769,886	(1.7%)
Rocky Mountain	287,084	283,888	1.1%
Pacific Northwest	153,806	157,502	(2.3%)
Pacific Southwest	266,450	268,153	(0.6%)
<b>Total United States</b>	<b>3,923,809</b>	<b>4,042,869</b>	<b>(2.9%)</b>

Note: Represents all power placed on grid for distribution to end customers; does not include Alaska or Hawaii.

Source: EEI Business Analytics.

**EEI U.S. Electric Output – Regions**



Source: EEI Business Analytics.

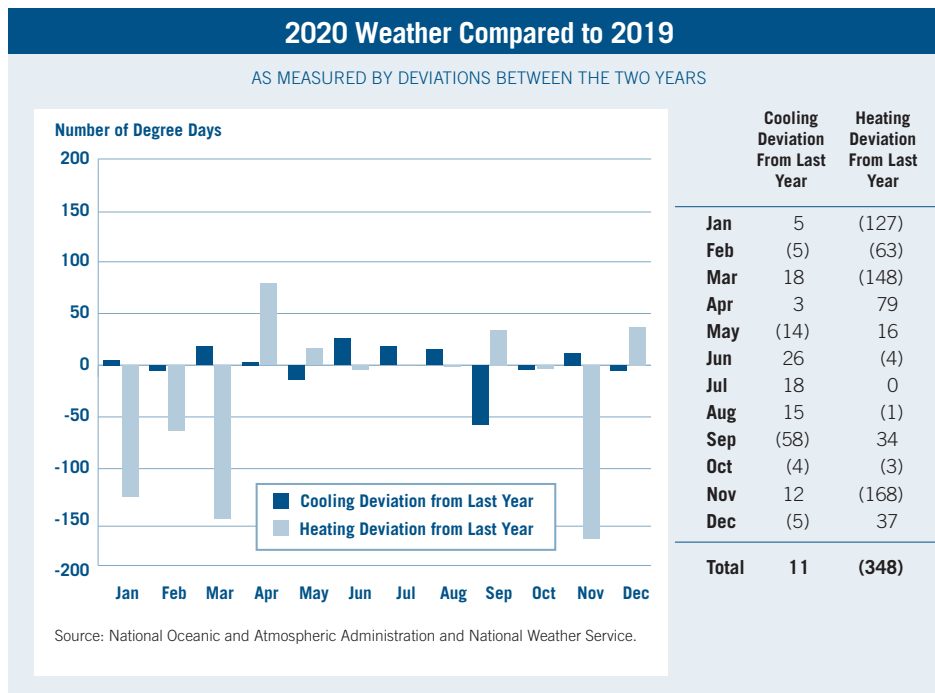
## U.S. Weather

### January – December 2020

	Total	Dev from Norm	% Change	Dev from Last Year	% Change
<b>Cooling Degree Days</b>					
New England	736	319	76%	173	31%
Mid-Atlantic	946	290	44%	119	14%
East North Central	865	157	22%	27	3%
West North Central	1,003	75	8%	(3)	(0%)
South Atlantic	2,348	383	19%	(159)	(6%)
East South Central	1,695	147	9%	(252)	(13%)
West South Central	2,726	275	11%	(108)	(4%)
Mountain	1,504	261	21%	134	10%
Pacific	982	278	39%	190	24%
<b>United States</b>	<b>1,474</b>	<b>257</b>	<b>21%</b>	<b>11</b>	<b>1%</b>
<b>Heating Degree Days</b>					
New England	5,852	(793)	(12%)	(683)	(10%)
Mid-Atlantic	5,107	(836)	(14%)	(528)	(9%)
East North Central	5,861	(670)	(10%)	(510)	(8%)
West North Central	6,315	(469)	(7%)	(706)	(10%)
South Atlantic	2,354	(514)	(18%)	(93)	(4%)
East South Central	3,051	(572)	(16%)	(110)	(3%)
West South Central	1,872	(427)	(19%)	(324)	(15%)
Mountain	4,837	(395)	(8%)	(265)	(5%)
Pacific	3,000	(243)	(7%)	(191)	(6%)
<b>United States</b>	<b>4,008</b>	<b>(539)</b>	<b>(12%)</b>	<b>(348)</b>	<b>(8%)</b>

A mean daily temperature (average of the daily maximum and minimum temperatures) of 65 degrees Fahrenheit is the base for both heating and cooling degree day computations. National averages are population weighted.

Source: National Oceanic and Atmospheric Administration, National Weather Service, Climate Prediction Center.



### Heating and Cooling Degree Days and Percent Changes January–December 2020

	COOLING DEGREE DAYS			HEATING DEGREE DAYS			PERCENTAGE CHANGE			
	Total	Deviation From Norm	Deviation From Last Yr	Total	Deviation From Norm	Deviation From Last Yr	Cooling Degree Change From Norm	Cooling Degree Change From Last Yr	Heating Degree Change From Norm	Heating Degree Change From Last Yr
Jan	9	0	5	741	(176)	(127)	0.0%	125.0%	(19.2%)	(14.6%)
Feb	10	1	(5)	689	(66)	(63)	11.1%	(33.3%)	(8.7%)	(8.4%)
Mar	33	15	18	495	(98)	(148)	83.3%	120.0%	(16.5%)	(23.0%)
<b>First Quarter</b>	<b>52</b>	<b>16</b>	<b>18</b>	<b>1,925</b>	<b>(340)</b>	<b>(338)</b>	<b>44.4%</b>	<b>52.9%</b>	<b>(15.0%)</b>	<b>(14.9%)</b>
Apr	41	11	3	372	27	79	36.7%	7.9%	7.8%	27.0%
May	108	11	(14)	170	11	16	11.3%	(11.5%)	6.9%	10.4%
Jun	246	33	26	26	(13)	(4)	15.5%	11.8%	(33.3%)	(13.3%)
<b>Second Quarter</b>	<b>395</b>	<b>55</b>	<b>15</b>	<b>568</b>	<b>25</b>	<b>91</b>	<b>16.2%</b>	<b>3.9%</b>	<b>4.6%</b>	<b>19.1%</b>
Jul	396	75	18	3	(6)	0	23.4%	4.8%	(66.7%)	0.0%
Aug	345	55	15	7	(8)	(1)	19.0%	4.5%	(53.3%)	(12.5%)
Sep	179	24	(58)	70	(7)	34	15.5%	(24.5%)	(9.1%)	94.4%
<b>Third Quarter</b>	<b>920</b>	<b>154</b>	<b>(25)</b>	<b>80</b>	<b>(21)</b>	<b>33</b>	<b>20.1%</b>	<b>(2.6%)</b>	<b>(20.8%)</b>	<b>70.2%</b>
Oct	75	22	(4)	259	(23)	(3)	41.5%	(5.1%)	(8.2%)	(1.1%)
Nov	27	12	12	423	(116)	(168)	80.0%	80.0%	(21.5%)	(28.4%)
Dec	5	(2)	(5)	753	(64)	37	(28.6%)	(50.0%)	(7.8%)	5.2%
<b>Fourth Quarter</b>	<b>107</b>	<b>32</b>	<b>3</b>	<b>1,435</b>	<b>(203)</b>	<b>(134)</b>	<b>42.7%</b>	<b>2.9%</b>	<b>(12.4%)</b>	<b>(8.5%)</b>
<b>Full Year</b>	<b>1,474</b>	<b>257</b>	<b>11</b>	<b>4,008</b>	<b>(539)</b>	<b>(348)</b>	<b>21.1%</b>	<b>0.8%</b>	<b>(11.9%)</b>	<b>(8.0%)</b>

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Heating Degree Days Percentage Change from Historical Norm</b>	(4.5)	(16.6)	(0.6)	1.1	(9.1)	(14.8)	(14.2)	(4.2)	(4.4)	(11.9%)
<b>Cooling Degree Days Percentage Change from Historical Norm</b>	21.5	22.4	10.9	5.8	19.2	29.4	16.0	26.4	20.3	21.1%

A mean daily temperature (average of the daily maximum and minimum temperatures) of 65°F is the base for both heating and cooling degree day computations. National averages are population weighted.

