

Stock Performance

HIGHLIGHTS

■ All market sectors except Oil & Gas ended Q3 in the red. The EEI Index (-10.3%) tracked the broader utilities sector (-9.1%). Defensive niches such as telecom (-6.3%) and consumer goods (-6.4%) also underperformed.

■ Strong economic and sticky inflation data drove the U.S. 10-year yield up from 3.7% in mid July to 4.7% by late September. Wall Street research in Q3 placed most of the blame for utility share declines on the sharp move higher in interest rates.

■ Lower share prices clouded but did not obscure the industry's long-term tailwinds: political/regulatory support for clean energy, solid secular demand from economic development and broadened electrification (such as EVs), and generally fair and balanced regulation.

■ Autumn conferences and Q3 earnings calls in October/November are each year's highest-profile venues for discussion of industry themes and outlooks. What is said will shape utility share price moves in Q4 and set the tone for 2024.

COMMENTARY

Major U.S. equity indices posted slight negative returns in Q3 after three straight quarters of gains. The Dow Jones Industrials returned -2.1%, the S&P 500 returned -3.3% and the Nasdaq Composite lost 4.1%. All market sectors except Oil & Gas (+11.9%) ended Q3 in the red. The EEI Index (-10.3%) tracked the broader utilities sector (-9.1%) while other defensive market niches such as telecom (-6.3%) and consumer goods (-6.4%) also underperformed.

Pundits cited investor enthusiasm over the commercialization potential of artificial intelligence (AI) and machine

I. Index Comparison (% Return)

Index	2017	2018	2019	2020	2021	2022	2023*
EEI Index	11.7	3.7	25.8	-1.2	17.1	1.2	-15.5
Dow Jones Ind.	28.1	-3.5	25.3	9.7	21.0	-7.0	2.7
S&P 500	21.8	-4.4	31.5	18.4	28.7	-18.3	13.1
Nasdaq Comp. ^	28.2	-3.9	35.2	43.6	21.4	-33.5	26.3

Calendar year returns shown for all periods, except where noted.

*9 mo. through September 30.

^Price gain/loss only. Other indices show total return.

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

II. Category Comparison (% Return)

U.S. Investor-Owned Electric Utilities

Index	2017	2018	2019	2020	2021	2022	2023*
All Companies	11.6	4.3	23.1	-8.1	17.6	2.7	-13.3
Regulated	11.7	4.5	24.6	-9.0	16.7	3.6	-11.0
Mostly Regulated	11.3	3.6	17.9	-4.9	21.1	-1.1	-29.0

Calendar year returns shown for all periods except where noted.

Returns shown here are unweighted averages of constituent company returns.

The EEI Index return shown in Table I above is cap-weighted.

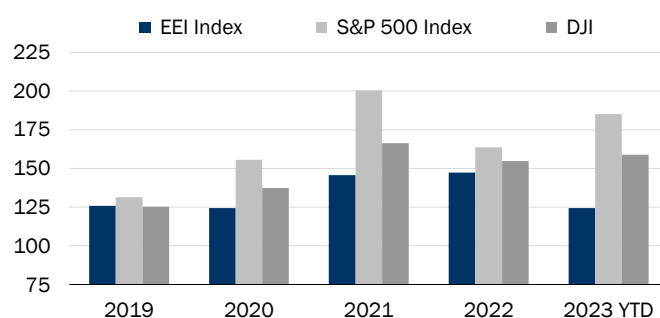
*9 mo. through September 30.

Note: Diversified category eliminated in 2017 due to lack of constituent companies.