Source: National Oceanic and Atmospheric Administration and National Weather Service.

## Balance Sheet

- In a year defined by COVID-19 lockdowns, U.S. real gross domestic product (GDP) fell 5.0% in Q1 and 31.4% in Q2 followed by nearly equivalent 33.4% and 4.3% gains in Q3 and Q4 (measured sequentially from the preceding quarter). Despite this historically unprecedented volatility, full-year real GDP was nearly unchanged, rising just 0.3% versus 2019.
- Interest rates fell sharply through March as pandemic news worsened by the day; the U.S. Federal Reserve cut short-term rates from 1.5% to zero, the 10-year Treasury yield declined from almost 2.0% in January to 0.5%, and corporate credit spreads jumped as markets grappled with the severity of the pandemic. While fiscal and monetary policy support steadied credit markets as the year progressed, Treasury yields and corporate yields remained broadly lower than their pre-pandemic levels. Utility debt continued to attract investors seeking yield with relatively low business risk exposure.
- The industry's financial condition remained strong in 2020. Aggregate balance sheet leverage increased slightly as the industry extended its multi-year trend toward a regulated focus with leverage appropriate for a lower risk profile. However, balance sheet structures show wide differentiation across the industry; aggregate figures are only suggestive of broad trends. The slight rise in Preferred Equity and Noncontrolling Interest (which has risen from 1% in 2015) results primarily from the use of preferred shares and accounting for subsidiaries at a few large utilities.
- Total debt rose as utilities took advantage of very low interest rates and strong demand from investors while managing balance sheet ratios and cash flows to maintain investment-grade credit ratings. Long-term debt increased at nearly all utilities in 2020, an expected outcome of the industry's widespread asset growth.
- PG&E's July 1 emergence from bankruptcy accounted for half the year's \$17.9 billion new equity issuance. While thirty utilities issued new equity in 2020, the same total as in 2019, broad equity issuance was stronger in 2019 as companies addressed the impact of tax reform. Equity issuance was also strong in 2018 as utilities took advantage of high price-earnings ratios and welcoming capital markets to fund capex, offset debt issuance and strengthen balance sheets.
- Property, plant and equipment in service (PPE in Service) rose 6.5% from year-end 2019 and 13.7% over the level at year-end 2018; this metric grew at nearly all utilities which constitute EEI's consolidated data. Such strong, broad growth indicates the size and scope of the industry's build-out of new renewable and clean generation, new transmission, reliability-related infrastructure and other capital projects.
- Debt-to-cap ratios by category show the dominance of regulated operations in the industry and a tendency, at the aggregate industry level, toward slightly higher leverage versus 2019. The dispersion of moves across individual companies, with some companies showing higher, some lower and others no change in leverage, indicates why individual company strategies are as meaningful as aggregate totals when assessing industry trends.
- Regulated companies as a group continued to report higher balance sheet leverage than their mostly regulated peers. This is to be expected given their lower business risk profile.

## Consolidated Balance Sheet

## U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Millions)	12/31/2020	12/31/2019r	% Change	\$ Change
PP&E in service, gross	1,678,135	1,584,364	5.9%	93,771
Accumulated depreciation	479,514	454,484	5.5%	25,030
PP&E in service, net	1,198,621	1,129,880	6.1%	68,741
Construction work in progress	82,641	75,945	8.8%	6,696
Net nuclear fuel	15,252	15,447	(1.3%)	(195)
Other property	19,903	17,757	12.1%	2,146
PP&E, net	1,316,416	1,239,029	6.2%	77,388
Cash & cash equivalents	16,848	11,699	44.0%	5,149
Accounts receivable	42,262	41,133	2.7%	1,129
Inventories	24,367	23,514	3.6%	853
Other current assets	52,011	45,534	14.2%	6,477
Total current assets	135,488	121,880	11.2%	13,608
Total investments	130,323	119,576	9.0%	10,747
Other assets	285,076	273,265	4.3%	11,810
<b>Total Assets</b>	<b>1,867,303</b>	<b>1,753,750</b>	<b>6.5%</b>	<b>113,553</b>
Common equity	494,910	462,915	6.9%	31,995
Preferred equity	14,529	9,265	56.8%	5,264
Noncontrolling interests	27,502	20,547	33.8%	6,955
Total equity	536,940	492,727	9.0%	44,213
Short-term debt	36,445	36,099	1.0%	347
Current portion of long-term debt	40,651	41,099	(1.1%)	(448)
Short-term and current long-term debt	77,097	77,198	(0.1%)	(101)
Accounts payable	73,062	70,580	3.5%	2,481
Other current liabilities	51,881	43,412	19.5%	8,469
Current liabilities	202,040	191,190	5.7%	10,850
Deferred taxes	108,113	106,773	1.3%	1,340
Non-current portion of long-term debt	666,009	586,563	13.5%	79,445
Other liabilities	353,444	375,190	(5.8%)	(21,745)
Total liabilities	1,329,606	1,259,716	5.5%	69,890
Subsidiary preferred	712	712	0.0%	0
Other mezzanine	45	596	(92.4%)	(550)
Total mezzanine level	757	1,307	(42.1%)	(550)
<b>Total Liabilities and Owner's Equity</b>	<b>1,867,303</b>	<b>1,753,750</b>	<b>6.5%</b>	<b>113,553</b>

r = revised

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



## Capitalization Structure

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

Capitalization Structure (\$M)	12/31/2020	12/31/2019r	12/31/2018r
<b>Common Equity</b>	494,910	462,915	437,843
<b>Noncontrolling Interests &amp; Preferred Equity</b>	42,030	29,811	23,163
<b>Long-term Debt (current &amp; non-current)*</b>	706,660	627,662	561,409
<b>Total</b>	<b>1,243,600</b>	<b>1,120,389</b>	<b>1,022,415</b>
<b>Common Equity %</b>	39.8%	41.3%	42.8%
<b>Noncontrolling Interests &amp; Preferred Equity %</b>	3.4%	2.7%	2.3%
<b>Long-Term Debt (current &amp; non-current)* %</b>	56.8%	56.0%	54.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

r = revised

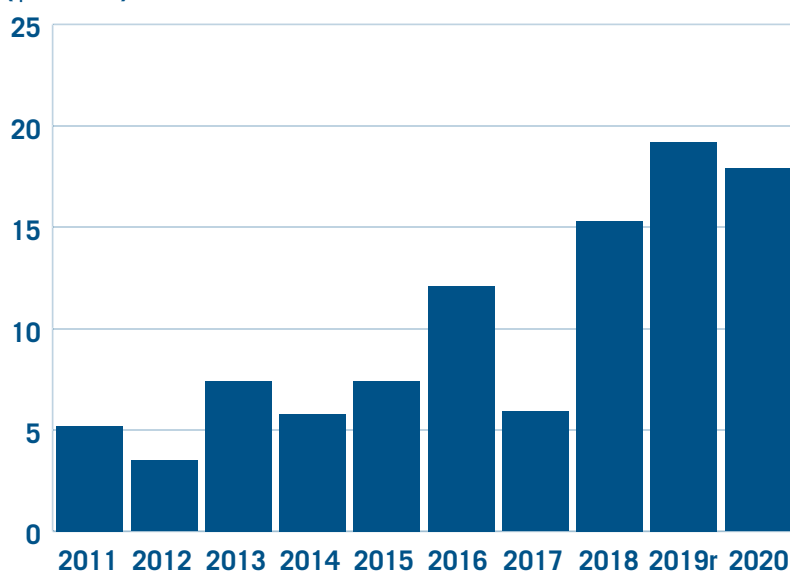
Long-term debt not adjusted for (i.e., includes) securitization bonds.

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

## Proceeds from Issuance of Common Equity 2011–2020

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Billions)



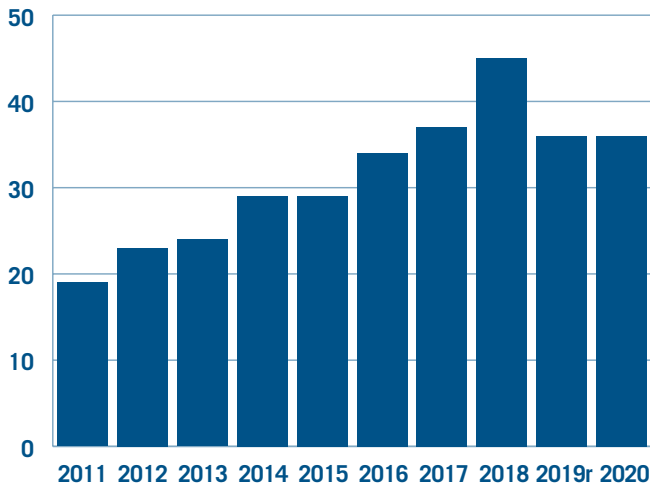
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Source: S&P Global Market Intelligence and EEI Finance Department.

## Short-term Debt 2011–2020

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Billions)



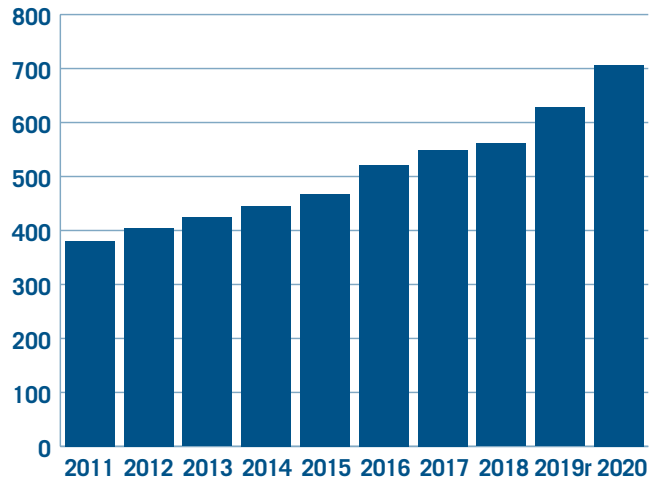
r = revised

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

## Long-term Debt 2011–2020

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Billions)



r = revised

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

## Debt-to-Cap Ratio by Category 2020 vs. 2019r

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

	Regulated		Mostly Regulated		Total Industry	
	Number	%	Number	%	Number	%
<b>Lower</b>	5	14.7%	4	40.0%	9	20.5%
<b>No Change*</b>	14	41.2%	3	30.0%	17	38.6%
<b>Higher</b>	15	44.1%	3	30.0%	18	40.9%
<b>Total</b>	<b>34</b>	<b>100.0%</b>	<b>10</b>	<b>100.0%</b>	<b>44</b>	<b>100.0%</b>

\*No change defined as less than 1.0%

Note: December 31, 2020 vs. December 31, 2019. Refer to page v for category descriptions.

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

## Capitalization Structure by Category 2020 vs. 2019r

### U.S. INVESTOR-OWNED ELECTRIC UTILITIES

	Regulated			Mostly Regulated		
	2020	2019r	Change	2020	2019r	Change
<b>Common Equity (\$M)</b>	494,910	462,915	31,995	314,997	294,256	20,741
<b>Noncontrolling Interests &amp; Preferred Equity</b>	42,030	29,811	12,219	17,620	18,228	(608)
<b>Long-term Debt (current &amp; non-current)*</b>	706,660	627,662	78,998	492,737	440,076	52,660
<b>Total Capitalization</b>	1,243,600	1,120,389	123,211	825,353	752,560	72,793
<b>Common Equity %</b>	39.8%	41.3%	-1.5%	38.2%	39.1%	-0.9%
<b>Noncontrolling Interests &amp; Preferred Equity %</b>	3.4%	2.7%	0.7%	2.1%	2.4%	-0.3%
<b>Long-Term Debt (current &amp; non-current)* %</b>	56.8%	56.0%	0.8%	59.7%	58.5%	1.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>—</b>	<b>100.0%</b>	<b>100.0%</b>	<b>—</b>

r = revised

Long-term debt not adjusted for (i.e., includes) securitization bonds.

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

Date	PP&E in Service, Net (\$M)	% Change from 12/31/2016
12/31/2020	1,203,334	23.6%
12/31/2019r	1,129,880	16.5%
12/31/2018r	1,058,164	9.1%
12/31/2017	1,015,100	4.7%
12/31/2016	969,838	

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

## Cash Flow Statement

- Net Cash Provided by Operating Activities decreased by \$27.6 billion or 29.0%. The two main drivers of this metric both generated cash; cash supplied by Net Income grew 4.2% while cash supplied by Depreciation and Amortization (a non-cash expense) increased 6.7%. The decline in the overall total was largely the result of accounting statement activity at one large company reflecting its restructuring in 2020.
- Cash provided by Deferred Taxes & Investment Credits has leveled off over the last three years compared to much higher amounts previously. Deferred taxes had been at historically high levels due to elevated capex and use of bonus depreciation. The Tax Cuts & Jobs Act (TCJA), passed in late 2017, significantly reduced deferred taxes due to the reduction in the corporate income tax rate from 35% to 21% and the elimination of bonus depreciation.
- Net Cash Used in Investing Activities increased by \$10.4 billion or 7.5%. The industry's capital spending — by far the largest component of this metric — totaled \$132.7 billion in 2020, up \$8.9 billion, or 7.2% from 2019. Industry capex has reached a new record high in each of the past nine years. About 70% of the 44 utilities represented in consolidated data grew capex in 2020.
- EEI member companies continue to invest in clean energy resources and the infrastructure necessary to make the power grid more modernized, more resilient, and more secure for all customers. Spending on transmission and distribution continues to increase relative to recent years, as EEI member companies expand their focus on adaptation, hardening, and resilience (AHR) initiatives. Investment in generation continues to be driven by the development of renewable energy and natural gas generation.
- Cash provided by Asset Sales increased from \$16.9 billion to \$25.7 billion while cash used for Asset Purchases decreased 10.6%, to \$23.8 billion. As in 2019, activity was driven by a number of larger utilities, primarily AEP, Berkshire Hathaway Energy, CenterPoint, Dominion, Duke, Eversource Energy, NextEra, NiSource and Southern.
- Net Cash Provided by Financing Activities increased by \$30.1 billion or 85.4%. This resulted primarily from the rising debt at most utilities required to fund the aggressive clean energy asset growth goals across the industry. Issuance of common equity remained elevated in 2020 at \$17.9 billion, down slightly from 2019's \$19.2 billion, which partially offset higher debt and helped utilities maintain targeted balance sheet leverage ratios.
- Dividends Paid to Common Shareholders rose 5.2%, to \$29.7 billion.