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

III. Total Return Comparison

Value of \$100 invested at close on 12/31/2018



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

IV. 10-Year Treasury Yield — Monthly

Average Monthly Yield, 1/1/1981 through 9/30/2023



Source: U.S. Federal Reserve

V. 10-Year Treasury Yield — Weekly

Weekly Yield, 1/1/2009 through 9/30/2023



Source: U.S. Federal Reserve

VI. Natural Gas Spot Prices

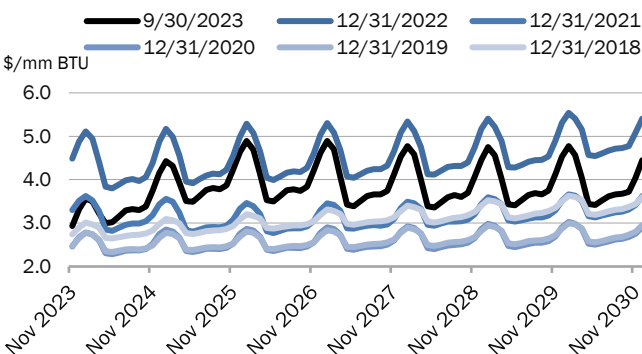
1/1/2012 through 6/30/2023, Henry Hub



Source: S&P Global Market Intelligence

VII. NYMEX Natural Gas Futures

11/2023 through 12/2030, Henry Hub



Source: S&P Global Market Intelligence

VIII. Returns by Quarter

U.S. Investor-Owned Electric Utilities

Index	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3
EEl Index	6.5	3.0	-0.7	1.4	12.9	4.8	-4.9	-6.7	8.8	-2.9	-3.0	-10.3
Dow Jones Industrial	10.7	8.3	5.1	-1.5	7.9	-4.0	-10.9	-6.2	15.8	0.9	4.0	-2.1
S&P 500	12.2	6.2	8.6	0.6	11.0	-4.6	-16.1	-4.9	7.3	7.5	8.7	-3.3
Nasdaq Comp. [^]	15.4	2.8	9.5	-0.4	8.3	-9.0	-23.0	-3.5	-1.6	16.8	12.8	-4.1

Category*	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3
All Companies	8.8	6.0	0.3	-0.7	11.5	5.2	-3.8	-8.3	10.7	-0.5	-2.7	-10.5
Regulated	8.6	4.8	0.3	-0.7	11.9	6.4	-3.6	-8.2	10.0	0.0	-2.5	-8.7
Mostly Regulated	9.3	10.6	0.3	-0.8	10.1	0.0	-5.0	-9.0	14.3	-3.8	-3.9	-23.3

[^]Price gain/(loss) only. Other indices show total return. / * Returns shown here are unweighted averages of constituent company returns. The EEl Index return shown above is cap-weighted. Source: EEl Finance Department, S&P Global Market Intelligence

IX. Sector Comparison, Trailing 3 mo. Total Return

For the three-month period ending 9/30/2023

Sector	Total Return
Oil & Gas	11.9%
Financials	-1.7%
Healthcare	-3.1%
Technology	-3.4%
Consumer Services	-4.2%
Industrials	-4.7%
Basic Materials	-5.0%
Telecommunications	-6.3%
Consumer Goods	-6.4%
Utilities	-9.2%
EEl Index	-10.3%

Note: Sector Comparison page based on the Dow Jones U.S. Indexes, which are market-capitalization-weighted indices.

Source: EEl Finance Dept., Dow Jones & Company, Google Finance, Y Charts

X. Sector Comparison, Trailing 12 mo. Total Return

For the twelve-month period ending 9/30/2023

Sector	Total Return
Technology	43.9%
Oil & Gas	27.6%
Industrials	20.5%
Basic Materials	18.9%
Consumer Services	17.7%
Financials	12.5%
Consumer Goods	7.4%
Healthcare	7.4%
Telecommunications	-2.1%
Utilities	-6.9%
EEl Index	-8.1%

Note: Sector Comparison page based on the Dow Jones U.S. Indexes, which are market-capitalization-weighted indices.