## Statement of Cash Flows

### U.S. INVESTOR-OWNED ELECTRIC UTILITIES

\$ Millions	12 Months Ended		
	12/31/2020	12/31/2019r	% Change
Net Income	\$38,627	\$37,053	4.2%
Depreciation and Amortization	60,052	56,293	6.7%
Deferred Taxes and Investment Credits	4,429	3,003	47.5%
Operating Changes in AFUDC	(1,432)	(1,278)	12.0%
Change in Working Capital	(20,713)	(2,628)	688.1%
Other Operating Changes in Cash	(13,313)	2,820	NM
<b>Net Cash Provided by Operating Activities</b>	<b>67,651</b>	<b>95,263</b>	<b>(29.0%)</b>
Capital Expenditures	(132,732)	(123,812)	7.2%
Asset Sales	25,656	16,933	51.5%
Asset Purchases	(23,805)	(26,617)	(10.6%)
Net Non-Operating Asset Sales and Purchases	1,851	(9,684)	NM
Change in Nuclear Decommissioning Trust	(408)	(365)	11.9%
Investing Changes in AFUDC	102	142	(28.1%)
Other Investing Changes in Cash	3,083	(4,746)	NM
<b>Net Cash Used in Investing Activities</b>	<b>(128,104)</b>	<b>(138,465)</b>	<b>(7.5%)</b>
Net Change in Short-term Debt	3,352	(4,880)	NM
Net Change in Long-term Debt	68,291	45,972	48.5%
Proceeds from Issuance of Preferred Equity	5,364	2,786	92.5%
Preferred Share Repurchases	–	(50)	NM
Net Change in Preferred Issues	5,364	2,736	96.0%
Proceeds from Issuance of Common Equity	17,938	19,171	(6.4%)
Common Share Repurchases	(3,927)	(2,137)	83.8%
Net Change in Common Issues	14,011	17,035	(17.7%)
Dividends Paid to Common Shareholders	(29,321)	(27,876)	5.2%
Dividends Paid to Preferred Shareholders	(388)	(359)	8.0%
Other Dividends	–	–	NM
Dividends Paid to Shareholders	(29,709)	(28,235)	5.2%
Other Financing Changes in Cash	3,965	2,586	53.3%
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>65,274</b>	<b>35,214</b>	<b>85.4%</b>
Other Changes in Cash	9	33	(72.7%)
Net increase (decrease) in cash and cash equivalents	\$4,830	\$(7,955)	NM
Cash and cash equivalents at beginning of period	\$12,018	\$19,654	(38.9%)
Cash and cash equivalents at end of period	\$16,848	\$11,699	44.0%

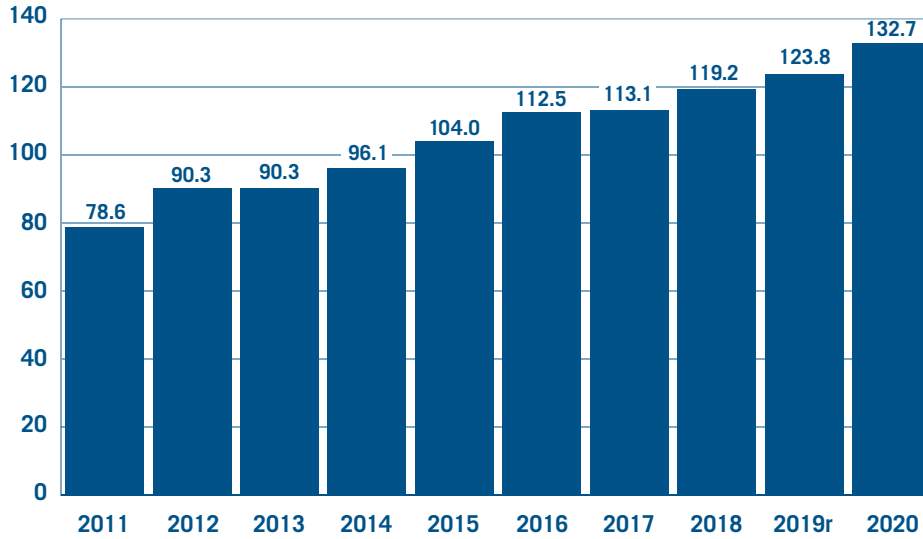
r = revised NM = not meaningful

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

## Capital Expenditures 2011–2020

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Billions)



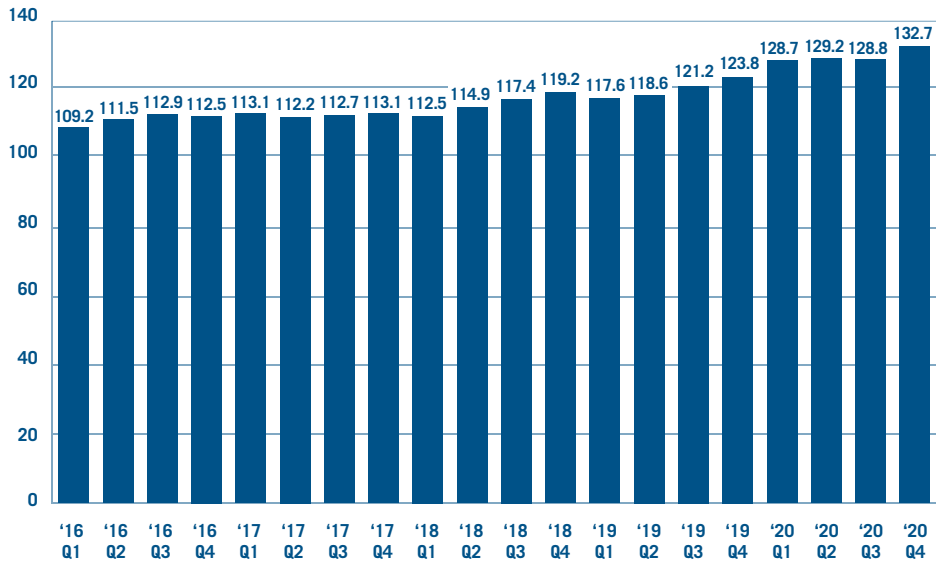
r = revised

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

## Capital Spending—Trailing 12 Months

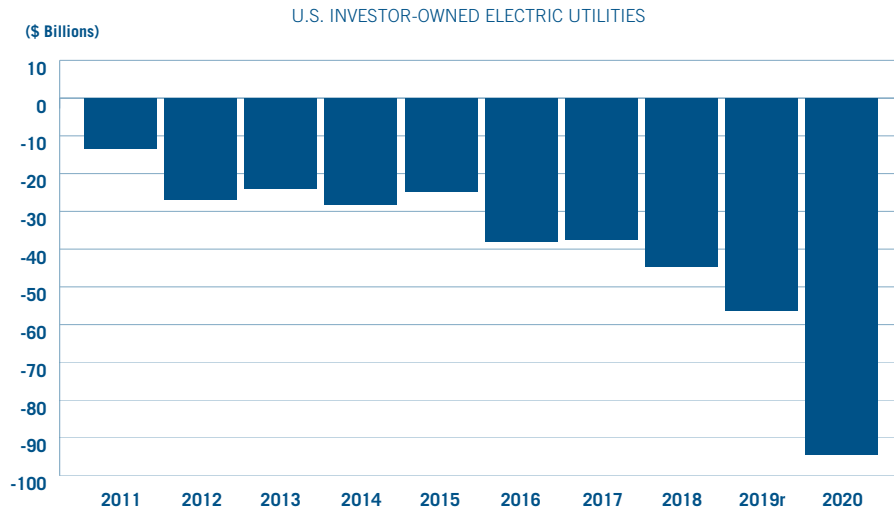
U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Billions)



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

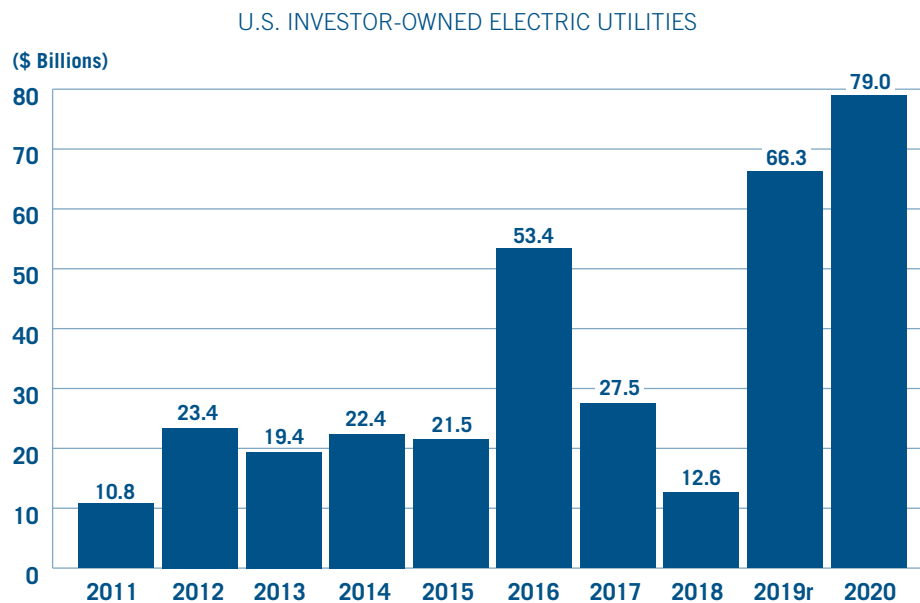
### Free Cash Flow (FCF) 2011–2020



(\$ Billions)	2011	2012	2013	2014	2015	2016	2017	2018	2019r	2020
Net Cash Provided by Operating Activities	84.4	84.0	87.1	89.0	101.6	98.3	101.2	100.1	95.3	67.7
Capital Expenditures	(78.6)	(90.3)	(90.3)	(96.1)	(104.0)	(112.5)	(113.1)	(119.2)	(123.8)	(132.7)
Dividends Paid to Common Shareholders	(19.3)	(20.5)	(20.8)	(21.1)	(22.5)	(23.8)	(25.5)	(25.6)	(27.9)	(29.3)
<b>Free Cash Flow</b>	<b>(13.5)</b>	<b>(26.8)</b>	<b>(24.0)</b>	<b>(28.2)</b>	<b>(24.8)</b>	<b>(38.1)</b>	<b>(37.5)</b>	<b>(44.7)</b>	<b>(56.4)</b>	<b>(94.4)</b>

r = revised  
 Note: Totals may not equal sum of components due to rounding.  
 Source: S&P Global Market Intelligence and EEI Finance Department.

### Net Change in Long-term Debt 2011–2020



r = revised  
 Note: Based on data from industry's consolidated balance sheet.

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

## Rate Review Summary

- In 2020, there were approximately a quarter less rate reviews than those filed in the last three years. At the end of the year, there were 18 pending rate reviews and 53 rate reviews decided. This measured pace of filings is likely due to the economic impacts of the pandemic.
- For 2020, the average awarded ROE was 9.43%, continuing a negative trend. By way of comparison, for 2019, the average awarded ROE was 9.64%. On average, awarded ROE in 2020 was approximately 30 basis points lower than the average requested ROE. Consistent with declining interest rates, average awarded ROEs have been trending downward for the electric industry over the past four decades. In addition, the increased use of adjustment and cost recovery mechanisms, which arguably reduce risk of recovery for utilities, have often been cited by commissions as contributing to lower authorized ROEs. Going forward, it is reasonable to expect that ROEs will remain lower due to the sustained low interest rate environment combined with current economic conditions as a result of the pandemic.

- Regulatory lag was approximately 8.93 months, which is slightly higher than the last 2 years; but well within the historic average. Although there were fewer rate reviews filed in 2020 compared with previous years, commission agendas were filled with numerous other regulatory filings including those related to COVID. Many commissions also delayed or postponed hearings and working groups in the first few months of the year and ultimately shifted to virtual meetings.

For 2021, it is anticipated that there will be more rate reviews filed than in 2020. It is also expected that the following rate review trends seen in 2020 will continue or even accelerate in 2021.

- **COVID-Related Matters** – Disconnection moratoria and recovery of COVID-related costs will still be a major focus for commissions in 2021. The impacts of the pandemic were already documented in a number of rate reviews decided in 2020. Accordingly, electric companies in Hawaii, Maryland, and New York have either agreed to no revenue increase, reduced the requested increase amount, or delayed approved revenue increases because of the current financial hardships of many of their customers.

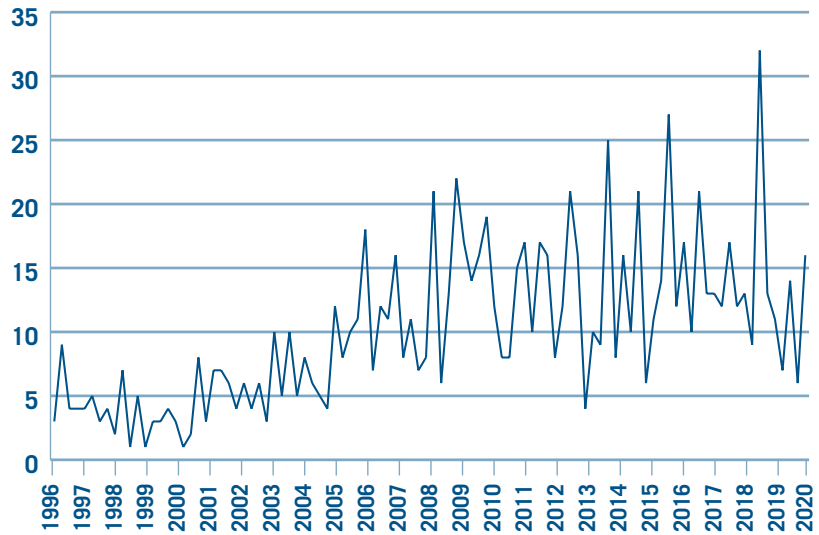
- **Accelerated Clean Energy Transition and Cost Recovery** – Momentum for increased clean energy and carbon-free resources was strong in 2020. Industry dynamics are rapidly changing and in response to this shift, nearly all EEI members have made or updated commitments to reducing their carbon emissions. This shift will require the industry to address numerous issues, chief among them how to retire previously approved carbon intense resources while transitioning to cleaner generation and, at the same time, ensuring cost recovery at just and reasonable rates. The tools with which the electric industry will address this transition are changing and varied as well. Some states have preferred and approved securitization while others have allowed the use of accelerated depreciation or other adjustment mechanisms.



■ **Alternative Regulation** – Due to the rapid transition described above, changing customer preferences, and recognition that charging rates on volumetric throughput does not adequately correlate to cost causation, regulators (and legislators) increasingly recognize that the traditional regulatory framework must continue evolving to enhance the ability of electric companies to meet customer expectations. Alternative regulation as a concept is not new; however, its application varies by state. For example, Maryland recently passed legislation allowing multi-year rate plans, as a pilot, and in 2020 the Commission approved Baltimore Gas & Electric’s pilot program. For the electric industry to get as clean as it can, as fast as it can, while maintaining reliability and affordability, alternative regulation mechanisms will likely need to be utilized more going forward.