Source: EEl Finance Dept., Dow Jones & Company, Google Finance, Y Charts

XI. Market Capitalization at September 30, 2023 (in \$ Millions)

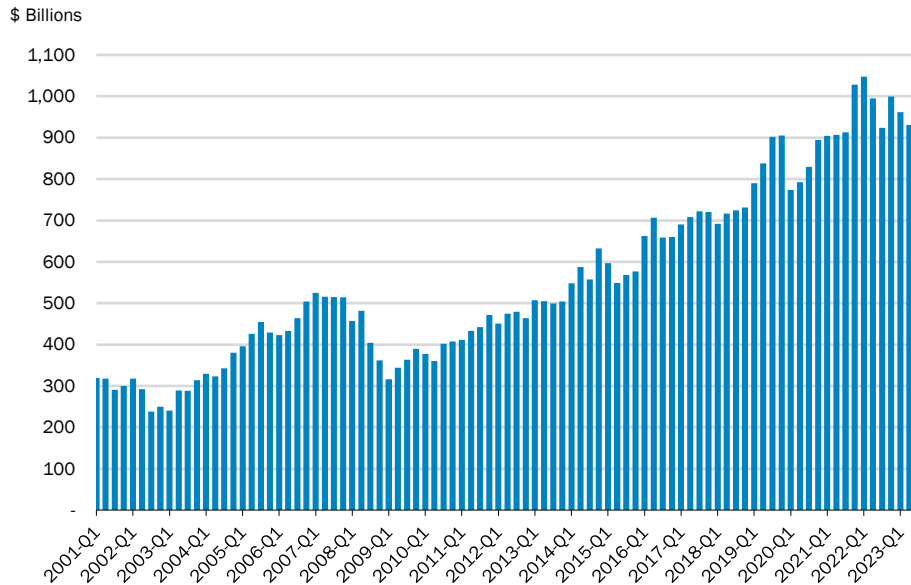
U.S. Investor-Owned Electric Utilities

Company	Stock Symbol	\$ Market Cap	% Total	Company	Stock Symbol	\$ Market Cap	% Total
NextEra Energy, Inc.	NEE	115,840	13.98%	CMS Energy Corporation	CMS	15,450	1.86%
Southern Company	SO	70,674	8.53%	Alliant Energy Corporation	LNT	12,195	1.47%
Duke Energy Corporation	DUK	68,048	8.21%	AVANGRID, Inc.	AGR	11,668	1.41%
Sempra Energy	SRE	42,860	5.17%	Evergy, Inc.	EVRG	11,666	1.41%
American Electric Power Co., Inc.	AEP	38,729	4.67%	NiSource Inc.	NI	10,200	1.23%
Exelon Corporation	EXC	37,601	4.54%	Pinnacle West Capital Corp.	PNW	8,356	1.01%
Dominion Energy, Inc.	D	37,344	4.51%	OGE Energy Corp.	OGE	6,676	0.81%
PG&E Corporation	PCG	32,566	3.93%	IDACORP, Inc.	IDA	4,750	0.57%
Xcel Energy Inc.	XEL	31,528	3.80%	MDU Resources Group, Inc.	MDU	3,987	0.48%
Consolidated Edison, Inc.	ED	29,585	3.57%	Portland General Electric Co.	POR	3,930	0.47%
Public Service Enter. Group Inc.	PEG	28,284	3.41%	PNM Resources, Inc.	PNM	3,840	0.46%
WEC Energy Group, Inc.	WEC	25,405	3.07%	Black Hills Corporation	BKH	3,369	0.41%
Edison International	EIX	24,240	2.93%	Otter Tail Corporation	OTTR	3,164	0.38%
DTE Energy Company	DTE	20,452	2.47%	ALLETE, Inc.	ALE	3,025	0.37%
Eversource Energy	ES	20,321	2.45%	NorthWestern Corporation	NWE	2,874	0.35%
Ameren Corporation	AEE	19,650	2.37%	MGE Energy, Inc.	MGEE	2,478	0.30%
FirstEnergy Corp.	FE	19,585	2.36%	Avista Corporation	AVA	2,460	0.30%
Entergy Corporation	ETR	19,559	2.36%	Hawaiian Electric Industries, Inc.	HE	1,349	0.16%
PPL Corporation	PPL	17,365	2.10%	Unitil Corporation	UTL	683	0.08%
CenterPoint Energy, Inc.	CNP	16,944	2.04%	Total Industry		828,704	100.00%