## Number of Rate Reviews Filed 1996–2020

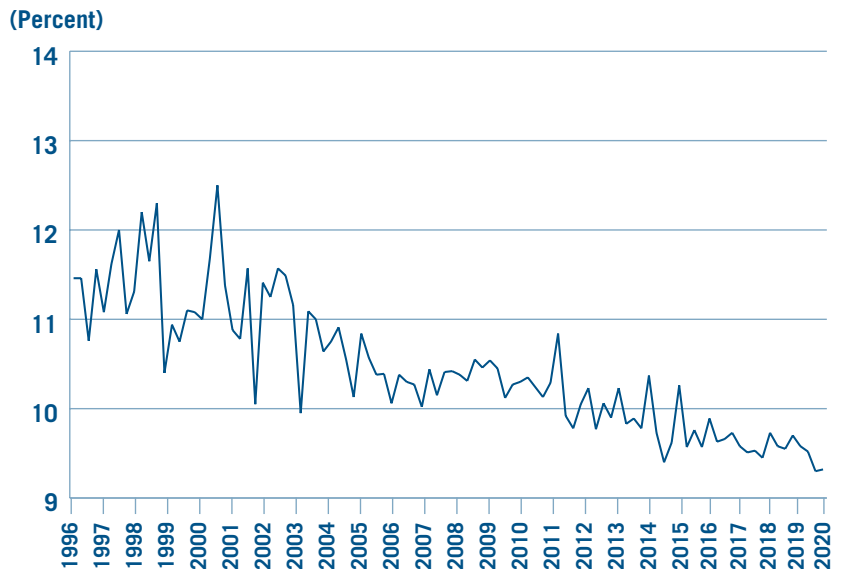
U.S. INVESTOR-OWNED ELECTRIC UTILITIES



Source: S&P Global Market Intelligence/Regulatory Research Assoc. and EEI Finance Department.

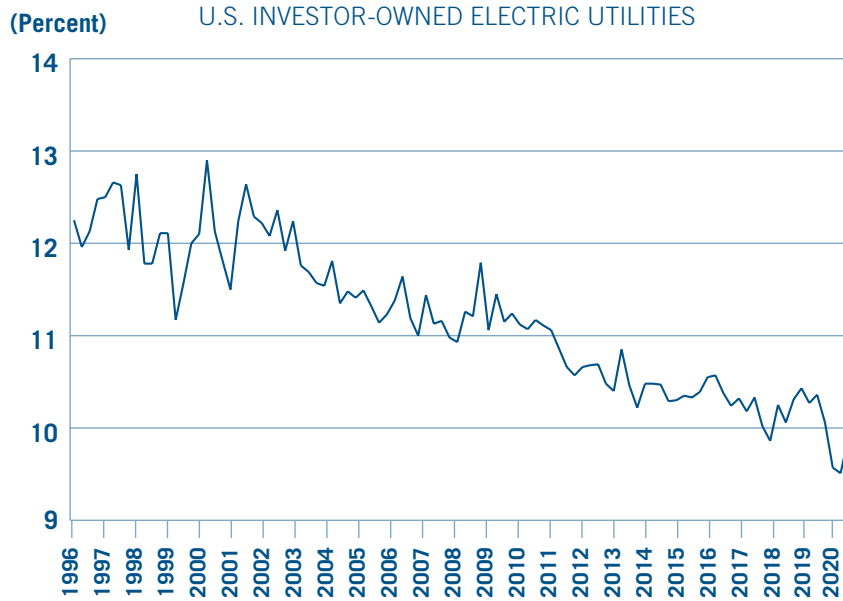
## Average Awarded ROE 1996-2020

U.S. INVESTOR-OWNED ELECTRIC UTILITIES



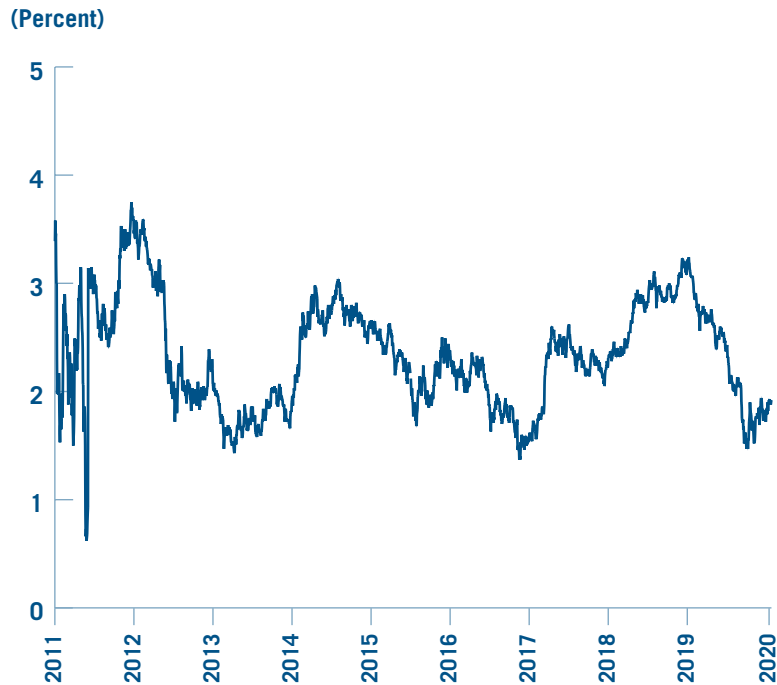
Source: S&P Global Market Intelligence/Regulatory Research Assoc. and EEI Finance Department.

## Average Requested ROE 1996–2020



Source: S&P Global Market Intelligence/Regulatory Research Assoc. and EEI Finance Department.

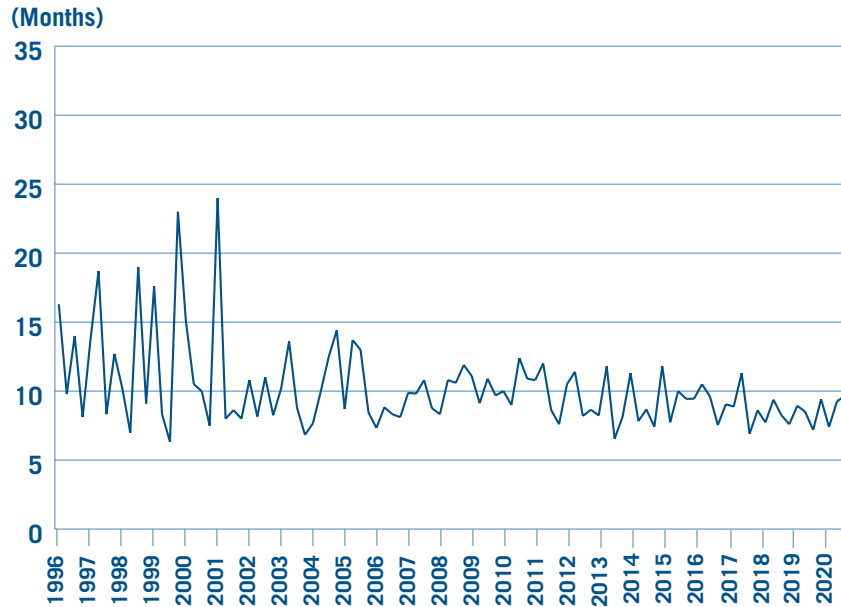
## 10-Year Treasury Yield 1/1/11 through 12/31/20



Source: U.S. Federal Reserve.

## Average Regulatory Lag 1996–2020

U.S. INVESTOR-OWNED ELECTRIC UTILITIES



Source: S&P Global Market Intelligence/Regulatory Research Assoc. and EEI Finance Department.

# Finance, Accounting, and Investor Relations

The Finance, Accounting, and Investor Relations teams are part of EEI's Business Operations Group. This division provides the leadership and management for advocating industry policies, technical research, and enhancing the capabilities of individual members through education and information sharing. The division's leadership is used in areas that affect the financial health of the investor-owned electric utility industry, such as finance, accounting, taxation, internal auditing, investor relations, risk management, and budgeting and financial forecasting. If you need research information about these issue areas, please contact an EEI Finance, Accounting, or Investor Relations staff member (listed in this section). Under the direction of both the Finance and the Accounting Executive Advisory Committees, the division provides staff representatives to work with issue area committees. These committees give member company personnel a forum for information exchange and training and an opportunity to comment on legislative and regulatory proposals.

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## Publications

### Quarterly Financial Updates

A series of financial reports on the investor-owned segment of the electric utility industry. Quarterly Financial Update (QFU) reports include stock performance, dividends, credit ratings, and rate review summary.

### Financial Review

An annual report that provides a review of the financial performance of the investor-owned electric utility industry including the QFU topics mentioned above as well as the industry's consolidated financial statements. The report also includes an analysis in the areas of business segmentation, mergers & acquisitions, construction and fuel use by electric utilities.

### EEI Index

Quarterly stock performance of the U.S. investor-owned electric utilities. The EEI index, which measures total return and provides company rankings for year to date and trailing one-year periods, is widely used in company proxy statements and for overall industry benchmarking.

### Executive Accounting News Flash

Published quarterly and distributed to members of accounting committees, this update provides current information about the impact on our companies of evolving accounting and financial reporting issues. The News Flash is prepared jointly with AGA by the Utility Industry Accounting Fellow in coordination with our accounting staff in order to keep members informed on proposed and newly effective requirements from key accounting standard-setters.

### Introduction to Depreciation for Utilities and Other Industries

Updated in 2013, the latest edition of this book serves as a primer on the concepts of depreciation accounting including fundamental principles, life analysis techniques, salvage and cost of removal analysis methods and depreciation rate calculation formulas and examples. The 2013 edition features updated chapters on Tax Depreciation, Accounting for Asset Retirement Obligations (AROs) and includes a new chapter on Depreciation in an IFRS Environment.

### Industry directories published by the Business Services and Finance Division:

- Electric Utility Investor Relations Executives Directory
- Accounting and Internal Audit Directory

For more information, please visit the EEI website at: [www.eei.org](http://www.eei.org).

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## Conference Highlights

### Financial Conference

This three-day conference is the premier annual fall gathering of utilities and the financial community; it is attended by more than 1,000 senior executives, including utility CEOs, CFOs, treasurers, investor relations executives, and Wall Street investment analysts, portfolio managers, commercial and investment bankers and the rating agencies. The General Sessions cover topics of strategic interest to the industry and financial community. Contact Devin James or Aaron Cope for more information.

### Chief Financial Officers' Forum

This forum is held once a year in the fall in conjunction with the EEI Financial Conference. The forum provides an opportunity for chief financial officers to identify and discuss critical issues and challenges impacting the financial health of the electric utility industry. The forum is open to member company chief financial officers only. Contact Devin James or Aaron Cope for more information.

### Finance Committee Meeting

This day and a half meeting is held in the spring or summer. The meeting covers current and emerging industry issues critical to the electric power industry. It also provides an opportunity for utility financial officers to identify best practices and share management skills that contribute to financial performance. Contact Devin James or Aaron Cope for more information.

### Investor Relations Meeting

This one-day meeting is held in the spring. Executives gain insight on current and evolving industry issues, analysts' perspectives on the industry and have an opportunity to identify and share IR best practice concepts within and outside the electric utility industry. Contact Devin James or Aaron Cope for more information.

### Treasury Group Meeting

Half day meetings are held in the spring and the fall annually. Discussion is focused on pension funding, capital markets and economic and regulatory impacts on debt and equity issuances. Members are provided an opportunity to share and identify best practices beneficial to the well-being of the industry. Contact Devin James or Aaron Cope for more information.

### Accounting Leadership Conference

This annual meeting, held jointly with the Chief Audit Executives and their counterparts from AGA, covers current accounting, finance, business, and management issues for the Chief Accounting Officers and key accounting leadership of EEI member companies. Contact Randall Hartman for more information.

### Chief Audit Executives Conference

This annual conference provides a forum for EEI and AGA Chief Audit Executives to discuss issues and challenges and exchange ideas on utility-specific internal auditing topics. The conference is open to members of the Internal Auditing Committee and other employees of EEI/ AGA member companies designated by the CAE. Contact Dave Dougher for more information.

### EEI Accounting Standards Committee

Provides a forum for technical accounting, accounting research, financial reporting, and other interested member-company accounting leaders and staff, to update their knowledge on emerging accounting standards, implementation issues associated with newly issued standards, and other technical and business issues. This Committee meets in conjunction with the Spring Accounting Conference. Contact Randall Hartman for more information.

### **Spring and Fall Accounting Conferences**

Hosted by the EEI Corporate Accounting Committee, the Property Accounting & Valuation Committee, the Accounting Standards Committee, the Budgeting & Financial Forecast Committee and the AGA Accounting Services Committee, the conference provides a forum for members to discuss current issues and challenges and exchange ideas in the electric and natural gas utility industries. The spring meeting is intended for all aforementioned committees, while the fall meeting is designed for the Corporate Accounting Committee and the Property Accounting & Valuation Committee. The meetings are open to members of the Committees and other employees of EEI/AGA member companies. Contact Dave Dougher for more information.

### **Tax School**

Provides utility tax professionals with a forum to discuss developing tax issues impacting our member companies. This two and half day training is held every other year in the spring and is targeted for intermediate-level personnel. Contact Mark Agnew for more information.

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## **Accounting Courses**

### **Introduction to Public Utility Accounting**

This 4-day program, offered jointly with AGA, concentrates on the fundamentals of public utility accounting. It focuses on providing basic knowledge and a forum for understanding the elements of the utility business. It is intended primarily for recently hired electric and gas utility staff in the areas of accounting, auditing, and finance. Contact Randall Hartman or Dave Dougher for more information.

### **Advanced Public Utility Accounting**

This intensive, 4-day course, jointly sponsored with AGA, focuses on complex and specific advanced accounting and industry topics. It addresses current accounting issues including those related to deregulation and competition, as they affect regulated companies in the changing and increasingly competitive environment of the electric and gas utility industries. Contact Randall Hartman or Dave Dougher for more information.

### **Property Accounting & Depreciation Training Seminar**

This is a one and a half day seminar offered jointly with AGA that provides an introduction to property accounting and depreciation in the electric and natural gas utility industries. Contact Dave Dougher for more information.

### **Utility Internal Auditor's Training**

Provides utility staff auditors, managers, and directors with the fundamentals of public utility auditing and specific utility audit/accounting issues including advanced internal auditing topics and is presented jointly by EEI and AGA – convenes for two and one-half days. Contact Randall Hartman or Dave Dougher for more information.

### **Additional Training Opportunities**

Provides additional training opportunities as appropriate, such as Accounting for Energy Derivatives and FERC Accounting. Contact Randall Hartman or Dave Dougher for more information.