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

XII. EEI Index Market Capitalization (at Period End)

U.S. Investor-Owned Electric Utilities



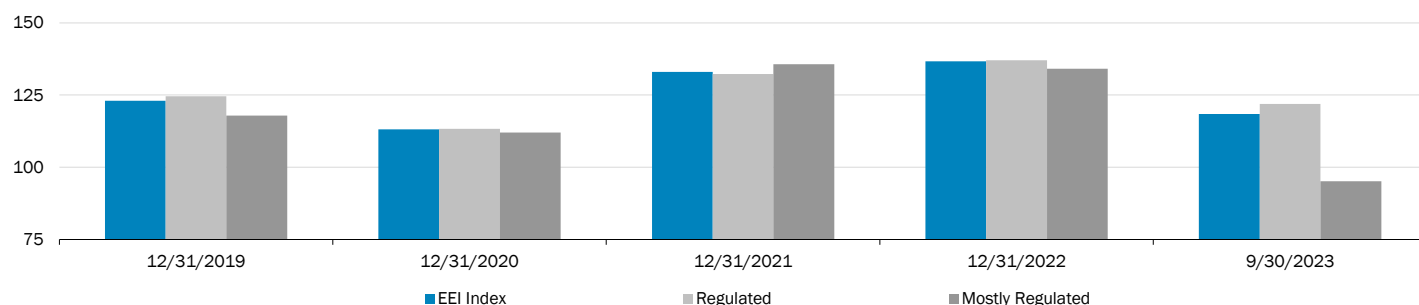
EEI Index Market Cap (in \$ Billions)			
2007-Q4	514	2015-Q4	577
2008-Q1	457	2016-Q1	663
2008-Q2	482	2016-Q2	706
2008-Q3	404	2016-Q3	659
2008-Q4	362	2016-Q4	660
2009-Q1	316	2017-Q1	690
2009-Q2	344	2017-Q2	708
2009-Q3	363	2017-Q3	722
2009-Q4	390	2017-Q4	720
2010-Q1	377	2018-Q1	692
2010-Q2	360	2018-Q2	716
2010-Q3	402	2018-Q3	725
2010-Q4	407	2018-Q4	731
2011-Q1	411	2019-Q1	790
2011-Q2	433	2019-Q2	838
2011-Q3	442	2019-Q3	902
2011-Q4	472	2019-Q4	905
2012-Q1	451	2020-Q1	773
2012-Q2	475	2020-Q2	792
2012-Q3	480	2020-Q3	830
2012-Q4	464	2020-Q4	894
2013-Q1	507	2021-Q1	905
2013-Q2	505	2021-Q2	907
2013-Q3	500	2021-Q3	913
2013-Q4	504	2021-Q4	1,028
2014-Q1	548	2022-Q1	1,047
2014-Q2	588	2022-Q2	995
2014-Q3	557	2022-Q3	924
2014-Q4	632	2022-Q4	1,000
2015-Q1	597	2023-Q1	962
2015-Q2	549	2023-Q2	931
2015-Q3	568	2023-Q3	829

Note: Change in EEI Index market capitalization reflects the impact of buyout and spin-off activity in addition to stock market performance.

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

XIII. Comparative Category Total Annual Returns

U.S. Investor-Owned Electric Utilities, Value of \$100 invested at close on 12/31/2018



	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	9/30/2023
EEI Index Annual Return (%)		23.06	(8.07)	17.62	2.74	(13.33)
EEI Index Cumulative Return (\$)	100.00	123.06	113.12	133.05	136.69	118.47
Regulated EEI Index Annual Return		24.56	(9.01)	16.72	3.59	(11.02)
Regulated EEI Index Cumulative Return	100.00	124.56	113.33	132.28	137.03	121.94
Mostly Regulated EEI Index Annual Return		17.87	(4.95)	21.09	(1.15)	(29.04)
Mostly Regulated EEI Index Cumulative Return	100.00	117.87	112.04	135.67	134.12	95.17

Calendar year returns shown, except where noted.
Diversified category eliminated in 2017 due to lack of constituent companies.
Returns are unweighted averages of constituent company returns.

learning (ML) as one trigger for the tech-focused market gains this year. Excitement grew in part from ChatGPT (created by the OpenAI consortium) as an interactive Q&A web search engine powered by natural language processing (NLP) algorithms. Microsoft and Google have also introduced AI-powered web search products. This AI/ML-fueled rally drove the Nasdaq Composite up 31% and the S&P 500 up 17% in 2023's first half.

Economic Strength Allays Recession Fears

Recession fears that colored economic outlooks as the year began melted in the face of surprisingly strong data as 2023 evolved. Estimated Q1 real gross domestic product (GDP) rose from a first estimate of 1.1% in late April to a second estimate of 1.3% in May to 2.0% by late June. In late August, Q2 real GDP was estimated to have risen 2.1%, a reading confirmed by late September's second estimate. Many economists forecast real GDP in Q3 to rise 3.5% or more.

Monthly inflation numbers also improved enough to feed bullish spirits in 2023's first half; the broad CPI fell from 5.0% in April to 4.1% in May and to 3.0% in June. But Q3 produced stickier inflation numbers than expected, with CPI (ex the volatile food and energy component) tenaciously holding over 4%.

Bond Rates Jump in Q3

In a widely expected move, the Federal Reserve hiked overnight rates 25 basis points in July, to a range of 5.25% to 5.5%. But rising yields farther out the curve dominated in-

XIV. EEI Index Top Ten Performers

For the six-month period ending 9/30/2023

Company	% Return	Category
Otter Tail Corporation	31.6	R
Edison International	2.8	R
Pinnacle West Capital Corporation	0.2	R
PG&E Corporation	-0.8	R
MGE Energy, Inc.	-1.1	R
MDU Resources Group, Inc.	-3.6	MR
Public Service Enterprise Group Inc.	-4.5	R
PNM Resources, Inc.	-6.4	R
Southern Company	-6.6	R
NiSource Inc.	-7.4	R

Note: Return figures include capital gains and dividends.
R = Regulated, MR = Mostly Regulated
Source: EEI Finance Department

vestors' attention over the summer. The quarter's strong economic and sticky inflation data drove the U.S. 10-year yield up from 3.7% in mid July to 4.7% by late September, surprising markets which had expected a pull back. Wall Street pundits also attributed rising yields to bond investors' newfound exhaustion at Washington's big deficits and rising debt, which seem likely to rise further when the economy weakens. As Q3 ended, the long-term interest rate outlook was seen as more threatening with "higher for longer" cited as the new mantra to summarize prospects across the yield curve.

Interest Rate Move Dominates Utility Shares

Utility share prices have significantly underperformed major indices in 2023 (although other defensive sectors and bonds have also been weak). Wall Street research in Q3 placed most of the blame for the magnitude of utility underperformance on the sharp move higher in interest rates. Cash yields stuck at 0% pained savers almost continually from 2008 to the start of the Fed's rate hike cycle in early 2022. Utilities' 3% to 4% dividend yields were always far higher. Now cash offers a risk-free yield over 5%. Utilities offer hopes for earnings and dividend growth that cash does not, but that also comes with risks.

Fundamental Concerns Color Thinking

Concerns over fundamentals often trail rather than lead short-term investment returns. Sometimes there are interaction effects as well. Wall Street's utility research teams in Q3 grappled with a number of forces that weighed on utility stocks in addition to the valuation impact of higher interest rates on share prices.

Cost of Capital. Utilities are one of the most capital-intensive market sectors and rising interest rates impact cost of capital. Analyst research noted some utilities face the prospect of refinancing maturing debt over the next few years at what are likely to be much higher interest costs. And depressed share prices also raise the equity cost of capital for utilities. The last quarter of 2023 will be active for high profile rate reviews. Wall Street is closely watching for clues how commissions might react to the new "higher for longer" interest rate regime.

Wildfires. Wildfire risk was typically seen as a concern for California utilities. But Hawaii's August 2023 fires gained worldwide headlines. Utility analyst research in Q3 also cited wildfire risk in Oregon and Colorado, and noted investors' are now wary of fire risk to many small- to mid-sized utilities in fire-prone areas who lack the liquidity and balance sheet strength to easily manage through the fact-finding process. Investors tend to react in the near-term while the discovery process can be laborious and lengthy.

Inflation. Another Q3 theme was the threat of inflation on supply chains and utility labor costs. If inflation raises renewable build-out costs and threatens long-term capex planning utility growth plans may suffer. Related supply

chain bottlenecks may also delay construction. No one can predict inflation with any consistent success, so worries will linger as long as inflation data is elevated.

Citing headwinds from higher interest rates, NextEra Energy Partners (a yieldco focused on renewable generation partly owned and controlled by NextEra Energy) cut its dividend growth outlook in late September from a 12-15% range to 5-8%. While utility NextEra Energy's growth outlook was unchanged, its shares traded down in reaction as investors recognized renewable build-outs more broadly may be constrained by the same forces.

Investors and analysts in Q3 parsed utilities' earnings sources and outlooks for threats to 5-7% and 6-8% predicted earnings growth ramps common across the industry. Any new challenges to those outlooks will likely constrain share price rebounds even if interest rates fall.

Reasons for Optimism

Lower share prices clouded but did not obscure the industry's many long-term tailwinds. Reshoring of U.S. manufacturing promises to boost industrial demand while the digital economy, electric vehicles and electrification more broadly seem set to underpin long-term demand growth. Some utilities point to data centers as a new load source. Federal and state legislation remains broadly supportive of clean energy capex. State regulators seem to largely support utilities' role as project managers and executors of the nation's clean power agenda in a fair and balanced way. Analyst research in Q3 noted the long-term need for generation in many power markets.

Utilities' Q2 earnings calls (held in July/August) typically don't produce major changes in tone or outlook. The Q3 calls in October and November — with peak summer season complete — are more meaningful for guidance and outlook changes. The autumn is also conference season, where utility managements meet with investors for wide-ranging discussions about industry topics (EEI's Financial Conference occurs each November). These events and presentations are the next high-profile venues for deep dives into 2023's developments and their impact on the industry's future. What is said will shape utility share price moves in Q4 and set the tone for 2024. ■