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## The EEI Business Services and Finance Division Staff

**Richard McMahon**

Senior Vice President, Energy  
Supply and Finance  
(202) 508-5571  
rmcmahon@eei.org

**Irene Ybadlit**

Senior Coordinator, Energy Supply  
and Finance  
(202) 508-5502  
iybadlit@eei.org

**Financial Analysis****Mark Agnew**

Senior Director, Financial Analysis  
(202) 508-5049  
magnew@eei.org

**Michael Buckley**

Director, Financial Analysis  
(202) 508-5614  
mbuckley@eei.org

**Business Analytics****Bill Pfister**

Senior Director, Business Analytics  
202-508-5531  
bpfister@eei.org

**Steve Frauenheim**

Senior Manager, Business Analytics  
202-508-5580  
sfrauenheim@eei.org

**Wenni Zhang**

Senior Financial and  
Business Analyst  
202-508-5142  
wzhang@eei.org

**Accounting****Randall Hartman**

Director, Accounting  
(202) 508-5494  
rhartman@eei.org

**Dave Dougher**

Senior Manager, Accounting  
(202) 508-5570  
ddougher@eei.org

**Kim King**

Administrative Assistant  
(202) 508-5493  
kking@eei.org

**Investor Relations****Devin James**

Director, Investor Relations,  
Finance & ESG  
(202) 508-5057  
djames@eei.org

**Aaron Cope**

Senior Investor Relations Specialist  
(202) 508-5127  
acope@eei.org

## Edison Electric Institute Schedule of Upcoming Meetings

To assist in planning your schedule, here are upcoming meetings related to finance and accounting that may be of interest to you. For further details, please contact Devin James at (202) 508-5057, Aaron Cope at (202) 508-5127, Randall Hartman (202) 508-5494, or Dave Dougher (202) 508-5570.

### August 23-25, 2021

#### EEI-AGA Utility Internal Auditor's Training Course

Loews Atlanta  
Atlanta, Georgia

### August 23-26, 2021

#### EEI-AGA Introduction to Public Utility Accounting and Advanced Public Utility Accounting Training Courses

Loews Atlanta  
Atlanta, Georgia

### November 7-9, 2021

#### EEI Financial Conference

Diplomat Beach Resort Hollywood  
Hollywood, FL

### November 7, 2021

#### EEI Treasury Group Meeting

*(Closed meeting, admittance  
by invitation only)*

JW Marriott Desert Ridge  
Resort & Spa  
Phoenix, Arizona

### November 7, 2021

#### Chief Financial Officers Forum

*(Closed meeting, admittance  
by invitation only)*

JW Marriott Desert Ridge  
Resort & Spa  
Phoenix, Arizona

### November 14-17, 2021

#### Fall Accounting Conference and Property Accounting & Depreciation Training

Disney's Grand Floridian  
Lake Buena Vista, Florida

### November 17-18, 2021

#### Property Accounting & Depreciation Training Seminar

Disney's Grand Floridian  
Lake Buena Vista, Florida

### Date To Be Announced

#### Investor Relations Planning Group Meeting

*(Closed meeting, admittance  
by invitation only)*

Hyatt Centric Times Square  
New York  
New York, New York

### Date To Be Announced

#### Wall Street Advisory Group Meeting

*(Closed meeting, admittance  
by invitation only)*

Hyatt Centric Times Square  
New York  
New York, New York

### May 22-25, 2022

#### Spring Accounting Conference

Hyatt Regency Tamaya Resort  
Santa Ana Pueblo, New Mexico

### June 12-15, 2022

#### EEI-AGA Accounting Leadership Conference

Hyatt Regency Tamaya Resort  
Santa Ana Pueblo, New Mexico



## Earnings Twelve Months Ending December 31

U.S. INVESTOR-OWNED ELECTRIC UTILITIES

(\$ Millions)	2020	2019r
<b>Earnings Excluding Non-Recurring and Extraordinary Items</b>	<b>54,359</b>	<b>49,148</b>
<b>Non-Recurring Items (pre-tax)</b>		
Gain on Sale of Assets	566	3,049
Other Non-Recurring Revenues	—	117
Asset Write-downs	(8,657)	(3,470)
Other Non-Recurring Expenses	(7,518)	(13,034)
<b>Total Non-Recurring Items</b>	<b>(15,609)</b>	<b>(13,337)</b>
<b>Extraordinary Items (net of taxes)</b>		
Discontinued Operations	(122)	1,243
Change in Accounting Principles	—	—
Early Retirement of Debt	—	—
Other Extraordinary Items	—	—
<b>Total Extraordinary Items</b>	<b>(122)</b>	<b>1,243</b>
<b>Net Income</b>	<b>38,627</b>	<b>37,053</b>
<b>Total Non-Recurring and Extraordinary Items</b>	<b>(15,731)</b>	<b>(12,094)</b>

r = revised Note: Totals may reflect rounding.

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

# U.S. Investor-Owned Electric Utilities

(At 12/31/2020)

ALLETE, Inc.	Edison International	PG&E Corporation
Alliant Energy Corporation	Entergy Corporation	Pinnacle West Capital Corporation
Ameren Corporation	Eversource Energy	PNM Resources, Inc.
American Electric Power Company, Inc.	Exelon Corporation	Portland General Electric Company
AVANGRID, Inc.	FirstEnergy Corp.	PPL Corporation
Avista Corporation	Hawaiian Electric Industries, Inc.	Public Service Enterprise Group Inc.
<i>Berkshire Hathaway Energy</i>	IDACORP, Inc.	<i>Puget Energy, Inc.</i>
Black Hills Corporation	MDU Resources Group, Inc.	Sempra Energy
CenterPoint Energy, Inc.	MGE Energy, Inc.	Southern Company
<i>Cleco Corporate Holdings LLC</i>	NextEra Energy, Inc.	The AES Corporation *
CMS Energy Corporation	NiSource Inc.	<i>DPL Inc.</i>
Consolidated Edison, Inc.	NorthWestern Corporation	<i>IPALCO Enterprises, Inc.</i>
Dominion Energy, Inc.	OGE Energy Corp.	Unitil Corporation
DTE Energy Company	Otter Tail Corporation	WEC Energy Group, Inc.
Duke Energy Corporation		Xcel Energy Inc.

Note: This list includes 39 publicly traded U.S. electric utility holding companies plus an additional five electric utilities (shown in italics) that are not listed on U.S. stock exchanges because they are owned by holding companies not primarily engaged in the business of providing retail electric distribution services in the United States.

\* The AES Corporation is not included in the count of 39, but rather its two U.S. electric utility subsidiaries are included in the group of five italicized companies.

## Other EEI Member Companies

Alaska Power & Telephone Company	Green Mountain Power	Tampa Electric an Emera Company
American Transmission Company	ITC Holdings Corp.	UGI Corporation
Central Hudson Gas & Electric Corp.	Liberty Utilities	UNS Energy Corporation
Cross Texas Transmission	Mt. Carmel Public Utility Company	Upper Peninsula Power Company
Duquesne Light Company	National Grid	Vermont Electric Power Company
El Paso Electric	Ohio Valley Electric Corporation	
Florida Public Utilities	Sharyland Utilities	

Note: These companies are not included in the EEI Financial Review data sets for one of the following reasons: they do not provide retail electric distribution service (i.e., transmission-only), they are subsidiaries of foreign-owned companies, they are not traded on a major U.S. stock exchange, or they are owned by a non-utility holding company and the granularity of publicly available financial data is insufficient.



The **Edison Electric Institute** (EEI) is the association that represents all U.S. investor-owned electric companies. Our U.S. members provide electricity for 220 million Americans and operate in all 50 states and the District of Columbia. EEI also has dozens of international electric companies as International Members, and hundreds of industry suppliers and related organizations as Associate Members.

Safe, reliable, affordable, and increasingly clean energy enhances the lives of all Americans and powers the economy. As a whole, the electric power industry supports more than 7 million jobs in communities across the United States and contributes 5 percent to the nation's GDP.

Organized in 1933, EEI provides public policy leadership, strategic business intelligence, and essential conferences and forums.

For more information, visit our Web site at [www.eei.org](http://www.eei.org).



**Edison Electric Institute**  
701 Pennsylvania Avenue, NW  
Washington, DC 20004-2696  
202-508-5000 | [www.eei.org](http://www.eei.org)